

The Chelmsford Diocesan Board of Finance

Annual report and financial statements
For the year ended 31 December 2021

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INTRODUCTION

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,
- a Strategic Report under the Companies Act 2006 and
- a Trustees' Annual Report under the Charities Act 2011.

Legal Objects

The objects of the Diocese of Chelmsford cover the county of Essex, the unitary authorities of Southend and Thurrock, the five East London boroughs of Newham, Waltham Forest, Barking & Dagenham, Redbridge, and Havering, and a few parishes in South Cambridgeshire.

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

The CDBF has the following statutory responsibilities:

- i) the management of glebe property and investments to generate income to support the cost of stipends arising from the Endowment and Glebe Measure 1976;
- ii) the repair of benefice houses as the Diocesan Parsonage Board under the Repair of Benefice Buildings Measure 1972;
- iii) the management of investments and the custodianship of assets relating to church schools under the Diocesan Board of Education Measure 1991;
- iv) the custodianship 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 company are established by the Diocesan Synod on the advice of the Bishop's Council in communication with Deanery Synods, Parochial Church Councils (PCCs), and the Bishop of Chelmsford (in respect of their 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 discussions on strategic priorities and budgets.

Strategic Report

1. Strategic Aims

The Chelmsford Diocese Board of Finance (CDBF) is responsible for the custody and management of diocesan finances and the employment of CDBF staff.

The CDBF's purpose is to provide appropriate personnel and financial resources to assist the Diocesan Synod, Bishop's Council, deaneries and parishes to further the mission and strategic priorities in the Diocese.

In November 2012 the Diocesan Synod agreed *Transforming Presence*: strategic priorities to 2025. In November 2015 the Diocesan Synod reaffirmed the diocesan mission statement, "to be a *Transforming Presence* in every community" and the four strategic priorities:

- inhabiting the world distinctively
- evangelising effectively
- serving with accountability
- re-imagining ministry.

The *Transforming Presence* strategic priorities were reaffirmed and updated during 2018 and 2019 to explicitly include three particular priorities:

- The formation of 101 new Christian Communities in the next 10 years. This Church Planting priority has been significantly enhanced through support from the Church Commissioner's Strategic Development Fund (SDF).
- The development of our work with and for children, young people and families. Nationally this agenda is known as *Growing Faith*.
- A financial initiative under the title of *Subsidy to Sustainability* to address the growing general fund deficit.

These strategic aims and priorities remained in place in 2021. At the same time, our new Diocesan Bishop started a discernment process for the Diocese which will continue throughout 2022. This will inevitably lead to a review of *Transforming Presence*, particularly the more operational aspects. It is hoped that the diocese will be able to build on what has worked well and supported those who serve in local parishes and worshipping communities.

2. Objectives for the year

In response to the strategic priorities the specific objectives for the year have included the following:

- Continuing to support parish ministry through paying the costs of stipends and housing costs for clergy serving in the Diocese
- Resourcing mission and ministry in parishes and worshipping communities
 - Continued implementation of the Finance Action Plan; identifying new income streams and adopting total return accounting to reduce the deficit and increase funding available to support local parish ministry
 - Developing a new long term approach to Parish Share in order to encourage greater mutual support between parishes and increase funds to support local parish ministry
- Supporting mission and ministry in parishes and worshipping communities
 - Reform of ministerial development and training to support local ordained and lay ministry
 - Bringing together our Area youth ministry advisers into a single 'Mustard Seed Team' to strengthen support for local youth ministry
 - Strengthening the project management of our SDF-funded Church Plants

2. Objectives for the year (continued)

- Increasing focus of Diocesan services on local parish support including Safeguarding, Parish finance, communications and property
- Continuing to support parishes dealing with the impact of the COVID-19 pandemic on local communities and churches
- Continuing progress in social transformation including our initiatives with Citizens UK and work with refugees and the work of the Racial Justice Task and Finish Group
- Expanding our engagement with the 5th Mark of Mission and environmental issues following the General Synod resolution in February 2020 for carbon neutrality by 2030.

The main objective for the CDBF is to resource diocesan needs as determined by Synod and informed by local and national Church institutions, and to discharge its statutory functions.

Through carrying out these objectives and in promoting the whole mission of the Church (pastoral, evangelistic, social and ecumenical) the trustees are confident (having had regard to Charity Commission guidance) that CDBF delivers public benefit through community engagement, resourcing education and supporting those in need both spiritually and physically.

3. Activities and achievements in the year

Context

2021 was a year of significant challenge, particularly as we continued to respond to the COVID-19 Pandemic and its impact on our communities and churches. It was also a year of significant change in senior personnel.

COVID19

As we entered 2021, the country remained in lockdown and Essex and East London were experiencing some of the worst hospitalisation and fatality rates in the country. The pandemic and its impact on parishes and the communities we serve shaped 2021 and will continue to shape the life of our diocese for years to come.

Throughout the year our churches continued to respond in remarkable ways. Despite the closure of church buildings during the early part of 2021, many continued to offer online worship and increased their community engagement especially among the elderly and vulnerable. Not every church had the capacity to provide online worship but were able to point to other provision, such as the national Daily Hope phone line, the weekly reflections and video sermons or the daily worship streamed by Chelmsford Cathedral.

Many parishes have experienced significant loss of income which has highlighted the vulnerability of some funding streams. Those parishes where most worshippers give by standing order or direct debit have been affected to a much lesser extent. Those parishes that rely on cash offerings, fundraising or on income from hall lettings and events have been hardest hit. We are hugely grateful to those parishes who have done their best to maintain their payment of parish share, including those who have drawn on reserves.

Transitions in personnel

2021 was a year of significant change in senior personnel.

The Rt Revd Dr Guli Francis-Dehqani started her ministry as Bishop of Chelmsford on 19 April 2021 and was seated at Chelmsford Cathedral on 4 September 2021.

The Rt Revd Peter Hill retired as Bishop of Barking in August 2021. Bishop Peter had also served as Acting Diocesan Bishop before Bishop Guli's arrival. In November 2021 it was announced that the Revd Lynne Cullens would become the new Bishop of Barking having previously served as Rector of Stockport and Brinnington in the Diocese of Chester.

3. Activities and achievements in the year (continued)

The Venerable Mike Lodge, Archdeacon of Southend, retired from full time ministry and the Revd Canon Mike Power became Acting Archdeacon of Southend.

Michaela Southworth became Chief Executive and Diocesan Secretary, vacating the role of Director of Finance, in which role she was replaced by Emma Butler.

The Revd Canon Dr Roger Matthews who had most recently served as Acting Chief Executive and Diocesan Secretary, having previously served as Dean of Mission, Ministry and Education retired, as did Maureen Cole who had served as Interim Chief Operating Officer since Summer 2020.

The Revd Rob Merchant was appointed as the new Dean of Mission, Ministry and Education, arriving from his previous role as Director of St Mellitus College, Chelmsford.

The Diocesan Chancellor, the Worshipful George Pulman QC, sadly died after many years of service to the Diocese. The Deputy Chancellor, Philippa Hopkins QC has subsequently fulfilled the role and her permanent appointment as Chancellor has been announced

Resourcing mission and ministry in parishes and worshipping communities

The COVID-19 pandemic compounded the financial challenges already being faced by the diocese and 2021 saw some significant achievements in addressing those challenges as we strive to build solid foundations to fund parish mission and ministry for the future.

1. The Finance Action plan developed in 2020, continues to be implemented. The five components of the plan are:
 - a. Strengthen reserves
 - b. Increase revenue
 - c. Reduce costs
 - d. Improve the cash position
 - e. Capacity to deliver the plan
2. To support liquidity, we continued to draw on support from the Archbishop's Council – including a grant of £1 million to compensate COVID losses. This was additional to the £1 million grant we gratefully received in 2020.
3. We adopted a Total Return Accounting Policy which has allowed Endowment funds to provide increased support towards stipend costs compared to the previous policy of utilising income only. See note 27 on page 64.
4. Long term plans to reduce the total number of stipendiary clergy, which were accelerated as a consequence of the COVID-19 pandemic, continued to be implemented. This has been difficult and painful but has served to bring us to where we are today and we hope and pray that it will allow us to move forward, living within our means and providing a foundation on which to build a flourishing mission and ministry. There are still painful consequences that we must live with and there will still be difficult decisions ahead. Where that is the case, parishes will be more involved in discussion and discernment about how we can best deploy ministry across the communities we serve.
5. We have only replaced staff who have left when essential and, in some cases, have recruited part-time replacements.

3. Activities and achievements in the year (continued)

6. A consultation was launched in the Autumn to help us develop a long term approach to Parish Share. 522 people from 299 parishes participated in the consultation that we hope will result in a share scheme that encourages greater mutual support between parishes and reduces shortfall in parish share contribution.
7. The Generous God, Generous Disciples stewardship resource, launched in Advent 2020 continued into 2021 aimed at equipping parishes to teach about generosity and to provide skills and resources to help encourage and enable giving.

Supporting mission and ministry in parishes and worshipping communities

Support for clergy and lay ministers

- Mission and Ministry Units continue to be a valued means of enabling ministry. The Synod motion of all parishes to be in an MMU by the end of 2021 has not been met in part due to the continued impact of the COVID-19 pandemic.
- Ordination of 26 new deacons (stipendiary and non-stipendiary)
- Authorisation & Licensing of 6 new Licensed Lay Ministers (LLMs).
- 65 people graduated from the Course in Christian Studies (CCS) in July with 8 people receiving attendance certificates. In 2021 65 people started CCS, a number of courses have returned to being in person while some have remained online via Zoom

Support for children, young people and families ministry

- 2021 has been a year of embedding the Mustard Seed Team model of working across the diocese supporting children, families and youth ministry. The Mustard Seed Team brings together the Area Youth and Children's Advisers into a single Diocesan Team focused on providing diocese wide ministry whilst retaining support to individual episcopal areas.
- Young people continue to be served and supported through the Living Way, Youth Synod and Growing Young Leaders course.
- Training for lay people and clergy has been delivered by manna ministry training, work with Mission and Ministry and more informal parish and deanery events.
- One focus of work in 2021 has been to evaluate, update and streamline the social media and content on the diocesan website pages.
- Despite the challenges of staff changes and the pandemic, the team have been able to meet together regularly online and to offer retreats, training and 1-2-1 meetings online and in person.
- The Mustard Seed Team have worked well to offer advice and support across the diocese but have identified the need for another member of the team to be at full capacity.

Support for New Christian Communities

- Improved stronger governance and evaluation of our SDF church plants in partnership with the Strategic Development Unit now in place.
- Continued development of the School for Church Planting
- Successful application for £2.9m of funding to resource a third wave of planting in the Deanery of Newham.
- Tracking of lessons learned to feed back into future projects and wider across the diocese.
- Exploring what sustainability looks like for New Christian Communities post SDF funding
- Many projects have taken advantage of the offer of extended funding periods offered by Strategic development Unit due to covid.

3. Activities and achievements in the year (continued)

Schools

- Schools continued to manage significant disruption through the ongoing Covid-19 pandemic, this included rapid roll out of remote education, strategies to support recovery to pupils learning and management of high levels of staff and pupil absence.
- Take up of the Partnership Agreement among Church Schools remains high with 92% of schools subscribing to our offer providing them access to bespoke advice and support.
- The additional pressures and strains of leading during a global pandemic led to the introduction of a Headteacher 'Sabbath Day' in June. Held in Chelmsford Cathedral the Sabbath day offered leaders the opportunity to reflect and refresh away from the ongoing stresses of the school site. Feedback from the day was overwhelmingly positive.
- The launch of the Global Majority Education Association took place in Chelmsford Cathedral in November 2021.
- SIAMS and Ofsted inspections returned in the Autumn of 2021 with many of our schools receiving positive inspection outcomes.
- Appointment of a new Buildings Officer, Peter Palmer, following the retirement of Bryan Lester.
- Consultancy support provided to Essex SACRE to assist and prepare for the 2022 launch of the new Locally Agreed Syllabus for RE across all schools in the authority.
- In December 2021 it was discovered that the Chelmsford Diocesan Educational Trust (CDET) Company No. 07706638 had been dissolved by Companies House in September 2021 due to a failure to file accounts and respond to notifications from Companies House. CDET was a Member of 16 Multi Academy Trusts. The dissolution of CDET was reported to the Diocesan Secretary and CDBF on discovery. A serious incident report was made to the Charity Commission by the CDBF. In December 2021 a formal process of investigation started alongside work to manage its impact upon our Multi Academy Trust partners governance processes and the reputational impact of the dissolution of CDET. Work also started on seeking a solution to restore CDET as a legal entity.

Safeguarding

The Diocese of Chelmsford is committed, as part of the Christian Church living in the spirit of the Gospel, to protect and care for everyone and we aim to be a beacon of best practice in safeguarding. In 2021, the Bishop of Colchester, the Rt Revd Roger Morris was appointed as delegated lead role for Safeguarding in Chelmsford Diocese, taking over from the retiring Interim Chief Executive Officer and Diocesan Secretary, the Revd Canon Dr Roger Matthews. Working with our Diocesan Safeguarding Team Bishop Roger's focus is on meeting our Diocesan safeguarding aims to:

- Ensure our volunteers, clergy, advisers and lay people achieve the standards laid down in the Safeguarding Policies of the Church of England.
- Work with individuals who have criminal convictions, or where other safeguarding risks are identified, to ensure that they, and all members of the church community are safeguarded.
- Hold to account all persons responsible for the safety and wellbeing of children and vulnerable adults in the Diocese.
- At the end of 2021, the Diocesan Safeguarding Team (DST) had 73 open cases across our 474 parishes. During that year, 26 new cases were opened, and 17 cases were closed. 34 of these cases are safeguarding agreements necessary due to the worshipper posing a potential risk and, therefore, requiring safeguarding risk assessments to be undertaken at the Parish. 25 of these reviews are about church members and 9 relate to church officers (those with any role in the church)
- The DST have a duty system whereby parishes can contact the team on a dedicated telephone number for advice and consultation of a safeguarding nature. In 2021 the team received 217 duty calls, which is 46 more calls than 2020. 52% of the calls were from Clergy, with Parish Safeguarding Officers and Church Officers being the next highest percentage of callers.

3. Activities and achievements in the year (continued)

- E-learning training is available for anyone in the Diocese and in 2021 over 1000 people completed the Basic Awareness Course and 728 completed the Foundation Course. The National Safeguarding Team launched the Safer Recruitment and People Management e-learning course in 2021 and 108 people completed this course.
- The DST delivered 99 virtual safeguarding training events via Zoom, although 105 were organised, 6 had to be cancelled due to low booking numbers. From the 99 training events 515 people accessed the 2-part Leadership Course; 147 accessed the Compressed Leadership Course and 108 Parish Safeguarding Officers were inducted.

Property

The Diocesan Property Team continued to provide support to our parishes and worshipping communities managing and maintaining our vicarages and other diocesan properties and supporting parishes with land and property issues. The team's work included:

- 542 Helpdesk enquiries handled;
- 7 owned properties prepared and 5 lettings negotiated for curates
- 49 vacancy works projects delivered for newly appointed clergy
- 23 parishes provided with custodian support for land and property related issues and transactions.
- New landlord gas safety contract mobilised successfully
- More than 30 electrical upgrades completed
- 68 periodic inspections were completed and 46 properties had planned external maintenance instructed;
- 18 house sales completed generating over £5M of capital
- £720,000 of revenue generated through rental of 50+ properties during interregnums
- 5 refugee families housed
- Support for work where church buildings are closing and management of the process to reach a decision on the future of St Marks College – Audley End

Communications

- The Diocesan Communications Group continued to support parishes with advice and guidance as they adapted to the challenges posed by the COVID-19 pandemic in the early part of 2021
- Communications channels that were established to support parishes during the pandemic were developed for the longer term to provide church leaders with news, information and access to resources to support parishes ministry.
 - The weekly 'The View' newsletter, introduced in 2020, continued to be sent to all clergy, churchwardens, Licensed Lay Ministers, Deanery Lay Chairs and Members of Diocesan Synod.
 - Regular briefings online using channels such as Zoom helped to equip parishes for Mission and Ministry including:
 - The Generous God Generous Disciples Stewardship Resources.
 - Online Church – to support parishes in their use of digital technology.
 - Leading your Church into Growth, supporting and working with the external Leading your Church into Growth Team.
 - The Communications Team helped to facilitate and encourage engagement between parishes across the diocese through:
 - Meet and Greet meetings for the new Diocesan Bishop
 - The Parish Share consultation
 - A Living in Love and Faith introductory day

3. Activities and achievements in the year (continued)

- The Communications Team created and provided resources to support parish ministry including the weekly sermon videos and transcripts and the WePray Diocesan prayer diary.
- The team also helped parishes and church leaders who found themselves at the centre of difficult situations where media or social media response was required as well as helping to promote good news stories from across the diocese.
- The team also supported the work of the diocesan bishop and leadership through media and digital communications.

Social justice and environmental

- The Racial Justice Task and Finish Group, established in October 2020, brought its final report to the November 2021 meeting of Diocesan Synod where it was approved. The report, *From Action to Real Change*, includes a series of recommendations in 11 areas which will now be implemented. They are the recruitment of a racial justice officer; a new process for the handling of accusations and complaints; the establishment of a racial justice advisory panel; addressing systemic issues; training; education; using statistics; communication; advocacy beyond the church; life after the Committee for Minority Ethnic Anglican Concerns, and Monuments, memorials and other artefacts connected to slavery.
- Continued engagement on refugee matters at local and national level and partnerships with Citizens UK forming across the Diocese.
- Renewed focus on the 5th Mark of Mission and a Christian response to the Climate Crisis through a range of initiatives including participation in national events, development of a rule of life, support of parishes aiming for Eco church status, working with Church Schools and management of our buildings in a way that is more environmentally sustainable.
- With the Bishop of Chelmsford also taking responsibility as the Church of England's Lead Bishop for Housing, the Diocese began to consider its own response to the housing crisis and the significant impact of a lack of affordable housing on the communities we serve.

4. Subsidiaries, related parties and volunteers

Subsidiary Undertaking

The CDBF has two trading subsidiaries, Sparrows Trading Company Limited (Sparrows), which provided high-quality childcare with Christian distinctiveness within the Diocese of Chelmsford until the provisions closed in the summer of 2020, and Chelmsford Diocesan Trading Company Limited (dormant). Both subsidiaries were dissolved in 2021 (see note 5 to the financial statements).

Other related parties include:

- The Archbishops' Council to which the CDBF 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 which acts on behalf of clergy with HM Revenue and Customs. The CDBF pays for clergy stipends through the Church Commissioners
- The CDBF is in receipt of grant funding from the Church Commissioners (via the Archbishops' Council) for ministry support and special projects e.g. the Turnaround and Church Planting projects
- The Church of England Pensions Board, to which the CDBF pays retirement benefit contributions for stipendiary clergy and employees. It also offers schemes to provide housing for clergy in retirement
- The Vine Schools Trusts, and the Chelmsford Diocesan Educational Trust, which while separate and independent of the CDBF, have certain responsibilities in relation to church schools in the diocese and work with the DBE

4. Subsidiaries, related parties and volunteers (continued)

- The Guy Harlings Trust, which provides office facilities free of charge under licence to the CDBF and the Cathedral Dean and Chapter and makes grants towards the upkeep of the premises
- The PCCs within the diocese
- St Mellitus College Trust, a Theological Education Institution which receives financial support from the CDBF and to which the CDBF pays fees for training of ordinands.

Transactions with the main categories of related parties are identified in appropriate places throughout the financial statements and in particular note 24 to the financial statements.

Volunteers

CDBF is dependent on the huge number of 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 an indicator of the health of a Church. The service provided to a community through church volunteering also has a significant impact on people's relationship to the Church particularly at times of crisis. Within this context, the CDBF greatly values the considerable time given by committee members and other volunteers across the diocese in pursuit of the mission of the CDBF. We particularly thank them for the additional support they have given during this challenging year.

There are many people who are unpaid but who hold official positions within the life of the church that carry authorisation, licence, or Permission to Officiate. This includes Churchwardens, who serve each local parish church, locally authorised preachers, pastoral carers, evangelists, and funeral ministers, plus Licensed Lay Ministers and Readers and our self-supporting ordained ministers.

5. Planning for 2022

As the CDBF approached 2022 the Diocese was at a liminal time; responding to the continued impact of the COVID 19 Pandemic, continuing to address financial challenges, with a new Diocesan Bishop in post and significant changes in senior leadership roles. This shaped the approach to planning for 2022.

Discernment about the future

In late 2021, the Bishop of Chelmsford wrote to church leaders inviting them to join her in a period of discernment. Starting by reflecting on what we have lived through as churches and communities in the last two years and to discerning what God is calling us towards in the future. Plans were put in place to bring church leaders together during Lent in 2022 for prayer, reflection and discussion, with resources provided to help leaders engage others in their parishes and worshipping communities. It is likely that this period of discernment will lead to review and change to some of our long term strategic priorities.

Resourcing mission and ministry in parishes and worshipping communities

At the same time, building a sustainable financial base for mission and ministry in our parishes and worshipping communities remains a top priority and 2022 will see the development of a new parish share scheme for 2023, based on the extensive consultation work that started in Autumn 2021. For 2022, plans were in place to consult on a detailed proposal with Deaneries and Diocesan Synod before developing a final share proposal for the June 2022 Diocesan Synod to consider. The aim of the new share scheme is to increase mutual support between parishes and to reduce the overall shortfall which has had a significant impact on the capacity of the CDBF to fund local parish ministry.

Other financial planning was undertaken to support the implementation of the Finance Action plan, launched in 2020, to:

- a. Strengthen reserves
- b. Increase revenue
- c. Reduce costs
- d. Improve the cash position
- e. Capacity to deliver the plan

5. Planning for 2022 (continued)

Plans focused on:

- Continuing to utilise Total Return Accounting to increase the amount of investment return that can be withdrawn from the Stipends Endowment Fund. This has allowed Endowment funds to provide increased support towards stipend costs than under the previous policy of utilising income only. See note 27 on page 64.
- Continuing to identify additional funding streams
- Scrutinising our property portfolio to identify opportunities to improve our financial position (whilst continuing to prioritise harnessing our properties for mission and ministry)
- Continuing to identify opportunities to reduce expenditure

Supporting mission and ministry in parishes and worshipping communities

As well as focusing on resourcing mission and ministry in parishes and worshipping communities, 2022 planning focused on how the CDBF can support mission and ministry. In particular:

- Support for clergy and ministerial wellbeing with plans for a member of Mission and Ministry team to focus on this issue and the development and implementation of the clergy covenant
- A renewed focus in the Diocesan Office of departments providing good value services to parishes.

As we approached 2022, there were also a number of significant events and activities that shaped planning. During 2022:

- The Diocese will begin to implement proposals of the Racial Justice Task and Finish Group
- The national Past Cases Review 2 safeguarding report will be published alongside an executive summary of the Chelmsford Diocese review and other Diocesan Reviews
- The Diocese will continue to implement its plan to achieve carbon net zero across our churches and schools as part of the Church of England commitment to be net zero by 2030.
- The initial findings of the Church of England's 'Living in Love and Faith' will be published.

6. Financial review

Financial Performance

Against a budget deficit of £3.5m, the CDBF recorded a surplus of £1.9m for the year on its unrestricted funds before gains on revaluations of fixed assets. The improved performance mainly arose because of the adoption of Total Return Accounting (see note 27 on page 64) which enabled a transfer of £3.0m from endowment to unrestricted funds to support the costs of stipendiary ministry in parishes. Further improvements were due to better use of restricted income and funds to pay stipendiary ministry costs, and a grant of £1.0m received from the Archbishop's Council to compensate COVID losses.

Parish Share, the money given by parishes to the CDBF to fund the mission and ministry of the diocese, is the main incoming resource for the CDBF providing two thirds of its income.

At £2.6m (2020: £2.5m) the net parish share shortfall was slightly higher than the previous year. In cash terms £13.9m has been received in Parish Share. The result is on a par with the 2021 budget amount and 2020 result and is 7.1% below the 2019 result. The percentage of requested Share collected fell to 84.2% (2020: 84.8%).

The CDBF has met all its financial obligations to continue resourcing the diocese as required, including the provision, development and support of ministry, the provision and maintenance of houses for the clergy, National Church responsibilities and enriching and facilitating many other aspects of church life throughout Chelmsford Diocese.

Income before other recognised gains and losses totalled £24.8m (2020 £23.0m) and expenditure amounted to £22.9m (2020: £23.3m).

6. Financial review (continued)

The Statement of Financial Activities (SOFA) for the year shows net surplus of £2m (2020: deficit of £0.3m) before net gains and losses on the revaluation and sale of investments and the revaluation of fixed assets. These net gains totalled £29.2m (2020: £18.2m) and after these adjustments the net increase in all funds amounted to £31.2m (2020: £17.9m). Gains (or losses) are dependent on market volatility and the majority of the gains, of £25.4m, (2020: £15.7m) are ascribed to Endowment Funds and are therefore not available to spend.

The overall financial result for 2021 is encouraging, however some of the improvements in performance, such as the Archbishop's Council COVID losses grant, are not expected to repeat in future years.

Net cash inflow of £0.6m (2020: £4.4m) arose as net proceeds from the sale of investments and fixed assets was used to purchase fixed asset investments and repay existing loans. CDBF continued to benefit from tight financial control which we will continue in 2022.

Significant Property Transactions

The Asset Investment and Management Policy adopted by the Trustees governs the management of operational and investment property. This Policy was updated in 2017 and approved in its updated form by the Trustees. The vast majority of the residential property portfolio is held for operational purposes. It is managed to achieve required quality standards at a consistent and efficient average annual cost of ownership.

Significant operational property transactions in the year comprised:

- Purchase of two properties for housing stipendiary ecclesiastical office holders
- Sale of eighteen properties surplus to operational requirements
- Sale of one glebe land holding.

Glebe land and property is held for investment purposes. The overall strategy is to retain a land holding, to seek to leverage value through long term development, and to dispose of less lucrative holdings and direct exposure to commercial property. During the year the CDBF agreed the sale of one land holding providing £0.1m of additional investment funds on completion. The usual cycle of rent reviews and lease renewals on glebe land continued as advised by the CDBF's land agents.

The Diocesan Stipends Capital Fund is available for providing and improving benefice and glebe property and when invested provides income and capital growth for clergy stipends under the Total Return Policy (see note 27 on page 64).

Residential properties are valued on the basis of a certified annual valuation.

Balance Sheet Position

The Trustees consider that the balance sheet together with details in note 18 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 £356.5m (2020: £325.3m) it must be remembered that included in this total are properties, mostly in use as clergy housing, whose value amounted to £288.8m (2020: £275.4m). 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 CDBF.

Reserves Policy

Having considered financial risk, liquidity requirement and the timing of cashflows throughout the year, and based on the Charity Commission recommendation, the Trustees consider that an appropriate level of free general reserves is three months gross general fund expenditure, currently £4.7 m. This policy was last reviewed and agreed by the Trustees in May 2020. The Finance Executive is charged with oversight over the reserves policy and with improving the free general reserves to meet the increased policy requirement.

6. Financial review (continued)

After transfers, free general reserves at the year-end were in surplus by £4.6m (2020: surplus £1.0m) being the value of the General Fund excluding fixed assets. The Trustees previously recorded that free general reserves would fall if parish share shortfall did not materially improve. The adoption of a Total Return Accounting Policy, together with the other circumstances described in the Financial Performance section above, have significantly improved the level of free general reserves. The Trustees consider that the CDBF has sufficient resources to meet its day-to-day operational needs despite the level of free reserves falling below the policy.

Designated funds

The Trustees may designate additional unrestricted reserves to be retained for an agreed purpose where this is considered to be prudent. Such designated reserves are reviewed on an annual basis and returned to the general fund in the event that the purpose of their designation is no longer considered to be adequate justification for their retention. A description of each reserve together with the intended use of the reserve is set out in note 18. At 31 December 2021 total designated reserves were £28.4m (2020: £25.9m).

The Trustees approved the release of amounts from one designated fund into the general unrestricted fund during the year. £0.77m was transferred from the Mission Opportunities fund.

Restricted and endowment funds

As set out in notes 18 and 26, CDBF holds and administers a large number of restricted and endowment funds. As at 31 December 2021 restricted funds totalled £10.3m (2020: £8.9m) and endowment funds totalled £313.1m (2020: £288.4m). Neither are available for the general purposes of the CDBF.

Liquidity Policy

The CDBF has regular and predictable cash inflows (principally from parish share) and outflows (principally stipend, salary and pension payments). Less frequent cash movements include grant payments, which are also predictable. The largest cash movements relate to property transactions which are infrequent and normally have a clear lead time.

The CDBF aims to hold £2m cash in instant access accounts to meet its cash needs. Where cash balances fall below £1.2m or exceed £3.5m, the Executive will review the position and consider large forecast cash movements such as housing transactions, then take action as required, for example drawing down or adding to investments, a proportion of which are kept in near liquid holdings such as pooled funds with weekly dealing, with such transactions reported to Finance Executive.

Grant making policy

Contributions are made to the National Church to cover a proportion of its central costs and also to cover the cost of training for ministry (see note 9). Grants are paid to other charities e.g. PCCs and charitable projects which appear to CDBF to support the furtherance of its objects. The General Fund budget includes regular grants. Other grants are approved according to the terms of reference of the relevant fund.

Investment Policy

The Trustees approved an integrated Asset Investment and Management Policy in 2014 developed under the oversight of the Investment Committee. The Policy was updated by the Investment Committee in 2017 and approved by the Trustees. This policy distinguishes between investment and operational assets and sets out

6. Financial review (continued)

the policy framework for both. In relation to investment assets the key principles in the policy may be summarised as follows:

- The overall objectives are to create sufficient income and capital growth to enable the CDBF to carry out its purposes consistently year by year with due and proper consideration for future needs and the maintenance and enhancement of the value of assets while they are retained
- Investment funds shall be operated and compared on a total return basis
- Relevant benchmarks include a target total return of CPI + 4.5% over the long term (previously RPI +3%)
- The CDBF requires its investment assets to be managed in compliance with the Church of England ethical guidelines, and ethical considerations shall form part of the dialogue with the Investment Managers. The Trustees will consider mixed-motive investment proposals which are expected to deliver financial returns and further the purposes of the charity
- The CDBF is assumed to be a perpetual charity and is able to take a long term view on investments, balanced against the short term needs of the charity for liquidity and resources to best realise its operational purposes.

The Trustees regularly review and retender Investment Managers. The last review was in 2016 and concluded with the reappointment of CCLA Investment Management Ltd and appointment of Cazenove Capital Management (a trading style of Schroder & Co. Limited).

	Funds at 31 December 2021	Proportion of portfolio	Income yield in year	Total return in year
	£000			
CCLA Managed CBF Investment Fund	29,631	54.6%	2.40%	17.46%
Cazenove Segregated portfolio	24,625	45.3%	1.67%	6.70%
Other funds	62	0.1%		
Total	54,317	100.0%		

Fundraising

The CDBF is aware of the Charities (Protection and Social Investment) Act 2016 and the Trustees fully support the aims of this legislation. The majority of the CDBF's income comes from other charitable bodies and it undertakes very little direct fundraising activity involving individual donors. Examples include one-off appeals (e.g. the Lent Appeal) which are promoted generally through communications rather than targeting specific individuals, and the Friends of the Retreat House scheme where Retreat House guests are invited without pressure or obligation to join the 'Friends'. The CDBF considers the origin of unsolicited donations and legacies, does not share or purchase any donor data with or from third parties and, in 2021, did not engage with independent professional fundraisers. The CDBF did not receive any complaints in relation to fundraising or raise any matter with regulators in 2021 (2020: none).

Going Concern

After making enquiries the Trustees are satisfied that CDBF has adequate resources to continue to operate as a going concern for the foreseeable future and have prepared the financial statements on that basis.

7. Custodian Trustee

The CDBF 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 CDBF does not control them, and they are segregated from the CDBF's own assets by means of separate bank accounts. Such funds are predominantly managed by CCLA Investment Management Ltd or M&G Investments as determined by the managing trustees. The CDBF reserves the right to charge the managing trustees an administration fee where alternative investment managers are used in recognition of the additional complexity such arrangements cause. Further details of financial trust assets, whose market value amounted to £17.8m at 31 December 2021 (2020: £18.2m), are available from the CDBF on request, and are summarised in note 26.

Where properties are held as custodian trustee, the deeds are identified as such.

8 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. The Finance Executive periodically reviews the risk register in detail. The Trustees are invited to review the risk register at least annually, leading to formal discussion and approval of the strategic risk register, setting out risks and mitigation strategies. At a recent Bishop's Council meeting the Trustees agreed to review the risk register quarterly. The responsibility for delivery of the identified mitigation strategies is delegated to the executive staff or Bishops and Archdeacons as appropriate. A programme of internal audit is overseen by the Audit Committee and complements the CDBF's risk management activities.

The Trustees confirm that the major risks, to which CDBF is exposed, as identified by the Trustees and staff, have been reviewed and that systems and procedures have been established to manage those risks. The register identifies seven strategic risks with a pre-mitigation rating of 'high'. These risks and the associated mitigation strategies are as follows:

1) Missional Failure

This risk recognises a variety of issues which could lead to the church failing to fulfil its missional purpose.

Across the Church of England, we are experiencing a period of:

- Declining congregations, particularly as we emerge from the COVID-19 pandemic
- The closure of some church buildings with others facing significant costs
- Unrepresentative congregations, which challenges the church's capacity to reach and serve local communities and grow for the future
- Failure to remain in unity with one another due to different theological understandings

Potential consequences include:

- Failure to preach the gospel of Jesus to the people of Essex and East London
- Reduced income and likelihood of financial sustainability
- Costs to the CDBF in relation to closed church buildings

Whilst the cause and presence of these factors exist outside the boundaries of Chelmsford Diocese, there are mitigations that we can take locally:

- Mutual support between parish clergy for parish clergy to help them address issues at a local level
- A Diocesan focus on prioritising and supporting local parish ministry
- A new approach to Parish Share
- A church buildings group set up, to help parishes who are dealing with the costs of maintaining historic buildings
- Guidelines and resources for parishes such as the 'Crossing the Threshold Toolkit'

8 Principal risks and uncertainties (continued)

- Racial Justice Workstream and new 'Mustard Seed' children, young people and families workstream to focus on improving representation and missional growth.
- The existence of the SDF project management board
- Training for our clergy, lay leaders and congregations to be confident evangelists.

2) Financial

This risk recognises the threat posed by a long term structural deficit:

- The risk of failure to address that deficit
- The risk of failure to amend/ improve the parish share scheme
- The pension liability of the clergy scheme
- The risk of poorly managed development opportunities or failure to optimise property land resources for mission.

The consequences of the failure to recognise and successfully respond to such risks include:

- Inability to pay clergy and staff
- Dependence on the national church
- Significant reputational damage

The mitigations in place are:

- The finance action plan
- A sufficiently resourced finance team
- The review of the parish share model for 2023 to recognise the current deficiencies and develop a more appropriate model
- Additional time limited resources to support the Property Team.

3) Incident or accusations of serious misconduct

Whilst there is no expectation of any accusations of serious misconduct, or any reason to think that such accusations would arise, it is important that we consider the implications of an event such as:

- A senior staff member being found guilty of (or accused of) serious misconduct
- An incident or accusations of serious misconduct in a parish
- An historic allegation or incident of misconduct about an individual who is no longer serving in the Diocese or who is a high profile church leader who has never served in the Diocese.

Potential consequences of such an incident or allegation includes:

- Missional failure
- An undermining of confidence in the church and reputational damage
- Significant costs to the CDBF
- Significant demands on staff time

The mitigations in place are:

- Oversight of Diocesan Bishop / Chief Executive
- Senior staff links with Deaneries and Parishes
- Safeguarding team, training, policies and processes
- Racial justice officer and panel to oversee complaint process and provide guidance and education
- Bullying and harassment policy
- Support from Communications Director
- Visitations

8 Principal risks and uncertainties (continued)

4) Governance

This risk recognises the implications of a potential governance failure, where:

- CDBF trustees are not able to fulfil their role due to inadequate reporting, or failure to appoint trustees of sufficient calibre / skills as CDBF trustees or to key subcommittees.
- Failure of trust in Synodical process or senior leadership
- Serious PCC failure which causes reputational damage or liability for the CDBF
- Serious governance failure in a "near relation" such as Vine Trust MAT or SDF supported CIO

The potential consequences of such a failure in governance include:

- People becoming unwilling to engage with diocesan governance methods.
- A lack of candidates standing for synod or similar positions.
- Significant costs and staff time spent on resolving failure of "near relations"

5) Operational Risks

This risk recognises the implications to the CDBF of operational failure resulting from:

- A lack of capacity impacting work and wellbeing
- Key person risks – the over reliance on key individuals
- Whole team physical risks e.g. terrorist incident at a major diocesan event attended by the whole senior staff team
- Diocesan offices – loss of tenure of office building owned by Guy Harlings Trust or disaster (e.g. fire).
- Serious data protection or IT issue/breach
- Failure to adequately maintain church buildings

The consequences include:

- Increased proportion of clergy and lay leaders on sick leave
- Increased chances of other risks occurring
- Reputational damage, fines or costs and an inability to operate.

Mitigation against such operational risks include:

- Clergy Wellbeing Covenant to be advanced in this Diocese in 2022.
- Greater sharing of knowledge among teams.
- 'Manuals' and guidelines for key staff.
- Data protection training for all staff.
- Data Protection Lead appointed and oversight group established.
- IT upgrade improved security and our new capacity to enable staff to work from home, where possible.
- Introduction of Multi Factor Authentication
- DAC Architects list.
- Heritage Support Officer.
- DAC staff and members.

6) External Risks

This risk category recognises that there are factors external to the church that could have significant implications for our mission and ministry including:

- Climate change
- Serious incident affecting whole society e.g. another pandemic, sustained fuel or food shortage, civil unrest.

8 Principal risks and uncertainties (continued)

The consequences of such risks include:

- Economic impacts affect diocesan income and missional capacity
- Reputational and missional risk from not meeting 2030 obligations
- investment risks for own assets and for clergy pension scheme

The mitigations against such risks include:

- Our own work in the diocese towards meeting the Church of England net carbon zero goal by 2030
- Experience gained during current pandemic – e.g. use of virtual resources to adapt.

Structure and governance

Summary information about the structure of the Church of England

The Church of England is the established church and HM The Queen is the Supreme Governor. It is organised into two provinces (Canterbury and York) and 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 National Church has a General Synod comprised of ex-officio and elected representatives 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 stipendiary ecclesiastical office holders and employees. Within each Diocese, overall leadership lies with the Diocesan Bishop, who exercises that input as Bishop within the Diocesan Synod. Our Diocese is divided into 23 deaneries, each with its own Synod and within each parish there is a Parochial Church Council (PCC) 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. In this diocese, as part of our re-imagining ministry priority, parishes are on a journey to working together collaboratively, often in Mission and Ministry Units with common mission priorities and shared resources where appropriate.

Whilst each Diocese is separate with a clear responsibility for a specific geographical area, and each diocesan board of finance is a separate legal entity, being part of the Church of England requires and enables working together in a national framework and with national church institutions.

Organisational structure

The Diocese of Chelmsford was created in 1914. It spans the whole of Essex and five boroughs of East London. It covers an area of 1,531 square miles with an overall population in excess of three million.

The diocese is divided into three Episcopal areas by an Area Scheme under which the Diocesan Bishop, the Bishop of Chelmsford, has delegated certain authority to the Bishops of Barking, Bradwell and Colchester in relation to the Archdeaconries in those areas. Since 2013 there are seven Archdeaconries. Each Archdeaconry is subdivided into deaneries, there being a total of 23 deaneries across the Diocese. The deaneries are further subdivided into 474 parishes. By the end of 2021, 33 Mission and Ministry Units had been approved, and most of these had been formally commissioned or were planning their commissioning by the year end.

Structure and governance (continued)

Diocesan governance

The statutory governing body of the Diocese of Chelmsford is the Diocesan Synod, which is an elected body with representation from all parts of the Diocese. Membership consists of ex officio members, including the Bishops, the Dean and Archdeacons; clergy members elected by the Houses of Clergy in Deanery Synods; lay persons elected by the Houses of Laity in Deanery Synods; up to five persons who may be co-opted by each of the House of Clergy and the House of Laity and a maximum of eight members nominated by the Diocesan Bishop. The Diocese is governed by Standing Orders which were updated in June 2012.

The Diocesan Synod meets two or three times a year. Many of Diocesan Synod's responsibilities have been delegated to the Bishop's Council, the Bishop's Council Standing Committee or the Finance Committee.

Company Status

The company, The Chelmsford Diocesan Board of Finance (CDBF), was formed to manage the financial affairs and hold the assets of the Diocese. It was incorporated on 16 July 1914 as a charitable company limited by membership guarantees (No. 137029) and its governing instrument is the Memorandum and Articles of Association which were most recently amended by Special Resolution in June 2012. Revised Articles of Association were approved for submission to the Charity Commission in November 2018 and we continue to await determination by the Commission. CDBF is registered with the Charity Commission (No. 249505).

Every eligible member of Diocesan Synod is a member of CDBF for company law purposes and has a personal liability limited to £1 under their guarantee as a company member in the event of it being wound up.

Decision-making structure

Corporate priorities and the overall financial strategy for the Diocese (in its primary object to promote, assist and advance the work of the Church of England within the Diocese of Chelmsford) are set by the Diocesan Synod and the CDBF. The company meets once a year in general meeting to receive and approve the annual report and financial statements and to appoint the auditors. The Diocesan Synod each year receives and agrees the annual budget, prepared and approved by the Trustees. The Trustees, meeting within the context of the Bishop's Council, hold up to six meetings during the year to formulate and coordinate policies on mission, ministry and finance.

Decision-making structure (continued)

Certain executive functions of CDBF are undertaken by the Finance Committee, whose members are the Trustees and Directors of CDBF. The Finance Committee's terms of reference are as follows:

- Determine policy, in particular for: Ministry numbers, Clergy Stipends, Capital Budget, Revenue budget levels, Grant making and Investments
- Monitor such policy decisions
- Approve referral of Budgets to the Diocesan Synod
- Approve and sign the annual report and financial statements after receiving a report from the Audit Committee
- Agree remuneration of the Auditor each year
- Receive a report from the Finance Executive at each meeting
- Receive minutes from all Sub-Committees
- Handle any business referred by the CDBF, Diocesan Synod or Bishop's Council
- Create and dissolve Sub-Committees as required
- Appoint members of Sub-Committees and its representatives on other Diocesan bodies.

Committee structure

The Finance Committee's remit is set out above; it is supported by its sub-committees:

Finance Executive	handles routine business on behalf of the Finance Committee and develops the budget and other proposals for Finance Committee's consideration.
Audit Committee	responsible for assisting the Finance Committee in the discharge of its responsibilities for financial reporting and internal control.
Houses Committee	responsible for making decisions concerning the operational management of all clergy houses for which the CDBF has responsibility.
Investment Committee	responsible for recommending policy and making decisions concerning the management of Glebe property and Investments.
Remuneration and Governance Committee	determines remuneration policy and annual salary awards, and oversees the effectiveness of governance across the CDBF.
Diocesan Mission and Pastoral Committee	(membership of which is co-terminus with the Bishop's Council) is responsible for pastoral reorganisation, taking account of clergy numbers and the need for new patterns of ministry.
Diocesan Advisory Committee	advises on matters concerning churches and places of worship such as the granting of faculties, archaeology, art and the history of places of worship, the use and care of places of worship and their contents and the care of churchyards.
Diocesan Board of Education	promotes education, religious education and religious worship in schools in the Diocese. It also promotes and advises governors of church schools in the Diocese.

Trustees' Report for the year ended 31 December 2021

Bishop's Council and Finance Committee

Bishop's Council consists of 17 ex officio members, 3 clergy elected by the House of Clergy from among their number (1 from each Episcopal area), 9 lay persons elected by the House of Laity from among their number (3 from each Episcopal area), 3 lay persons appointed by and from the membership of each Area Mission & Pastoral Committee (1 from each Episcopal area) and a maximum of 6 members nominated by the Diocesan Bishop.

Finance Committee consists of the Chair and Vice Chair of CDBF (who are also members of Bishop's Council) and those other members of the Bishop's Council not otherwise disqualified from membership such as persons remunerated by the CDBF.

Trustee recruitment, selection and induction

Trustees are members of the Finance Committee and are selected as set out above. Trustees are offered an induction when first appointed. Trustee training is arranged at the start of each triennium and subsequently as appropriate. An element of Trustee training is typically included in the programme for the annual day meeting. While some senior staff have job titles incorporating the title 'Director', they are not directors of the company for the purposes of company law. All Trustees are required to maintain their entry in the record of declarations of interest.

The Chelmsford Diocesan Board of Finance

Trustees' Report for the year ended 31 December 2021

Attendance at Trustee Meetings

	Number of meetings eligible to attend	Number of meetings attended	Percentage of eligible attended
Mrs Isabel Adcock	5	4	80
Canon Lynne Bennett to 19/11/21	4	2	50
The Revd Katherine de Bourcier from 20/11/21	1	1	100
The Ven Christopher Burke	5	4	80
Mr Philip Carnelly from 20/11/21	1	1	100
The Ven Elwin Cockett	5	5	100
Canon Veet Deer to 19/11/21	4	4	100
Mrs Mary Durlacher from 20/11/21	1	1	100
Canon Roger Ennals	5	3	60
The Rt Revd Gulnar Francis-Dehqani from 11/03/21	4	4	100
Mr Richard Freeman to 19/11/21	4	0	0
The Revd John Fry	5	4	80
Canon Dean Gillespie to 19/11/21	4	4	100
Canon Robert Hammond	5	4	80
Mr Frank Hawkins	5	3	60
The Very Revd Nicholas Henshall	5	4	80
The Ven Vanessa Herrick	5	5	100
The Rt Revd Peter Hill to 10/3/21	1	1	100
Canon Christine Horton to 19/11/21	4	4	100
Mrs Lesley Judd from 20/11/21	1	1	100
The Revd Simon Law to 19/11/21	4	4	100
Canon Jill Leonard to 19/11/21	4	2	50
The Ven Mike Lodge to 29/11/21	4	1	25
Mr Percy Lomax to 19/11/21	4	4	100
Canon Harry Marsh to 19/11/21	4	4	100
Canon Ronald McLernon to 19/11/21	4	4	100
Miss Mary Moore to 19/11/21	4	1	25
The Rt Revd Roger Morris	5	5	100
The Revd Canon Paul Norrington to 19/11/21	4	4	100
Mrs Michelle Obende from 20/11/21	1	1	100
The Ven Ruth Patten	5	4	80
The Rt Revd Dr John Perumbalath	5	4	80
The Revd Canon Jane Richards from 20/11/21	1	1	100
The Revd Canon Nicholas Rowan from 20/11/21	1	1	100
Canon Adrian Smith from 20/11/21	1	1	100
Mr Brian Smith	5	4	80
The Ven Elizabeth Snowden	5	5	100
Mr John Tipping from 20/11/21	1	0	0
The Revd Canon Louise Williams until 19/11/21	4	4	100
Mr John Winterbotham from 20/11/21	1	1	100

Remuneration of key management personnel

The Remuneration & Governance Committee reviews the emoluments of senior employees on an annual basis. The Committee's membership is the Chair of the CDBF, the Bishop of Chelmsford, and the Lay and Clergy Vice Presidents of Synod. The Committee also determines any cost of living pay increase for employed staff and reviews other matters relating to employee remuneration as required.

Delegation of day to day delivery

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

Funds held on behalf of schools

The DBE (as incorporated within the CDBF) receives 10% contributions from governors of church schools within the Diocese in connection with major repair and capital projects to church schools and also government grants in connection with the same. The DBE administers these monies as managing agent and makes appropriate payments to contractors for work carried out. The monies do not belong to the DBE and as such the receipts and payments are not treated as income and expenditure in the Statement of Financial Activities. Any monies held at the balance sheet date are treated as creditors on the balance sheet. The income and expenditure relating to school projects not reflected in the Statement of Financial Activities amounted to £1.737m and £0.828m respectively (2020: £1.804m and £1.634m). We still hold the remaining monies as we have experienced delays in projects due to Covid restrictions and contractor availability. We are allowed under the Terms of Capital Funding to carry over funds for projects if delayed or straddle two financial years for larger projects if required to do so.

A major expenditure of last year's Capital Funding was allocated for replacement of failed or damaged flat roofs for six schools with an initial budget cost of £1.291m. We took the decision to treat all six schools as one project and went through a tender process to secure the most competitive bid. This resulted in an overall saving of £252k, allowing us to invest the savings in projects for additional schools.

Historical assets arising from unexpended accumulations of sale proceeds of redundant Church of England School properties are accounted for in the restricted Church Schools fund and are managed by the CDBF in consultation with the DBE and held in a CDBF restricted fund detailed in the accounts.

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 CDBF and of the surplus or deficit of the CDBF 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 CDBF and enable them to ensure that the financial statements comply with the Companies Act 2011. They are also responsible for safeguarding the assets of the CDBF 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 on the CDBF'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.

Statement of disclosure to the auditors

So far as the Trustees are aware:

- a) there is no relevant audit information of which the charitable company's auditors are unaware, and
- b) 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 as auditors to the CDBF will be proposed at the Annual General Meeting.

Administrative details

Company registration number	137029 (England & Wales)
Charity registration number	249505
Registered Office	53 New Street, Chelmsford CM1 1AT
	Tel: 01245 294400
	www.chelmsford.anglican.org

Trustees

In accordance with the Companies Act 2006 and the Statement of Recommended Practice: Accounting for Charities (Second Edition, effective 1 January 2019), the Companies Act 2006 and applicable accounting standards, the Trustees (for the purposes of charity law) and directors (for the purposes of company law) during the year and/or as at the date of signing were:

Ex Officio

President Chair

The Rt Revd Gulnar Francis-Deqhani (from 1/3/21)
Mr Percy W Lomax (until 19/11/21)
Mr Jeffrey Mushens (from 26/2/22)
Mr Frank Hawkins (also acting Chair from 20/11/21 to 26/2/2022)

Vice-Chair

Area Bishops

The Rt Revd Peter Hill (also acting President until 10/3/21)

Archdeacons

The Rt Revd Roger A B Morris
The Rt Revd Dr John Perumbalath
The Rt Revd Lynne Cullens from 20/3/22
The Ven Christopher Burke
The Ven Elwin W Cockett
The Ven Vanessa Herrick
The Ven Michael J Lodge (until 29/11/21)
The Ven Ruth Patten

The Dean

Lay Vice-President

Clergy Vice-Presidents

The Ven Elizabeth Snowden
The Very Revd Nicholas J Henshall
Canon Robert I Hammond
The Revd Canon Louise M Williams (until 19/11/21)
The Revd Canon Jane Richards (from 20/11/21)

Elected or appointed to fill a vacancy

Mrs Isabel Adcock
Canon Lynne Bennett (until 19/11/21)
Canon Veve N Deer (until 19/11/21)
Canon Roger J Ennals
Mr Richard Freeman (until 19/11/21)
The Revd John Fry
Canon Dean Gillespie (until 19/11/21)
Canon Christine G Horton (until 19/11/21)
Canon Jill S Leonard (until 19/11/21)
Mrs Michelle A K Obende (from 20/11/21)
Canon Adrian J Smith (from 20/11/21)
Mr John H Winterbotham (from 20/11/21)

Canon Harry Marsh (until 19/11/21)
Canon Ronald V McLernon (until 19/11/21)
Miss Mary E Moore (until 19/11/21)
The Revd Canon Paul Norrington (until 19/11/21)
The Revd Simon Law (until 19/11/21)
Mr Brian Smith
The Revd Katherine de Bourcier (from 20/11/21)
Mr Philip Carnelley (from 20/11/21)
Mrs Mary Durlacher (from 20/11/21)
Mrs Lesley V Judd (from 20/11/21)
The Revd Canon Nicholas E Rowan (from 20/11/21)
Mr John Tipping (from 20/11/21)

No Trustee had any beneficial interest in the company during the year.

Administrative details (continued)

Senior Staff

The day to day management of the Chelmsford Diocesan Board of Finance is delegated to the Chief Executive. The officers who served during the year and at the date of signing are:

Chief Executive & Diocesan Secretary	Michaela Southworth (from 1 June 2021)
Chief Operating Officer	Roger Matthews (to 31 May 2021)
Director of Communications & Media	Maureen Cole (to 30 June 2021)
Head of Property	Thomas Geldard
Director of Education	Alex Reeve
Director of Finance	The Revd Timothy Elbourne (to 31 January 2022)
	Michaela Southworth (to 31 May 2021)
	Emma Butler (from 7 June 2021 to 13 May 2022)
Head of Finance	Margaret Essery (to 31 March 2022)
Dean of Mission, Ministry & Education	The Revd Rob Merchant (from 19 April 2021)
	The Revd Andy Griffiths to 18 April 2021)
Head of Service Delivery	Nathan Whitehead

Professional Advisers

Auditors

Haysmacintyre LLP
10 Queen Street Place
London EC4R 1AG

Solicitors and Registrars

Winckworth Sherwood
Minerva House
5 Montague Close
London SE1 9BB

Bankers

Barclays Bank plc
40-41 High Street
Chelmsford CMI 1BE

National Westminster
Bank Plc
4-5 High Street
Chelmsford CMI 1FZ

Investment Managers

Cazenove Charities
12 Moorgate
London EC2R 6DA

CCLA Investment
Management Ltd
85 Queen Victoria Street
London EC4V 4ET

Glebe Property Agents

Strutt & Parker
Coval Hall
Chelmsford CMI 2QF

In approving this Trustees' Report, the Trustees are also approving the Strategic Report included above within their capacity as company directors.

BY ORDER OF THE TRUSTEES

Mr Jeffrey Mushens

Chair of the Chelmsford Diocesan Board of Finance

Date: 24 May 2022

Independent auditors' report to the members of The Chelmsford Diocesan Board of Finance

Opinion

We have audited the financial statements of The Chelmsford Diocesan Board of Finance for the year ended 31 December 2021 which comprise Statement of Financial Activities, the Summary Income and Expenditure Account, the Balance Sheet, the Statement of Cash Flows 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 charity in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

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

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

Other information

The trustees are responsible for the other information. The other information comprises the information included in the Trustees' Report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Independent auditors' report to the members of The Chelmsford Diocesan Board of Finance

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the Trustees' Report (which includes the strategic report and the directors' report prepared for the purposes of company law) for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report included within the Trustees' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

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

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

- adequate accounting records have not been kept by the charitable company; or
- 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 24, the trustees (who are also the directors of the charitable company for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

Based on our understanding of the and the environment in which it operates, we identified that the principal risks of non-compliance with laws and regulations related to charity and company law applicable in England and Wales, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the preparation of the financial statements such as the Companies Act 2006 and the Charities Act 2011.

Independent auditors' report to the members of The Chelmsford Diocesan Board of Finance

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


- Inspecting correspondence with regulators;
- Discussions with management including consideration of known or suspected instances of non-compliance with laws and regulation and fraud;
- Reviewing the controls and procedures of the group relevant to the preparation of the financial statements to ensure these were in place throughout the year, including during the Covid-19 remote working period;
- Evaluating management's controls designed to prevent and detect irregularities;
- Identifying and testing journals;
- Identifying and testing journals, in particular journal entries posted with unusual account combinations, postings by unusual users or with unusual descriptions;
- Challenging assumptions and judgements made by management in their critical accounting estimates in particular valuation of property assets and investment properties; and
- Reviewing the assumptions and judgements used by the professional actuary in relation to the charitable company's pension valuation.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation.

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
10 Queen Street Place
London
EC4R 1AG

Date: 7 July 2022

The Chelmsford Diocesan Board of Finance

Statement of financial activities

For the year ended 31 December 2021

		Unrestricted funds		Restricted	Endowment	Total	Total
		General	Designated	Funds	Funds	Funds	Funds
		2021	2021	2021	2021	2021	2020
	Note	£'000	£'000	£'000	£'000	£'000	£'000
Income from:							
Donations:							
Parish contributions	2	13,544	0	0	0	13,544	13,531
Other donations and legacies	2	3,072	286	3,718	0	7,076	6,092
Charitable activities	3	1,181	0	0	95	1,276	1,332
Investments	4	19	6	169	1,329	1,523	1,464
Other Trading activities:							
Parsonage rents receivable		722	0	0	0	722	603
Other Income	6	7	0	0	694	701	0
Total income		18,545	292	3,887	2,118	24,842	23,022
Expenditure on:							
Raising funds:							
Investment management	7	0	0	26	204	230	217
Charitable activities	8	18,718	709	3,075	149	22,651	23,053
Total expenditure		18,718	709	3,101	353	22,881	23,270
Net surplus / (deficit) before investment gains		(173)	(417)	786	1,765	1,961	(248)
Net gains on investments	14	0	0	650	5,035	5,685	3,395
Net surplus / (deficit) before transfers		(173)	(417)	1,436	6,800	7,646	3,147
Transfer between funds	18	2,585	(77)	(67)	(2,441)	0	0
Net surplus / (deficit) before other gains and losses		2,412	(494)	1,369	4,359	7,646	3,147
Gains on revaluation of fixed assets	13	55	3,070	25	20,355	23,505	14,824
Net movement in funds		2,467	2,576	1,394	24,715	31,152	17,971
Total funds brought forward		2,178	25,860	8,881	288,379	325,298	307,327
Total funds carried forward		4,645	28,436	10,275	313,094	356,450	325,298

The notes on pages 34 to 65 form part of these financial statements.

The Chelmsford Diocesan Board of Finance

Summary income and expenditure account

For the year ended 31 December 2021

	Total 2021 £'000	<i>Total 2020 £'000</i>
Total income	22,724	23,022
Total expenditure	(22,528)	(22,959)
Operating Profit	196	63
Net gains/(losses) on investments	650	670
Net income for the year	846	733
Other comprehensive income:		
Revaluation of fixed assets	3,150	1,855
Net assets transferred from/(to) Endowment	2,441	(836)
Total comprehensive income	6,437	1,752

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

The notes on pages 34 to 65 form part of these financial statements.

The Chelmsford Diocesan Board of Finance

Balance Sheet

For the year ended 31 December 2021

Company number: 137029

	Note	2021 £'000	2020 £'000
Fixed Assets			
Tangible assets	13	289,525	276,159
Investments	14	64,377	53,318
		<u>353,902</u>	<u>329,477</u>
Current assets			
Stock		0	19
Assets held for sale	13	7,265	3,715
Debtors: amounts falling due after more than one year	15	341	141
Debtors: amounts falling due within one year	15	2,997	2,439
Cash at bank and in hand		<u>9,202</u>	<u>8,557</u>
		19,805	14,871
Creditors: amounts falling due within one year	16	<u>(16,403)</u>	<u>(7,065)</u>
Net current assets		3,401	7,806
Total assets less current liabilities		<u>357,303</u>	<u>337,283</u>
Creditors: amounts falling due after more than one year	17	<u>(874)</u>	<u>(11,801)</u>
Net assets excluding pension scheme liabilities		356,429	325,482
Defined benefit pension scheme liabilities	22	<u>21</u>	<u>(184)</u>
Net assets excluding pension scheme liabilities		<u>356,450</u>	<u>325,298</u>
Funds			
Endowment Funds (including property & investment revaluation reserve of £193.79m (2020 £172.80m))	18	313,094	288,379
Restricted Funds (including property & investment revaluation reserve of £3.42m (2020 £2.51m))	18	10,275	8,881
Designated Funds (including property & investment revaluation reserve of £14.78m (2020 £12.97m))	18	28,436	25,860
General Funds (including property & investment revaluation reserve of £0.0m (2020 £1.29m))	18	4,645	2,178
Total Funds		<u>356,450</u>	<u>325,298</u>

The financial statements were approved and authorised for issue by the Trustees on 24 May 2022 and signed on their behalf, by:

Mr Jeffrey Mushens, Chair

The notes on pages 34 to 65 form part of these financial statements.

The Chelmsford Diocesan Board of Finance

Statement of cash flows

For the year ended 31 December 2021

	Note	2021 £'000	2020 £'000
Net Cash used in from operating activities (Below A)		(542)	(1,514)
Cashflow from investing activities			
Dividends, interest and rent from investments		1,523	1,464
Interest paid		(166)	(207)
Proceeds from the sale of tangible fixed assets	13	5,283	1,118
Proceeds from the sale of held for trading assets	13	3,664	0
Proceeds from the sale of investments		4,777	8,775
Purchase of tangible fixed assets for the use of the CDBF		(1,771)	(2,310)
Purchase of fixed assets investments		(10,151)	(3,147)
Net Cash used in investing activities		3,159	5,693
Cash flows from financing activities			
New loans received by CDBF		(1,972)	261
Loans repaid by CDBF		0	0
Net Cash provided by financing activities		(1,972)	261
Change in cash and cash equivalents in the reporting period		645	4,440
Cash and cash equivalents at 1 January		8,557	4,117
Cash and cash equivalents at 31 December (Below B)		9,202	8,557
Reconciliation of net income to net cash used in operating activities			
		2021 £'000	2020 £'000
A. Net income for the year ended 31 December		31,152	17,971
Adjustments for:			
Depreciation		93	96
Gains on revaluation of fixed assets		(23,505)	(14,824)
Dividends, interest and rent from investments		(1,523)	(1,464)
Interest paid		166	207
Gain on sale of functional assets		(682)	196
Gains on investments		(5,685)	(3,395)
Decrease in stock		22	8
Decrease/(increase) in debtors		(758)	(294)
Increase/(decrease) in creditors		178	(15)
Net cash used in operating activities		(542)	(1,514)
B. Analysis of cash and cash equivalents			
Cash at bank and on deposit		9,202	8,557
See note 28 for movement in net debt			

The notes on pages 34 to 65 form part of these financial statements.

Notes to the financial statements
For the year ended 31 December 2021

I. PRINCIPAL ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention, except for freehold properties which are included at their fair value as determined under the applicable valuation method as detailed below, and fixed asset investments which are included at their market value at the balance sheet date. The financial statements have been prepared in accordance with the Statement of Recommended Practice for Charities (Second Edition, effective 1 January 2019), the Companies Act 2006 and applicable accounting standards (FRS 102).

CDBF meets the definition of a Public Benefit entity as defined by FRS 102.

The principal accounting policies and estimation techniques are as follows:

(a) Basis of consolidation

The accounts for the CDBF have been prepared on a company only basis.

The CDBF had one wholly owned subsidiary Chelmsford Diocesan Trading Company Limited (company no. 8474175) which was dormant during the prior period and was dissolved on 10.11.2021.

The Sparrows Trading Company Limited (company no. 8626895) ceased to trade in the summer of 2020. The company was dissolved on 23 March 2021.

(b) Income

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

- i) Parish Contributions are recognised as income of the year in respect of which it is receivable.
- ii) Rent receivable is recognised as income in the period with respect to which it relates.
- iii) Interest and dividends are recognised as income when receivable.
- iv) Grants received which are subject to pre-conditions for entitlement specified by the donor which have not been met at the year-end are included in creditors to be carried forward to the following year.
- v) Parochial fees are recognised as income in the year to which they relate.
- vi) Donations other than grants are recognised when receivable.
- vii) Gains on disposal of fixed assets for the CDBF'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, are satisfied. It is on this basis that the income and the (normally much larger) related expenditure are both included in the unrestricted column of the Statement of Financial Activities for the sake of greater clarity and simplicity in financial reporting.

**Notes to the financial statements
For the year ended 31 December 2021**

I. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(c) Expenditure

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

- i) Costs of raising funds are constrained to costs relating to the temporary renting out of parsonages and investment management costs of glebe and any other investment properties.
- ii) Charitable expenditure is analysed between contributions to the Archbishops' Council, expenditure on resourcing mission and ministry in the parishes of the diocese, expenditure relating to the running of the diocesan retreat centre, and expenditure on education and Church of England schools in the diocese.
- iii) Grants payable are charged in the year when the offer is conveyed to the recipient except in those cases where the offer is conditional on the recipient satisfying performance or other discretionary requirements to the satisfaction of the CDBF, such grants being recognised as expenditure when the conditions attaching are fulfilled. Grants offered subject to such conditions which have not been met at the year-end are noted as a commitment, but not accrued as expenditure.
- iv) Support costs consist of central management, administration, and governance costs. The amount spent on raising funds and other activities are considered to be immaterial and all support costs are allocated to the purpose of charitable activities. Costs are allocated wherever possible directly to the activity to which they relate, but where such direct allocation is not possible, the remainder is allocated on an approximate staff time basis.
- v) Pension contributions - the CDBF participates in three pension schemes to provide pension benefits based on final pensionable pay, namely the Church of England Funded Pensions Scheme (clergy), the Church of England Defined Benefits Scheme part of the Church Workers Pension Fund, and the Teachers Superannuation Scheme. The CDBF also participates in the Church of England Pension Builder Scheme (formerly known as Defined Contributions Scheme) part of the Church Workers Pension Fund. Details of the schemes are set out in note 22. The pension costs charged as expenditure represent the CDBF's contributions payable in respect of the accounting period, in accordance with FRS102. Deficit funding for the pension schemes to which CDBF participates is accrued at current value in creditors distinguished between contributions falling due within one year and after more than one year.
- vi) Short term employee benefits including holiday pay are recognised as an expense in the period in which the service is received.
- vii) Employee termination benefits are accounted for on an accrual basis and in line with FRS 102.

(d) Going concern

The financial statements are approved during a period where there is uncertainty about the economic recovery of parishes following the coronavirus (COVID-19) pandemic. The ultimate economic and social impacts of the COVID-19 pandemic remain unclear, including whether congregational worship will return to previous patterns, and whether economic recovery will lead to a recovery in parish giving. Diocesan Officers are modelling scenarios regarding the potential medium-term impact on income, and reviewing expenditure plans as a result of this. However, having reviewed the funding facilities available to CDBF together with the expected future cash flows, the trustees have a reasonable expectation that charity has adequate resources to continue its activities for the foreseeable future and consider that there were no material uncertainties over the charity's financial viability. Accordingly, they also continue to adopt the going concern basis in preparing the financial statements.

**Notes to the financial statements
For the year ended 31 December 2021**

I. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(e) Tangible fixed assets and depreciation

Freehold properties

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. The CDBF 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 for the charity's own use

All houses (excepting properties subject to value linked loans shown below) are included in the balance sheet at professional market valuation. Such houses are revalued annually.

Properties subject to value linked loans

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

Parsonage houses

The CDBF 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 CDBF 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 estimated current market value. Parsonage houses are revalued annually.

(f) Other tangible fixed assets

Depreciation is provided to write off the cost (less any ultimate disposal proceeds at prices ruling at the time of the asset's acquisition) of other fixed assets over their currently expected useful economic lives at the following initial rates: -

Solar PV panels	4% per annum straight line
Motor vehicles	25% per annum straight line
Computers	25% per annum straight line
Furniture and office equipment	20% per annum straight line

All capital expenditure over £1,000 is capitalised.

**Notes to the financial statements
For the year ended 31 December 2021**

I. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(g) Other accounting policies

- i) Fixed asset investments - Investment properties include agricultural holdings and commercial properties which are professionally valued annually. Other investments are included in the balance sheet at market value and the gain or loss on revaluation taken to the Statement of Financial Activities.
- ii) Financial Instruments - Other than equity loans which are initially recognised at the amount received, with the carrying amount adjusted in subsequent years to reflect the value based on the proportion of the current value of the relevant property and any accrued interest, the company only has financial assets and liabilities of a kind that qualify as basic financial instruments.
 - a) **Debtors** - Trade and other debtors are recognised at the settlement amount due after any trade discount offered. Prepayments are valued at the amount prepaid net of any trade discounts due. At the end of each reporting period debtors are assessed for evidence of impairment. If an asset is impaired an impairment loss is recognised in the Statement of Financial Activities.
 - b) **Cash** - Cash at bank and cash in hand includes cash and short term highly liquid investments with a short maturity of three months or less from the date of acquisition or opening of the deposit or similar account.
 - c) **Creditors** - Basic financial liabilities, including trade and other payables and bank loans, 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 recognised at transaction price.
 - d) **Leases** - The company has entered 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.

(h) Fund balances

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

- Unrestricted funds are the CDBF's corporate funds and are freely available for any purpose within the charitable company's objects, at the discretion of the CDBF. There are two types of unrestricted funds:
 - General funds which the CDBF intends to use for the general purposes of the CDBF and
 - Designated funds set aside out of unrestricted funds by the CDBF for a purpose specified by the Trustees.
- Restricted funds are income funds subject to conditions imposed by the donor as specific terms of trust, or else by legal measure.
- 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 CDBF (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.
- During the year the trustees passed a resolution under s104 Charities Act 2011 to adopt Total Return Accounting as permitted by the Diocesan Stipends Measure (Amended) 2016'. For further detail see note 27 on page 65.

Notes to the financial statements
For the year ended 31 December 2021

I. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

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

(i) Capital expenditure on Voluntary Aided schools

Contributions to capital expenditure from Department for Education and school governors are not recognised in the Statement of Financial Activities. Details of the turnover related to this activity are included in note 25.

The CDBF contributes to the improvement, extension and building of schools not under its control by making grants to the school governors concerned, and these are shown as such in the Statement of Financial Activities.

The CDBF does not recognise the value of the company’s reversionary interest in the assets of closed schools until the ultimate proceeds of disposal have been received.

(j) Judgements and estimates

In the application of the accounting policies, the Trustees are required to make judgements, 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 continually evaluated. Revisions to accounting estimates are recognised in the period in which the estimate is revised.

Significant judgements

- Valuation of Freehold properties and parsonage houses – All freehold properties and parsonage houses, including investment properties, but excluding those subject to value linked loans are revalued to their fair value annually using valuations provided by external professionals. Properties subject to value linked loans are revalued each year at the fair value based on the index linked current valuation basis.
- Valuation of liabilities arising from the charity’s obligation to meet deficit reduction payments for its multi-employer defined benefit pension scheme – These liabilities are revalued at each year end using discount rates which are reassessed annually.
- Residual value of Freehold properties – The Trustees consider that the residual value of freehold properties is sufficiently high that depreciation would not be material.

Sources of estimation uncertainty

In the view of the Trustees there are no sources of estimation uncertainty affecting assets or liabilities at the balance sheet date that are likely to result in a material adjustment to their carrying amounts in the next financial year.

**Notes to the financial statements
For the year ended 31 December 2021**

2. INCOME FROM DONATIONS

Parish Contributions

	Unrestricted funds		Restricted	Endowment	Total	Total
	General	Designated	Funds	Funds	Funds	Funds
	2021	2021	2021	2021	2021	2020
	£'000	£'000	£'000	£'000	£'000	£'000
Parish share assessment for the year	16,868	0	0	0	16,868	16,532
Credit for fees and discounts	(738)	0	0	0	(738)	(515)
Shortfall in contributions	(2,593)	0	0	0	(2,593)	(2,498)
Payments in excess of assessment	0	0	0	0	0	16
Arrears for previous years	7	0	0	0	7	(4)
	13,544	0	0	0	13,544	13,531

All parish contributions in 2020 were unrestricted

Other Donations

	Unrestricted funds		Restricted	Endowment	Total	Total
	General	Designated	Funds	Funds	Funds	Funds
	2021	2021	2021	2021	2021	2020
	£'000	£'000	£'000	£'000	£'000	£'000
Donations	14	0	91	0	105	199
Ministry Support Funding	1,997	0	0	0	1,997	2,174
Sustainability Funding	1,000	0	0	0	1,000	1,000
All Churches Trust	0	286	0	0	286	278
Strategic Development Funding:						
Church Planting	0	0	1,076	0	1,076	655
Training for Ministry	0	0	686	0	686	796
City Churches Fund	0	0	1,590	0	1,590	721
Strategic Capacity Fund	0	0	133	0	133	160
Strategic Ministry Fund	0	0	74	0	74	18
Other Grants	61	0	68	0	129	91
	3,072	286	3,718	0	7,076	6,092
Total donations	16,616	286	3,718	0	20,620	19,623

In 2020, £3,588,000 of other donations were unrestricted and £2,504,000 were restricted.

**Notes to the financial statements
For the year ended 31 December 2021**

3. INCOME FROM CHARITABLE ACTIVITIES

Parish Contributions

	Unrestricted funds		Restricted	Endowment	Total	Total
	General	Designated	Funds	Funds	Funds	Funds
	2021	2021	2021	2021	2021	2020
	£'000	£'000	£'000	£'000	£'000	£'000
Statutory fees and chaplaincy income	750	0	0	0	750	818
Printing and bookshop	64	0	0	0	64	70
Miscellaneous income	217	0	0	95	312	278
Diocesan Retreat House	150	0	0	0	150	166
	1,181	0	0	95	1,276	1,332

In 2020, £1,153,000 income was unrestricted and £179,000 was restricted.

4. INCOME FROM INVESTMENTS

	Unrestricted funds		Restricted	Endowment	Total	Total
	General	Designated	Funds	Funds	Funds	Funds
	2021	2021	2021	2021	2021	2020
	£'000	£'000	£'000	£'000	£'000	£'000
Dividends	4	0	192	830	1,026	1,050
Interest	15	6	(23)	5	3	25
Rent	0	0	0	494	494	389
	19	6	169	1,329	1,523	1,464

In 2020, £1,229,000 income was unrestricted and £235,000 was restricted.

In 2021, Interest on restricted funds was negative as accrued interest was written off.

Notes to the financial statements
For the year ended 31 December 2021

5. SUBSIDIARY TRADING ACTIVITIES

The CDBF had two wholly owned subsidiaries. The Chelmsford Diocesan Trading Company Limited (company no. 8474175) was dormant during the prior period and was dissolved on 10.11.2021. Sparrows Trading Company Limited (company no. 8626895) ceased to trade during 2020 and was dissolved on 23 March 2021.

6. OTHER INCOME

	Unrestricted funds		Restricted	Endowment	Total	Total
	General	Designated	Funds	Funds	Funds	Funds
	2021	2021	2021	2021	2021	2020
	£'000	£'000	£'000	£'000	£'000	£'000
Gains on disposal of assets	7	0	0	694	701	0
Closed churches	0	0	0	0	0	0
	7	0	0	694	701	0

Notes to the financial statements
For the year ended 31 December 2021

7. FUND RAISING COSTS

	Unrestricted funds		Restricted	Endowment	Total	Total
	General	Designated	Funds	Funds	Funds	Funds
	2021	2021	2021	2021	2021	2020
	£'000	£'000	£'000	£'000	£'000	£'000
Investment management costs	0	0	26	204	230	217
Total in 2020	75	1	25	116	217	

8. ANALYSIS OF EXPENDITURE ON CHARITABLE ACTIVITIES

	Unrestricted funds		Restricted	Endowment	Total
	General	Designated	Funds	Funds	Funds
	2021	2021	2021	2021	2021
	£'000	£'000	£'000	£'000	£'000
Resourcing ministry and mission	14,930	672	2,509	149	18,260
Grant Funding of activities	1,509	0	37	0	1,546
Support costs	1,994	18	122	0	2,134
Expenditure on Diocesan Retreat House	190	0	0	0	190
Expenditure on Education	95	0	407	0	502
Loss on disposal of assets	0	19	0	0	19
	18,718	709	3,075	149	22,651

	Unrestricted funds		Restricted	Endowment	Total
	General	Designated	Funds	Funds	Funds
	2020	2020	2020	2020	2020
	£'000	£'000	£'000	£'000	£'000
Resourcing ministry and mission	17,205	100	1,518	0	18,823
Grant Funding of activities	1,666	(8)	367	0	2,025
Support costs	1,363	0	103	0	1,466
Diocesan Retreat House	0	0	211	0	211
Expenditure on Education	0	0	332	0	332
Loss on disposal of assets	0	1	0	195	196
	20,234	93	2,531	195	23,053

**Notes to the financial statements
For the year ended 31 December 2021**

9. ANALYSIS OF GRANTS

	Grants to Individuals 2021 £'000	Grants to Institutions 2021 £'000	Total Funds 2021 £'000	Total Funds 2020 £'000
Grants made	<u>5</u>	<u>1,541</u>	<u>1,546</u>	<u>2,025</u>
Total in 2020	<u>389</u>	<u>1,636</u>	<u>2,025</u>	

Reconciliation of grants payable

	2021 £'000	2020 £'000
Accrued at 1 January	630	667
Grants payable for the year	1,546	2,025
Grants paid during the year	(1,630)	(2,062)
Total	<u>546</u>	<u>630</u>
Payable as follows:		
in less than 1 year	<u>546</u>	<u>630</u>

Notes to the financial statements
For the year ended 31 December 2021

9. ANALYSIS OF GRANTS (continued)

By fund type	No.	Individuals £'000	Institutions £'000	2021 £'000	2020 £'000
From unrestricted funds for National Church responsibilities. Contributions to Archbishops' Council	5	0	1,200	1,200	1,236
From unrestricted funds					
PCC feasibility study	2	0	5	5	8
Churches Together organisations	1	0	12	12	13
Interfaith working	3	0	20	20	22
Other institutional grants		0	0	0	0
Ordinands in Training	28	268	0	268	377
Clergy for training	35	5	0	5	10
Total from unrestricted funds	74	273	1,237	1,510	1,666
Total from designated funds					
PCCs for mission projects	0	0	0	0	(8)
From restricted funds					
Overseas mission projects	2	0	17	17	0
Refugee support	4	0	2	2	2
PCCs for mission projects	5	0	14	14	321
Other LOB Funds	8	3	0	3	0
Multi Academy Trusts	0	0	0	0	44
Total from restricted funds	19	3	33	36	367
Total	93	276	1,270	1,546	2,025

10. ALLOCATION OF SUPPORT COSTS

	2021 £'000	2020 £'000
Resourcing ministry and mission	1,921	1,288
Education	192	228
Total	2,113	1,516

**Notes to the financial statements
For the year ended 31 December 2021**

11. NET INCOME

This is stated after charging	2021 £'000	2020 £'000
Auditors' remuneration		
Audit Fees	27	27
Other Fees	0	0
Operating lease costs in the year	57	120
Depreciation charge	93	96
Interest paid	166	207

12. STAFF COSTS

	2021 £'000	2020 £'000
Staff costs were as follows:		
Wages and salaries	2,061	2,530
National Insurance contributions	197	250
Pension costs (note 22)	289	316
	2,547	3,096

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

	2021 No.	2020 No.
Support for parish ministry	77	80
Diocesan Retreat House	10	11
Secretaries to Archdeacons	7	7
	94	98

The average monthly number of employees during the year expressed as full time equivalents was as follows (including casual and part-time staff):

	2021 No.	2020 No.
Support for parish ministry	67	69
Diocesan Retreat House	3	5
Secretaries to Archdeacons	5	4
	75	78

**Notes to the financial statements
For the year ended 31 December 2021**

12. STAFF COSTS (Continued)

The number of higher paid employees was:

	2021 No.	2020 No.
In the band £60,001 - £70,000	2	3
In the band £70,001 - £80,000	1	-
In the band £80,001 - £90,000	-	1

During the year the charity made employment termination payments totalling £16,000 (2020: £16,947).

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:

Chief Executive & Diocesan Secretary	The Revd Canon Dr Roger Matthews (to 31/05/21)
Chief Executive & Diocesan Secretary	Michaela Southworth (from 01/06/21)
Interim Chief Operating Officer	Maureen Cole (to 30/06/21)
Director of Communications & Media	Thomas Geldard
Head of Property	Alex Reeve
Director of Education	The Revd Timothy Elbourne (to 31/01/21)
Head of Finance	Margaret Essery to 31/03/21)
Director of Finance	Michaela Southworth (from 08/02/21 to 31/05/21)
Interim Director of Finance	Emma Butler (from 07/06/21 to 13/05/22)
Dean of Mission, Ministry & Education	The Revd Robert Merchant (from 19/04/21)
Head of Service Delivery	Nathan Whitehead

Remuneration, pensions and expenses for these employees amounted to £601,000 (2020: £509,000).

Clergy Stipends

The CDBF is responsible for funding, via the Church Commissioners, the stipends of licensed stipendiary clergy in the diocese, other than bishops and cathedral staff. The CDBF 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.

	2021 £000	2020 £000
Stipends	8,544	8,212
National Insurance contributions	711	708
Pension costs – current year	3,096	2,166
– deficit reduction	561	910
	12,912	11,996

The stipends of the Diocesan Bishop and three Suffragan Bishops are funded by the Church Commissioners and are in the range £37,670 - £46,180 (2020: £37,670 - £46,180). The annual rate of stipend, funded by the CDBF, paid to Archdeacons in 2021 and 2020 was £37,000 and other clergy who were Trustees were paid £27,410 for both years. The CDBF provides housing for the three Suffragan Bishops, the Archdeacons and the clergy who are Trustees. The Church Commissioners provide housing for the Diocesan Bishop.

Notes to the financial statements
For the year ended 31 December 2021

12. STAFF COSTS (Continued)

No Trustee received remuneration for services as Trustee. The Trustees who received travelling and out of pocket expenses numbered 0, totalling £0 (2020: £9,401 for 12 Trustees) in respect of General Synod duties, duties as archdeacon and other duties as Trustees.

13 TANGIBLE FIXED ASSETS

	Freehold properties	Office Equipment	Other Fixed assets	Total
	2021	2021	2021	2021
	£'000	£'000	£'000	£'000
Cost or valuation				
At 1 January 2021	275,414	1,112	835	277,361
Additions	1,728	43	0	1,771
Disposals	(4,550)	(242)	(2)	(4,794)
Revaluation surplus	23,505	0	0	23,505
Transfer to assets held for sale	(7,265)	0	0	(7,265)
At 31 December 2021	<u>288,832</u>	<u>913</u>	<u>833</u>	<u>290,578</u>
Depreciation				
At 1 January 2021	0	971	233	1,204
Charge for the year	0	60	33	93
On disposals	0	(242)	(2)	(244)
At 31 December 2021	<u>0</u>	<u>789</u>	<u>264</u>	<u>1,053</u>
Net book value				
At 31 December 2021	<u>288,832</u>	<u>124</u>	<u>569</u>	<u>289,525</u>
At 31 December 2020	<u>275,414</u>	<u>141</u>	<u>604</u>	<u>276,159</u>

If the freehold properties had not been included at valuation they would have been included under the historical cost convention as follows:

	2021 £'000	2020 £'000
Cost	<u>98,394</u>	<u>103,083</u>

The land and buildings were revalued on 31 December 2021 by Strutt & Parker LLP, Chartered Surveyors on an open market existing use basis.

Notes to the financial statements
For the year ended 31 December 2021

13 TANGIBLE FIXED ASSETS (continued)

Revaluations

Two of the equity loans (note 18) are for the acquisition of freehold properties included above. The repayment terms are such that the amount repayable is quantified as a percentage of the sales proceeds. Accordingly, if the property is revalued the associated loan must also be restated.

The analysis of net gains on revaluations of fixed assets and loans is as follows:

	2021	2020
	£000	£000
Revaluation of fixed assets	23,505	14,824
Revaluation of equity loans	-	-
Net gains per Statement of Financial Activities	<u>23,505</u>	<u>14,824</u>

The analysis of assets held for sale

	2021	2020
	£'000	£'000
Balance bf 1 January 2021	3,715	0
Proceeds from the sale of held for trading assets	(3,664)	0
Losses on disposal of held for trading assets	(51)	0
Held for sale for 2022	<u>7,265</u>	<u>3715</u>
Balance cf 31 December 2021	<u>7,265</u>	<u>3,715</u>

Proceeds from the sale of tangible fixed assets

	2021	2020
	£'000	£'000
Cost of freehold property fixed assets disposed at 1 January 2021	(4,550)	(8,335)
Gains and losses on disposal of assets	<u>(733)</u>	<u>196</u>
Proceeds from the sale of freehold property tangible fixed assets	<u>(5,283)</u>	<u>(8,139)</u>

During the year, office equipment and other fixed assets with a net book value of £nil, cost at 1 January 2021 of £0.244m and depreciation at 1 January 2021 of £0.244m were disposed for £nil proceeds.

Notes to the financial statements
For the year ended 31 December 2021

14. FIXED ASSET INVESTMENTS

	Listed Investments	Unlisted Investments	Investment Property	Total	<i>Total</i>
	2021	2021	2021	2021	<i>2020</i>
	£'000	£'000	£'000	£'000	<i>£'000</i>
At 1 January	19,898	23,340	10,080	53,318	55,551
Additions	7,151	3,000	0	10,151	3,147
Disposals	(4,981)	0	(22)	(5,003)	(8,335)
Revaluation surplus	2,556	3,352	3	5,911	2,955
Market Value at 31 December	<u>24,624</u>	<u>29,692</u>	<u>10,061</u>	<u>64,377</u>	<u>53,318</u>
Historic Value at 31 December	<u>19,067</u>	<u>18,372</u>	<u>4,133</u>	<u>41,572</u>	<u>51,085</u>

Investments held by fund

	Unrestricted funds		Restricted	Endowment	Total
	General	Designated	Funds	Funds	Funds
	2021	2021	2021	2021	2021
	£'000	£'000	£'000	£'000	£'000
At 31 December 2021					
Listed investments	0	0	4,186	20,438	24,624
Unlisted investments	0	0	5,613	24,080	29,693
Investment property	0	0	0	10,060	10,060
Total	<u>0</u>	<u>0</u>	<u>9,799</u>	<u>54,578</u>	<u>64,377</u>

	Unrestricted funds		Restricted	Endowment	Total
	General	Designated	Funds	Funds	Funds
	2020	2020	2020	2020	2020
	£'000	£'000	£'000	£'000	£'000
At 31 December 2020					
Listed investments	165	0	3,939	15,794	19,898
Unlisted investments	1,004	0	4,962	17,374	23,340
Investment property	0	0	0	10,080	10,080
Total	<u>1,169</u>	<u>0</u>	<u>8,901</u>	<u>43,248</u>	<u>53,318</u>

Notes to the financial statements
For the year ended 31 December 2021

14. FIXED ASSET INVESTMENTS (continued)

The analysis of net gains on investments is as follows:

	2021	2020
	£000	£000
Realised gains	(226)	440
Unrealised gains on revaluation	5,911	2,955
	<hr/>	<hr/>
Net gains per Statement of Financial Activities	5,685	3,395
	<hr/>	<hr/>

15. DEBTORS

	Total	Total
	2021	2020
	£'000	£'000
Due after more than one year		
Loans to parishes	309	107
Equity loans	29	29
Other loans	3	5
	<hr/>	<hr/>
	341	141
	<hr/>	<hr/>

	Total	Total
	2021	2020
	£'000	£'000
Due within one year		
Trade debtors	0	0
Parish share	401	431
Charitable activities debtors	1,219	597
Parochial fees	0	100
Other loans and debtors	192	395
Pension contributions (note 22)	0	0
Grant income accrued	444	57
Prepayments and accrued income	741	859
	<hr/>	<hr/>
	2,997	2,439
	<hr/>	<hr/>

**Notes to the financial statements
For the year ended 31 December 2021**

16. CREDITORS: Amounts falling due within one year

	Total	<i>Total</i>
	2021	<i>2020</i>
	£'000	<i>£'000</i>
Bank loans and overdrafts (note 17)	9,009	54
Trade creditors	369	510
Other taxation and social security	77	73
Closed Schools - amounts held pending determination	1,918	1,918
Devolved Formula Capital	571	733
Schools Condition Allocations	2,043	832
Pension contributions (note 22)	570	928
Other creditors	968	29
Accruals and deferred income	332	1,358
Grants accrued (note 9)	546	630
	<u>16,403</u>	<u>7,065</u>

17. CREDITORS: Amounts falling due after more than one year

	Total	<i>Total</i>
	2021	<i>2020</i>
	£'000	<i>£'000</i>
Bank loans	0	10,927
Equity loan	874	874
	<u>874</u>	<u>11,801</u>

National Westminster Bank Plc has made available mortgage facilities to fund the purchase of houses for curates. In 2020 the bank loan was due after more than one year in 2021 this loan is due within one year.

In May 2017 a facility of £10m was agreed. This facility, which is repayable in full at the end of 5 years, is secured on certain freehold properties. As at 31 December 2021 £9m was outstanding (2020:£10m).

A further loan of £1m was agreed in 2019. This is repayable in monthly instalments starting 13 months after the first drawdown. The final instalment is due 5 years after the first drawdown. As at 31 December 2021 £0m was outstanding (2020:£0.981m). This loan is secured on certain freehold properties.

Equity loans are made available by the Church Commissioners to assist with provision of housing for curates and other ministers. The terms are that the loan is repayable if the property is sold or ceases to be used for the purpose under which the loan was granted. The amount repayable to the Church Commissioners is the proportion of the current value of the property that the loan bore to the original purchase cost. Most loans incurred interest initially at 3% per annum but the rate thereafter varies with inflation: the average interest rate on these loans is 6%.

Notes to the financial statements
For the year ended 31 December 2021

18. SUMMARY OF FUNDS MOVEMENTS

STATEMENT OF FUNDS - CURRENT YEAR

	Balance at 1 January 2021 £'000	Income 2021 £'000	Expenditure 2021 £'000	Transfers in/(out) 2021 £'000	Gains/ (losses) 2021 £'000	Balance at 31 December 2021 £'000
Designated funds						
Houses	25,197	6	(172)	0	3,070	28,101
Allchurches Trust	476	286	(438)	0	0	324
Strategic Change	18	0	(18)	0	0	0
Mission Opportunities	104	0	(17)	(77)	0	10
Diocesan Retreat House Refurbishment	0	0	0	0	0	0
Closed Churches	0	0	0	0	0	0
Asbestos surveys	65	0	(65)	0	0	0
	<u>25,860</u>	<u>292</u>	<u>(709)</u>	<u>(77)</u>	<u>3,070</u>	<u>28,436</u>
General funds						
General funds	<u>2,178</u>	<u>18,545</u>	<u>(18,718)</u>	<u>2,585</u>	<u>55</u>	<u>4,645</u>
Total Unrestricted Funds	<u>28,038</u>	<u>18,837</u>	<u>(19,427)</u>	<u>2,508</u>	<u>3,125</u>	<u>33,081</u>
Endowment Funds						
Stipends Fund Capital	82,503	1,342	(204)	(2,334)	7,161	88,468
Parsonage Houses	202,820	681	(149)	0	17,795	221,147
Permanent Endowment	3,056	95	0	(107)	435	3,479
	<u>288,379</u>	<u>2,118</u>	<u>(353)</u>	<u>(2,441)</u>	<u>25,390</u>	<u>313,094</u>
Restricted Funds						
Diocesan Board of Education	5,996	247	(427)	0	522	6,338
Diocesan Retreat House	67	0	0	(67)	0	0
London Over the Border	1,832	41	(46)	0	153	1,980
City Church Fund	660	1,590	(598)	0	0	1,652
Lent Appeal	14	9	(20)	0	0	3
Refugee Appeal	39	6	0	0	0	45
Church Planting project	(27)	1,076	(1,049)	0	0	0
Restructuring	166	0	(99)	0	0	67
Training for Ministry	125	686	(622)	0	0	189
Strategic Capacity	9	88	(96)	0	0	1
SCF Project Lead Young People	0	45	(45)	0	0	0
Strategic Ministry Fund	0	74	(74)	0	0	0
Historic England	0	25	(25)	0	0	0
	<u>8,881</u>	<u>3,887</u>	<u>(3,101)</u>	<u>(67)</u>	<u>675</u>	<u>10,275</u>
Total Funds	<u>325,298</u>	<u>24,842</u>	<u>(22,881)</u>	<u>0</u>	<u>29,190</u>	<u>356,450</u>

**Notes to the financial statements
For the year ended 31 December 2021**

18. SUMMARY OF FUNDS MOVEMENTS (continued)

	STATEMENT OF FUNDS – PRIOR YEAR					
	Balance at			Transfers	Gains/	Balance at
	1 January	Income	Expenditure	in/(out)	(losses)	1 January
	2020	2020	2020	2020	2020	2020
	£'000	£'000	£'000	£'000	£'000	£'000
Designated funds						
Houses	23,455	0	(8)	0	1,750	25,197
Allchurches Trust	200	278	(2)	0	0	476
Strategic Change	20	0	(2)	0	0	18
Mission Opportunities	1,385	32	(8)	(1,381)	76	104
Diocesan Retreat House Refurbishment	1	0	(1)	0	0	0
Turnaround Project	69	0	(69)	0	0	0
Closed Churches	999	0	0	(999)	0	0
Asbestos surveys	69	0	(4)	0	0	65
	<u>26,198</u>	<u>310</u>	<u>(94)</u>	<u>(2,380)</u>	<u>1,826</u>	<u>25,860</u>
General funds						
General funds	<u>1,064</u>	<u>19,794</u>	<u>(20,309)</u>	<u>1,544</u>	<u>85</u>	<u>2,178</u>
Total Unrestricted Funds	<u>27,262</u>	<u>20,104</u>	<u>(20,403)</u>	<u>(836)</u>	<u>1,911</u>	<u>28,038</u>
Endowment Funds						
Stipends Fund Capital	77,605	0	(116)	836	4,178	82,503
Parsonage Houses	191,695	0	0	0	11,320	203,015
Permanent Endowment	2,860	0	(195)	0	196	2,861
	<u>272,160</u>	<u>0</u>	<u>(311)</u>	<u>836</u>	<u>15,694</u>	<u>288,379</u>
Restricted Funds						
Diocesan Board of Education	5,625	305	(415)	0	481	5,996
Diocesan Retreat House	121	166	(211)	0	(9)	67
London Over the Boarder	1,890	808	(348)	0	142	2,492
Lent Appeal	6	10	(2)	0	0	14
Refugee Appeal	39	0	0	0	0	39
Church Planting project	(40)	655	(642)	0	0	(27)
Restructuring	196	0	(30)	0	0	166
Training for Ministry	45	796	(716)	0	0	125
Strategic Capacity	23	103	(117)	0	0	9
One off SCF	0	12	(12)	0	0	0
SCF Project Lead Young People	0	45	(45)	0	0	0
Strategic Ministry Fund	0	18	(18)	0	0	0
	<u>7,905</u>	<u>2,918</u>	<u>(2,556)</u>	<u>0</u>	<u>614</u>	<u>8,881</u>
Total Funds	<u>307,327</u>	<u>23,022</u>	<u>(23,270)</u>	<u>0</u>	<u>18,219</u>	<u>325,298</u>

**Notes to the financial statements
For the year ended 31 December 2021**

18. SUMMARY OF FUNDS MOVEMENTS (continued)

SUMMARY OF FUNDS - CURRENT YEAR

	Balance at 1 January 2021 £'000	Income 2021 £'000	Expenditure 2021 £'000	Transfers in/(out) 2021 £'000	Gains/ (losses) 2021 £'000	Balance at 31 December 2021 £'000
Designated funds	25,860	292	(709)	(77)	3,070	28,436
General funds	2,178	18,545	(18,718)	2,585	55	4,645
	<u>28,038</u>	<u>18,837</u>	<u>(19,427)</u>	<u>2,508</u>	<u>3,125</u>	<u>33,081</u>
Endowment funds	288,379	2,118	(353)	(2,441)	25,390	313,094
Restricted funds	8,881	3,887	(3,101)	(67)	675	10,275
	<u>325,298</u>	<u>24,842</u>	<u>(22,881)</u>	<u>(0)</u>	<u>29,190</u>	<u>356,450</u>

SUMMARY OF FUNDS - PRIOR YEAR

	Balance at 1 January 2021 £'000	Income 2021 £'000	Expenditure 2021 £'000	Transfers in/(out) 2021 £'000	Gains/ (losses) 2021 £'000	Balance at 31 December 2021 £'000
Designated funds	26,198	310	(94)	(2,380)	1,826	25,860
General funds	1,064	19,794	(20,309)	1,544	85	2,178
	<u>27,262</u>	<u>20,104</u>	<u>(20,403)</u>	<u>(836)</u>	<u>1,911</u>	<u>28,038</u>
Endowment funds	272,160	0	(311)	836	15,694	288,379
Restricted funds	7,905	2,918	(2,556)	0	614	8,881
	<u>307,327</u>	<u>23,022</u>	<u>(23,270)</u>	<u>0</u>	<u>18,219</u>	<u>325,298</u>

ANALYSIS OF TRANSFERS BETWEEN FUNDS

	Unrestricted funds		Restricted Funds	Endowment Funds
	General 2021 £'000	Designated 2021 £'000	2021 £'000	2021 £'000
From mission opportunities to general fund	77	(77)	0	0
From restricted fund to general fund	67	0	(67)	0
Total return transfer to general funds	2,995	0	0	(2,995)
From general fund to stipends endowment for reduction of pension deficit	(554)	0	0	554
	<u>2,585</u>	<u>(77)</u>	<u>(67)</u>	<u>(2,441)</u>

Notes to the financial statements
For the year ended 31 December 2021

18. SUMMARY OF FUNDS MOVEMENTS (continued)

Designated funds:

Houses Fund	This fund represents monies allocated to clergy housing
Allchurches Trust	This fund represents grants received from Allchurches Trust and is to be distributed at the discretion of the Bishop of Chelmsford
Strategic Change	This fund represents monies allocated for strategic change predominantly the Transforming Presence Programme
Mission Opportunities fund	This fund represents monies allocated for new mission initiatives
Diocesan Retreat House Refurbishment	This fund represents monies allocated to improve facilities at the Retreat House
Turnaround Project	This fund represents monies allocated to a 'turnaround' project to improve mission and financial performance
Closed Churches	This fund represents proceeds from the sale of closed churches which have been set aside to cover future costs arising on other churches in the diocese closed for public worship

General Funds:

General Fund	This fund is available for any purpose within the objects of the CDBF
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Endowment Funds:

Stipends Fund Capital	This fund is governed by the Diocesan Stipends Measure 1953. The income of the fund can only be used for clergy stipends
Parsonage Houses	This fund represents the value of all the benefice houses (parsonages) in the Diocese
Permanent endowments	The income of these funds is available to be spent within the General Funds

Restricted Funds:

Diocesan Board of Education	The Diocesan Board of Education is an unincorporated body constituted in accordance with the Diocesan Boards of Education Measure 1991 (No.2). This includes the pooled sale proceeds of closed church schools and the unspent balance of the grant received from the Hockerill Educational Foundation
Diocesan Retreat House	The Diocesan Retreat House at Pleshey is operated as a separate activity. Under the terms of the trust for the Retreat House, all income must be expended within the centre and, therefore, this is treated as a restricted fund within CDBF's accounts
London Over the Border	The Council is instituted to administer specific funds for the benefit of parishes within five specified deaneries of the Diocese
City Churches Fund	This fund represents grants received from the Church Commissioners towards the cost of the on-going development of resource churches and a network of new church communities in 5 strategic mission priority areas
Lent Appeal	This fund represents income from the Bishop's Lent Appeal
Refugee Appeal	This fund represents income from the Bishop's Refugee Appeal
Church Planting Project	This fund represents grants received from the Church Commissioners towards the cost of the on-going development of resource churches and a network of new church communities in 5 strategic mission priority areas
Restructuring (transition) Funding	This fund represents grants received from the Church Commissioners to aid the Diocese to transition to new funding arrangements
Training for Ministry	This fund represents grants received from the Archbishops' Council to assist in the funding of training clergy

**Notes to the financial statements
For the year ended 31 December 2021**

19. ANALYSIS OF NET ASSETS BETWEEN FUNDS

ANALYSIS OF NET ASSETS BETWEEN FUNDS - CURRENT YEAR

	Unrestricted funds		Restricted endowment		Total
	General	Designated	Funds	Funds	Funds
	2021	2021	2021	2021	2021
	£'000	£'000	£'000	£'000	£'000
Tangible fixed assets	2,733	36,727	365	249,699	289,525
Fixed asset investments	0	0	9,799	54,578	64,377
Assets held for sale	0	4,220	0	3,045	7,265
Debtors due after more than one year	341	0	0	0	341
Current assets	3,390	(2,765)	5,221	6,354	12,199
Creditors due within one year	(1,682)	(9,009)	(5,109)	(603)	(16,403)
Creditors due in more than one year	(137)	(737)	0	0	(874)
Defined benefit pension scheme liabilities	0	0	0	21	21
	4,645	28,436	10,275	313,094	356,450

ANALYSIS OF NET ASSETS BETWEEN FUNDS - PRIOR YEAR

	Unrestricted funds		Restricted	Endowment	Total
	General	Designated	Funds	Funds	Funds
	2020	2020	2020	2020	2020
	£'000	£'000	£'000	£'000	£'000
Tangible fixed assets	2,696	39,919	340	233,204	276,159
Fixed asset investments	1,169	0	8,901	43,248	53,318
Assets held for sale	0	2,085	0	1,630	3,715
Debtors due after more than one year	137	0	4	0	141
Current assets	375	(4,306)	3,540	11,406	11,015
Creditors due within one year	(2,182)	(54)	(3,904)	(925)	(7,065)
Creditors due in more than one year	(17)	(11,784)	0	0	(11,801)
Defined benefit pension scheme liabilities	0	0	0	(184)	(184)
	2,178	25,860	8,881	288,379	325,298

20. CONTINGENT LIABILITIES

There were no contingent liabilities at the balance sheet date.

21. CAPITAL COMMITMENTS

There were no capital commitments at the balance sheet date.

**Notes to the financial statements
For the year ended 31 December 2021**

22. PENSIONS

Chelmsford DBF participates in four pension schemes:

- A. Church of England Funded Pensions Scheme
- B. Church Workers Pension Fund DBS
- C. Church Workers Pension Fund Pension Builder
- D. Teachers Pension Scheme

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

A. Church of England Funded Pensions Scheme (CEFPS) - the Clergy defined benefit pension scheme

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

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

The scheme is considered to be a multi-employer scheme as described in Section 28 of FRS 102. This means it is not possible to attribute the Scheme's assets and liabilities to the specific Responsible Body and this means that contributions are accounted for as if the Scheme were a defined contribution scheme. The pensions costs charged to the SOFA in the year are contributions payable towards benefits and expenses accrued in that year (2021: £2.515m, 2020: £2.142m), plus the figures highlighted in the table below as being recognised in the SOFA, giving a total charge of £2.522m for 2021 (2020: credit of £2.216m).

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

- ◆ An average discount rate of 3.2% p.a.;
- ◆ RPI inflation of 3.4% p.a. (and pension increases consistent with this);
- ◆ Increase in pensionable stipends of 3.4% p.a.;
- ◆ Mortality in accordance with 95% of the S3NA_VL tables, with allowance for improvements in mortality rates in line with the CMI 2018 extended model with a long term annual rate of improvement of 1.5%, a smoothing parameter" of 7 and an initial addition to mortality improvements of 0.5% pa.

Notes to the financial statements
For the year ended 31 December 2021

22 PENSIONS (continued)

A. Church of England Funded Pensions Scheme (CEFPS) - the Clergy defined benefit pension scheme (continued)

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

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

As at 31 December 2019 and 31 December 2020 the deficit recovery contributions under the recovery plan in force were as set out in the above table.

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

Section 28.11A of FRS 102 requires agreed deficit recovery payments to be recognised as a liability. The movement in the balance sheet liability over 2020 and 2021 is set out in the table below.

	2020 £000	2020 £000
Balance sheet liability at 1 January	1,094	1,930
Deficit contribution paid	(561)	(940)
Interest cost (recognised in SOFA)	2	16
Remaining change to the balance sheet liability* (recognised in SOFA)	5	58
Balance sheet liability at 31 December	<u>540</u>	<u>1,094</u>

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

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

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

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

**Notes to the financial statements
For the year ended 31 December 2021**

22 PENSIONS (continued)

B. Church Workers Pension Fund (CWPF) - Lay Workers Defined Benefits Scheme

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

The CWPF has a section known as the Defined Benefits Scheme, a deferred annuity section known as Pension Builder Classic and a cash balance section known as Pension Builder 2014 (see section C below). The Defined Benefits Scheme ("DBS") section of the CWPF provides benefits for lay staff based on final pensionable salaries.

The CDBF has not had any active members in the DBS since March 2018.

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

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

The scheme is a multi-employer scheme as described in section 28 of FRS 102. It is not possible to attribute the scheme's assets and liabilities to specific employers, since each employer, through the Life Risk Section, is exposed to actuarial risks associated with the current and former employees of other entities participating in the DBS. This means that contributions are accounted for as if DBS were a defined contribution scheme. The pensions costs charged to the SoFA during the year are contributions payable towards benefits and expenses accrued in that year (2021: £9,000, 2020: £9,000) plus the figures in relation to the DBS deficit highlighted in the table below as being recognised in the SoFA, giving a total charge of £9,000 for 2021 (2020: £9,000).

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

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

A valuation as at 31 December 2019 was under way as at 31 December 2020. The contributions agreed at that valuation will be reflected in the figures disclosed in the 2021 accounts.

Following the valuation, the Employer has entered into an agreement with the Church Workers Pension Fund to pay expenses of £9,000 per year.

Section 28.1A of FRS 102 requires agreed deficit recovery payments to be recognised as a liability. The movement in the provision is set out below:

	2021	2020
	£000	£000
Balance sheet liability at 1 January	-	-
Deficit contribution paid	-	-
Interest cost (recognised in SOFA)	-	-
Remaining change to the balance sheet liability*(recognised in SOFA)	-	-
	<hr/>	<hr/>
Balance sheet liability at 31 December	-	-
	<hr/>	<hr/>

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

**Notes to the financial statements
For the year ended 31 December 2021**

22 PENSIONS (continued)

B. Church Workers Pension Fund (CWPF) - Lay Workers Defined Benefits Scheme (continued)

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

	December 2021	December 2020	December 2019
Discount rate	nil	nil	nil

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

The next valuation of the scheme is being carried out as at 31 December 2019.

C. Church Workers Pension Fund (CWPF) - Pension Builder Classic and Pension Builder 2014

The CDBF participates in the Pension Builder Scheme section of CWPF for lay staff. The Scheme is administered by the Church of England Pensions Board, which holds the assets of the schemes separately from those of the Employer and the other participating employers.

The CWPF has a section known as the Defined Benefits Scheme, a deferred annuity section known as Pension Builder Classic and a cash balance section known as Pension Builder 2014.

Pension Builder Scheme

The Pension Builder Scheme of the CWPF is made up of two sections, Pension Builder Classic and Pension Builder 2014, both of which are classed as defined benefit schemes.

Pension Builder Classic provides a pension for members for payment from retirement, accumulated from contributions paid and converted into a deferred annuity during employment based on terms set and reviewed by the Church of England Pensions Board from time to time. Bonuses may also be declared, depending upon the investment returns and other factors.

Pension Builder 2014 is a cash balance scheme that provides a lump sum that members use to provide benefits at retirement. Pension contributions are recorded in an account for each member. This account may have bonuses added by the Board before retirement. The bonuses depend on investment experience and other factors. There is no requirement for the Board to grant any bonuses. The account, plus any bonuses declared, is payable from members' Normal Pension Age.

There is no sub-division of assets between employers in each section of the Pension Builder Scheme.

The scheme is considered to be a multi-employer scheme as described in Section 28 of FRS 102. This means it is not possible to attribute the Pension Builder Scheme's assets and liabilities to specific employers and that contributions are accounted for as if the Scheme were a defined contribution scheme. The pensions costs charged to the SoFA in the year are contributions payable (2020: £262,000, 2019: £250,000).

A valuation of the Pension Builder Scheme is carried out once every three years. The most recent was carried out as at 31 December 2016. A valuation as at 31 December 2019 was under way as at 31 December 2020.

For the Pension Builder Classic section, the valuation revealed a deficit of £14.2m on the ongoing assumptions used. At the most recent annual review, the Board chose not to grant a discretionary bonus, which will have acted to improve the funding position. There is no requirement for deficit payments at the current time.

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

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

**Notes to the financial statements
For the year ended 31 December 2021**

22 PENSIONS (continued)

D. Teachers' Pension Scheme (TPS)

The TPS is an unfunded scheme and members contribute on a "pay as you go" basis – these contributions along with those made by employees are credited to the Exchequer. Retirement and other pension benefits are paid by public funds provided by Parliament.

The CDBFT employer's pension costs paid to the TPS in the year amounted to £35,000 (2020 £46,000).

A copy of the valuation report and supporting documentation is on the Teachers' Pensions website.

Under the definitions set out in FRS102 the TPS is a multi employer scheme. The CDBF has accounted for its contributions to the scheme as if it were a defined contribution scheme.

The employer contribution rate was increased to 23.6% in August 2019 following the TPS 2016 valuation.. Prior to August 2019 the employer contribution rate was 16.48%.

The summary of all the schemes' liabilities at 31 December is:

Amounts falling due within one year

	2021 £000	2020 £000
Church of England Funded Pensions Scheme	561	910
Church Workers Pension Fund DBS	-	-
Church Workers Pension Fund - Pension Builder Classic and PB2014	9	18
Total	570	928

Amounts falling due after more than one year

	2021 £000	2020 £000
Church of England Funded Pensions Scheme	(21)	184
Church Workers Pension Fund DBS	-	-
Total	(21)	184

**Notes to the financial statements
For the year ended 31 December 2021**

23. OPERATING LEASE COMMITMENTS

At 31 December 2021 the total of future minimum lease payments under non-cancellable operating leases was:

	2021	2020
	£'000	£'000
Within 1 year	95	28
Between 2 and 5 years	75	0
After more than 5 years	0	0
Total	<u>170</u>	<u>28</u>

24. RELATED PARTY TRANSACTIONS

Transactions between Sparrows Trading Company Limited and the CDBF were as follows:

	2021	2020
	£'000	£'000
Amount owing at 1 January	0	0
Loan advanced to Sparrows Trading Company Limited during the year	0	60
Amount written off	0	(60)
Total	<u>0</u>	<u>0</u>

Apart from the above and the trustee transactions disclosed in note 12, there were no other related party transactions in the financial year.

Apart from the above and the trustee transactions disclosed in note 12, there were no other related party transactions in the financial year.

25. CAPITAL EXPENDITURE ON VOLUNTARY AIDED SCHOOLS

CDBF received funding on behalf of schools from the Department for Education, local authorities and from school governing bodies to finance building work amounting to £1,771,000 (2020: £1,804,000).

These funds were then utilised to pay for school building improvement works. Neither the income nor the expenditure are included in these accounts.

**Notes to the financial statements
For the year ended 31 December 2021**

26. FUNDS HELD AS CUSTODIAN TRUSTEE

CDBF acts as Diocesan Authority or custodian trustee for many 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. Assets held in this way are not aggregated in these financial statements as the CDBF does not control them.

	2021	2020
	£'000	£'000
CBF Church of England Investment Fund income shares	10,175	9,994
CBF Church of England Investment Fund accumulation shares	1,238	1,019
CBF Church of England Fixed Interest Securities Fund shares	274	305
CBF Church of England Global Equity Income Fund income shares	65	56
CBF Church of England Property Fund shares	3	3
COIF income and accumulation shares	291	590
Other common investment fund holdings (M&G)	850	901
Direct holdings in UK equities	648	678
CBF Church of England Deposit Fund	4,288	4,659
Total	<u>17,832</u>	<u>18,205</u>

Notes to the financial statements
For the year ended 31 December 2021

27. TOTAL RETURN ACCOUNTING

From the 1 January 2021 the Chelmsford Diocesan Board of Finance adopted a total return approach to investments and property with regard to the Stipend Capital Fund (SCF) the Permanent Endowment Fund (PEF). The initial base values for implementing total return were determined at 1 January 2021 the SCF £60.511m and the PEF £1.678m.

The unapplied total return was set at £21.992m for SCF and £1.378m for PEF a combined valued at £23.370m. Total return accounting was supported by the Finance Committee on 3 November 2021. The principles were resolved in 2020 for application in 2021 and the final calculations were completed in 2021 as supported by the finance committee.

3.5% was quoted and agreed as the annual percentage to transfer to the General fund to supplement revenue. The indexation of the base values is calculated using the National CPI index.

	Stipend Capital fund			Permanent Endowment		
	Unapplied			Unapplied		
	Trust for investment	Total Return	Total endowment	Trust for investment	Total Return	Total endowment
	£'000	£'000	£'000	£'000	£'000	£'000
As at 1 January 2021:						
Base value of the permanent endowment	60,511		60,511	1,678		1,678
Unapplied total return		21,992	21,992		1,378	1,378
Total	60,511	21,992	82,503	1,678	1,378	3,056
Movements in the year:						
Additional sale proceeds of glebe land sale	101		101			
Gains on revaluation of clergy houses		2,563	2,563			
Gains on disposal of assets		13	13			
Investment returns: dividends received		1,329	1,329		95	95
Investment return: realised and unrealised losses		4,496	4,496		435	435
Investment manager's fees		(204)	(204)			
Clergy Pension Costs		554	554			
Unapplied total return allocated to income in the year		(2,888)	(2,888)		(107)	(107)
Add indexation of base level of endowment	3,269	(3,269)	0	91	(91)	0
Net movements in the year	3,370	2,595	5,965	91	332	423
As at 31 December 2021:						
Base value of the permanent endowment	63,881		63,881	1,769		1,769
Unapplied total return		24,587	24,587		1,710	1,710
Valuation as at 31 December 2021	63,881	24,587	88,468	1,769	1,710	3,479
Analysis of Withdrawal to income						
To General Fund (see note 18 analysis of transfers)		2,888			107	
Withdrawal to income		2,888	3.50%		107	3.50%

**Notes to the financial statements
For the year ended 31 December 2021**

28. ANALYSIS OF CHANGES IN NET DEBT

	At 1 Jan 2021	Cashflows	Other non-cash changes	At 31 Dec 2021
	£'000	£'000	£'000	£'000
Cash and cash equivalents				
Cash	8,557	645	0	9,202
Cash equivalents	0	0	0	0
	8,557	645	0	9,202
Borrowings				
Debt due within one year	(54)	54	(9,009)	(9,009)
Debt due after one year	(11,801)	1,918	9,009	(874)
	(11,855)	1,972	0	(9,883)
Total	(3,298)	2,617	0	(681)