

Canterbury Diocesan Board of Finance

Trustees' Report and Financial Statements

31 December 2021

Company Limited by Guarantee
Registration Number
00145650 (England and Wales)

Charity Registration Number
249972

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Reference and administrative information

Trustees	
<i>Ex-Officio Trustees</i>	<p>The Archbishop of Canterbury, The Most Revd and Rt Hon Justin Welby The Bishop of Dover, The Rt Revd Rose Hudson-Wilkin Mr Peter Wyllie, Chair (appointed 6 July 2021) Mr Nigel Mansley, Chair (resigned 6 July 2021) The Dean of Canterbury Cathedral, The Very Revd Dr Robert Willis (resigned 16 May 2022) The Venerable Stephen Taylor, MBE The Archdeacon of Ashford, The Venerable Darren Miller The Archdeacon of Canterbury, The Venerable Joanne Kelly-Moore (resigned 3 December 2021) The Archdeacon of Maidstone, The Venerable Andrew Sewell Mrs Jane Ashton Mrs Miranda Ford (appointed 1 January 2022) Fiona Higgs (appointed 1 January 2022) Dr John Moss Mr Philip Sibbald (resigned 6 July 2021) The Revd Carol Smith</p>
<i>Elected Trustees</i>	<p>Miss Aimée Babbs (resigned 31 December 2021) Graham Codling (appointed 1 January 2022) The Revd Gareth Dickinson (appointed 1 January 2022) Mrs Miranda Ford (resigned 31 December 2021) The Revd Estella Last The Revd Canon Stephen Lillicrap (appointed 1 February 2021, resigned 31 December 2021) Lt Col (Retd) John Morrison The Revd Shiela Porter (resigned 6 July 2021) The Revd Canon Dr Jeremy Worthen (appointed 1 January 2022)</p>
Acting Diocesan Secretary	The Venerable Stephen Taylor, MBE
Registered address	<p>Diocesan House Lady Wootton's Green Canterbury Kent CT1 1NQ</p>
Company Registration No.	00145650 (England and Wales)
Charity Registration No.	249972
Auditor	<p>Buzzacott LLP 130 Wood Street London EC2V 6DL</p>

Reference and administrative information

Bankers Lloyds Bank plc
49 High Street
Canterbury
Kent
CT1 2SE

Solicitors Mowl Ltd
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Gordon Road
Whitfield
Dover
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CT16 3PN

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

Trustees' report (incorporating the strategic report) Year ended 31 December 2021

The Trustees present their annual report (incorporating the strategic report for Companies Act purposes) together with the audited financial statements for the year ended 31 December 2021.

The report has been prepared in accordance with Part 8 of the Charities Act 2011 and constitutes a directors' report for the purposes of company legislation.

The financial statements have been prepared in accordance with the principal accounting policies set out on pages 25 to 30 of the attached financial statements and comply with the charitable company's Memorandum and Articles of Association, applicable laws and Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102).

SUMMARY INFORMATION ABOUT THE STRUCTURE OF THE CHURCH OF ENGLAND

The Church of England is organised as two provinces each led by an archbishop - Canterbury for the southern province and York for the northern. Each province comprises dioceses, of which there are 41 in England. Each diocese is divided into deaneries and each deanery into parishes; and each parish is overseen by a parish priest (usually called a vicar or rector). From ancient times through to today, they and their bishop are responsible for the "cure of souls" in their parish.

Her Majesty the Queen, who is the Supreme Governor of the Church of England, appoints archbishops, bishops and deans of cathedrals on the advice of the Prime Minister. The Lords Spiritual, consisting of the two archbishops and 24 of the senior bishops sit in the House of Lords.

The Church of England is episcopally-led; it is led by the Archbishops of Canterbury and York and there are a further 106 bishops including Diocesan Bishops and Suffragan Bishops. It is governed by General Synod as its legislative and deliberative body at national level, making decisions on matters of doctrine, the holding of church services and relations with other churches. General Synod passes measures which, if accepted by Parliament, have the effect of Acts of Parliament. Its members belong to one of three groups or houses: The House of Bishops, The House of Clergy and the House of Laity, and General Synod meets in London or York at least twice annually to consider matters for the broader good of the Church.

STRUCTURE, GOVERNANCE AND MANAGEMENT

Constitution

Canterbury Diocesan Board of Finance (CDBF, the charity or the Board) was incorporated as a company on 29 December 1916 to manage the financial affairs of the diocese and to hold its assets. Every member of Diocesan Synod is a member of CDBF for company law purposes, and similarly Archbishop's Council comprises the Trustees. The Board is a company limited by guarantee and as such has no share capital. The Board is a registered charity and its Trustees are the same people who serve as the Board of Directors for company law purposes. The Board together with its subsidiary entities comprises the 'group'.

The principal object of the charity and the group is to promote and assist the work of the Church of England for the advancement of the Christian faith in the Diocese of Canterbury.

Method of appointment or election of Trustees

The management of the charity and the group is the responsibility of the Trustees who are elected and co-opted under the terms of the Articles of Association.

STRUCTURE, GOVERNANCE AND MANAGEMENT (continued)

Policies adopted for the induction and training of Trustees

At the first meeting of the triennium, the triennium for the Trustees being the period January 2022 to December 2024, time is set aside for the induction and training of new Trustees and further training is provided where necessary during the triennium to ensure that all Trustees are kept fully informed of their responsibilities. Diocesan officers are always on hand to advise Trustees on supplementary issues.

Trustees' remuneration

The Trustees do not receive remuneration for their roles as trustees of the charity. The clergy members of the Board, as office holders within the diocese, receive housing and stipends as part of their clergy role.

Organisational structure and decision making

The Board, as Archbishop's Council, is responsible for working with the Bishop of Dover to shape the diocesan strategy and to monitor the outworking of that strategy. It sets overall objectives and priorities. The outworking of those objectives and strategies for the Diocese of Canterbury is conducted through four overarching frameworks. The frameworks (see below under policies and objectives) meet frequently to plan their own priorities and make appropriate decisions in support of the overriding strategies and objectives of the Diocese of Canterbury. The principal officers manage the day-to-day administration in conjunction with Archbishop's Council and respective frameworks as appropriate. The remaining staff assist in administration.

Related party relationships

CDBF makes contributions to the national Archbishops' Council towards the running costs of the National Church. The stipends of all parish priests are paid initially by the Church Commissioners and these are reimbursed by CDBF. The stipend of the Bishop of Dover together with the stipend of the Chaplain, the salaries of the Bishop's office staff and the Archdeacon of Maidstone's stipend are borne by the Church Commissioners. The stipend of the Archdeacon of Canterbury is borne by the Dean and Chapter of Canterbury Cathedral and is not included in these financial statements. The Board considers that the following are subsidiary companies or connected charities:

Subsidiary Companies:

- ◆ Canterbury Diocesan Enterprises Limited (CDEL)
- ◆ Diocesan Architectural Service Limited (DASL)
- ◆ Ethos School Improvement Limited (eSIL)
- ◆ Together Kent (with effect from 1 March 2021)

Connected Charities:

- ◆ Together Kent (until 28 February 2021)
- ◆ The Diocese of Canterbury Academies Company Limited (DCACL)

STRUCTURE, GOVERNANCE AND MANAGEMENT (continued)

Risk management

The Trustees have assessed the major risks to which the charity and the group are exposed, in particular those related to the operations and finances of the charity and the group and are satisfied that appropriate systems and procedures are in place to mitigate exposure to the major risks. The Trustees, through the Finance and Assets Committee, undertook a comprehensive review of the strategic, business and operational risks in 2021.

The key risks facing the Board of Finance are:

♦ Non-payment of full Parish Share.

The Trustees continue to pay careful attention to the Parish Share Scheme which determines the allocation of contributions needed from each parish to maintain the general fund. The Trustees also monitor on a regular basis the collection rate of contributions received from individual parishes, with a view to identifying at an early stage those parishes which are likely to have difficulties in meeting their Parish Share. A strategic review has led to an overall reduction of some 10% in the Parish Share requested from parishes in 2022, which should result in a lower monetary shortfall in 2022.

♦ A failure to take appropriate safeguarding precautions and implement suitable policies to protect all those who come within the care of our churches.

CDBF takes extremely seriously the need for strong safeguarding procedures and controls. The Trustees are responsible ultimately for overseeing the implementation and review of policies and procedures for safeguarding children and vulnerable adults throughout the diocese; and for developing and maintaining good practice in relation to the safety and welfare of children, young people and vulnerable adults. There is in place a new structure with an Independent Safeguarding Chair and policies that ensure full rigor when addressing safeguarding issues. The lessons learned from historic sexual abuse cases continue to reform the way the Church of England, and the CDBF do things. All Church officers, Trustees, staff and volunteers are trained in diocesan safeguarding policy and best practice and the Diocesan Safeguarding Advisors are available to give advice.

There are clear procedures in place for reporting all safeguarding concerns.

♦ IT and systems failures.

The Trustees are aware of the threat posed by those with malicious intent and cyber-security is taken very seriously. The Trustees are aware also of the need to ensure the strongest possible defences against attack including the upgrading of software and hardware. To strengthen our defences against attack, via malicious emails and phishing attacks, staff are trained to follow best practice and to be alert to malicious emails and other potential IT risks. We have an ICT board which keeps cyber security and related issues under review.

STRUCTURE, GOVERNANCE AND MANAGEMENT (continued)

Risk management (continued)

- ♦ The charity's key assets comprise properties and listed investments. Cash flow issues may arise because of the timing of capital transactions and poor investment performance may lead to losses being incurred.

Property maintenance is of key importance, ensuring that the buildings are maintained to a high standard and that preventative action is taken before matters become real problems. The charity has a highly skilled Property Team with many years of experience looking after residential, office and historic buildings. The timing of property transactions is planned carefully to ensure that they do not give rise to adverse cash flow issues.

The value of the charity's listed investments is dependent on movements in the UK and world stock markets. The charity's financial position, therefore, is exposed to the downside risk attached to such investments. To control against this risk, the charity's investments are managed by reputable investment managers who adhere to a policy agreed by the Trustees. Representatives of the charity meet with the investment managers on a regular basis to monitor performance and to discuss the charity's investment strategy generally to ensure it remains appropriate – both now and into the future.

OBJECTIVES AND ACTIVITIES

Policies and objectives

In planning the activities of the charity for the year, the Trustees have considered the guidance on public benefit issued by the Charity Commission. In common with the Church of England, the diocese strives to ensure that in every local community there is a worshipping, welcoming and serving congregation, working with Christians of other traditions and people of goodwill, witnessing to the transforming power of the love of God as seen in Jesus. Our strategic document approved by Synod in 2021 is called Towards a Flourishing and Sustainable future with 'Changed Lives→Changing Lives' as its strap line.

It contains the following vision statement for our diocese:

By God's grace we want to be a people who are...

...confident & creative disciples of Jesus Christ

...rooted in scripture and drenched in prayer

...living gratefully, giving generously, caring for creation & sharing the gospel

...growing in number & expectations of God and ourselves

...motivated by justice & open to the Spirit & ready for adventure!

Therefore we will¹...

¹ Therefore we will... is a recognition that words without actions are empty. It is a commitment to taking real steps now to make this vision a reality soon. We encourage all parishes to consider this vision carefully for themselves, to explore together what actions they will commit to take and what their local 'Together we will...' will look like.

OBJECTIVES AND ACTIVITIES (continued)

Policies and objectives (continued)

The Flourishing and Sustainable Future document created a Blueprint for our strategic themes, and these are:

24/7 discipleship,
Prioritising children & young people,
Mutuality & Parish Share,
Review central and support services
Ministry - lay and ordained
Structures & organisation
Church revitalising & planting
Church buildings
Engaging with disadvantaged communities
Social & environmental justice

There is a Strategic Programme Board that meets regularly to oversee progress on our strategic themes and the frameworks and deaneries are the key agents of delivery and change.

In addition to the Board of Education there are 3 frameworks within the diocesan organisation which support deaneries and parishes in their mission.

- ◆ Mission and Ministry
- ◆ Communities & Partnerships
- ◆ Children and Young People

The National Church has extended its grant for our Ignite initiatives to 2023 and also for our Strategic Programme Manager.

Grant making policies

The diocese through its Mission Resources Group allocate the Church Commissioners Lowest Income Communities (LInC) funding award (£800k+) to the neediest parishes, either with Parish Share or towards a post.

We make a modest grant towards the Deaneries for their administration.

The SCA (School Condition Allocation) system was introduced in April 2020 and superseded LCVAP (Locally Co-ordinated Voluntary-Aided Programme). The SCA grant funding is recognised as income in the Statement of Financial Activities along with the related committed expenditure.

OBJECTIVES AND ACTIVITIES (continued)

Raising funds

The charity raises funds through Parish Share and on occasion receives other donations and voluntary income. It aims to achieve best practice in the way in which it communicates with parishes, donors and other supporters. It takes care with both in the tone of its communications and the accuracy of its data to minimise the pressures on parishioners, parochial church councils, donors and supporters. It applies best practice to protect their data and never sells data, it never swaps data and ensures that communication preferences can be changed at any time. The charity manages its own activities in respect to raising funds and does not employ the services of professional fundraisers. The charity undertakes to react to and investigate any complaints regarding its activities for raising funds and to learn from them and improve its service. During the year, the charity received no formal complaints about its activities for raising funds.

ACHIEVEMENTS AND PERFORMANCE

Key financial performance indicators

Current year Parish Share receipts represent 87.7% of the total apportioned (2020 – 86.8%) or, when deferred receipts for previous years are included, 90.1% (2020 – 88.0%). This shortfall of 9.9% (2020 – 12%) represents £830k (2020 - £1.0m) in cash terms.

Our aspiration is always to collect 100% of Parish Share.

Review of activities

The diocese continues to strive to resource effective mission, ministry and growth throughout its parishes. Working with Deanery Plans, many parishes and deaneries are capturing the vision for new approaches and new forms of Church which is transforming growth and spiritual development. Wherever possible, archdeacons and diocesan officers (sometimes acting as deanery accompaniers) work closely with deaneries to re-energise the mission and ministry of struggling parishes. There are many cases now where mission plans have been agreed and transitional finance provided which has transformed Christian communities in bringing about new hope, where seemingly all had been lost. However, there are still cases where parishes are struggling to resource an effective mission and ministry to their community.

We had an average of 129 paid clergy in 2021 and 135 active voluntary Readers at the end of 2021. Our Deepening Discipleship Course provides a way of listening to God's voice about calling and serving and many go on to serve in a variety of ways inside and outside the church.

In 2021 we have continued to provide timely and responsive safeguarding support and advice to clergy and their teams across the diocese which includes 24/7 out of hours support for the diocese and cathedral which negates the need for the diocese to commission an external agency to provide this. This helps to provide a responsive and preventative safeguarding intervention. We also conducted over 800 DBS (Disclosure and Barring Service) checks, which contributes towards keeping our children and vulnerable people safe in our churches. In addition to this, 2021 saw the completion of our Past Cases Review (2).

ACHIEVEMENTS AND PERFORMANCE (continued)

We held our first online Annual Safeguarding Conference in January 2021 which saw nearly 200 delegates attend, further moving the culture in the diocese of being one that is as safe as it can be with an emphasis on prevention, rather than just responding and reacting to issues of safeguarding and abuse. As a service we have adapted our ways of working, making full use of the technology available to us so that we are nimble in our approach and responsiveness.

Our missional learning communities have brought together groups of Christians across churches looking to change the culture to lay foundations for future growth.

We continue to support our communities through a wide range of partnerships with other organisations such as the work being done by Domenica Pecoraro with Refugee and Asylum Seekers which has been both timely and exceptional.

We provide many online prayer resources for individuals and parishes bringing together a prayer diary and seasonal prayers, readings and reflections.

The face of ministry is changing as ordained clergy help equip and enable the ministry of everyone to ensure the Church is a Monday to Saturday Church, as well as a Sunday Church and is sustainable into the future. The impact of Coronavirus (Covid-19) has provided further impetus to reimagine ministry.

Covid-19

Covid-19 had a global impact in 2020 and 2021 and significantly affected our operations. It is now our hope that the serious issues that arose are behind us and we look forward to growing the Church as things return to normal.

Income generation

The diocese received 85% of its unrestricted income (excluding the £222,000 grant from Archbishops' Council) from Parish Share, which is a voluntary payment from parishes. A review of Parish Share was completed in 2020 and recommended no change to the current methodology.

The Church Commissioners allocate lowest income community funding grants to the poorest dioceses and Canterbury received a grant of £818,393 in 2021 (2020 - £791,000). The diocese received an allocation from Benefact (formerly Allchurches Trust) of £127,000 in 2021 (2020 - £125,000) which supports our diocesan strategic projects.

Investment policy and performance

An improvement in investment markets in 2021 resulted in an increase in the value of our listed investments of £901k compared with an increase of £253k in 2020. This has resulted in the value of our listed investments increasing to £7.2m. The majority of listed investments are held in two funds at CCLA. The CBF Church of England Investment Fund outperformed the benchmark of CPI plus 5% for the year and the CBF Church of England Property Fund also outperformed its comparator benchmark for the year.

ACHIEVEMENTS AND PERFORMANCE (continued)

The investment policy for 2021 was:

- ◆ To keep surplus liquid funds on short term deposit
- ◆ To maintain holdings of longer-term investments at the following levels:
 - ◇ Investment Fund (75%)
 - ◇ Property Fund (25%)
- ◆ To pool investments across the funds of the diocese so that returns on investment are consistent and not dependent upon the levels and denomination of investment held.

The portfolios are reviewed with CCLA Investment Management Limited every year. Investments held by the Board have been acquired in accordance with powers available to the Trustees under the Memorandum and Articles of Association.

FINANCIAL REVIEW

Introduction

Archbishop's Council continues to work diligently to secure the financial position of the diocese whilst at the same time promoting effective mission, ministry and community throughout the area. The Church of England exists to promote the Gospel of Christ in every community and the diocese sees that the furtherance of that aspiration is the only way to secure the future of the Anglican Church in this diocese.

The Board's subsidiary company, Canterbury Diocesan Enterprises Limited (CDEL), is responsible for adopting a strategic approach to all property assets and maximising the value of any disposal proceeds. This company continues to work on several key projects and advises on property aspects of pastoral reorganisation and it continues to deliver vital resources to help the work of CDBF.

The total funds of the diocese include the value of all benefice parsonages within the parishes and these were valued at £69.0m in 2021 (2020 - £67.6m). CDBF is engaged on a rolling five-year process of revaluations of these properties. These properties are included in endowment funds recognising that they remain benefice property, although should they cease to be used as ministry houses then ownership is usually transferred to CDBF unrestricted funds.

Results for the year

Total income for the year amounted to £11.8m, a decrease of £0.7m compared with 2020. The decrease was driven primarily by a reduction of £0.4m in Covid-19 support grant from Archbishops' Council and a decrease in restricted education income of £0.2m.

The Parish Share collected in 2021 was slightly higher in both monetary terms and as a percentage of the Parish Share requested than 2020.

Other sources of income consist of other grant income, investment income, property rental income, parochial fees for weddings and funerals and the income for work done for third parties by the charity's subsidiary companies. Such income remains very important and is an essential contributor in keeping Parish Share requirements lower than they might otherwise be.

FINANCIAL REVIEW (continued)

Results for the year (continued)

Expenditure for the year totalled £11.5m compared to £11.3m in 2020. Unrestricted expenditure increased by £0.2m, driven by an increase in Parish Ministry expenditure.

Net income for the year decreased by £1.0m to £0.2m before investment gains of £0.9m, gains arising on the revaluation of pension fund liabilities of £0.4m and gains of £6.0m arising on the revaluation of benefice properties were taken into account. The combined result of these movements was an increase in net assets/reserves of £7.5m from £92m to £99.5m.

Under FRS 102 the Board is required to account for any deficit in the clergy and laity pension fund schemes. These provisions are £0.22m (2020 - £0.46m) for the diocese's proportion of the national clergy scheme and £0.12m (2020 - £0.53m) for our proportion of the staff scheme.

Financial position

The consolidated balance sheet showed total funds at 31 December 2021 of £99.5m (2020 - £92.0m) comprising:

	2021	2020
	£	£
General funds (including non-charitable trading funds)	3,594	852
Designated funds	16,651	14,519
Restricted funds	2,296	1,756
Endowment funds	76,936	74,863
	99,477	91,990

The above figures include endowment funds of £76.9k (2020 – £74.9m), the principal part of this being the benefice properties amounting to £69.1m (2020 – £67.6m). Where income arises from these funds, it may be used for general purposes of the charity and therefore is credited to unrestricted funds. The endowment fund balances must normally be held as 'capital' but, where permitted, may be applied towards meeting certain charitable aims.

Also included in total funds are restricted funds totalling £2.3m (2020 – £1.8m). These monies have either been raised for, and their use restricted to, specific purposes or they comprise donations subject to donor-imposed conditions. Further details of these restricted funds can be found in note 20 to the financial statements together with an analysis of movements in the year.

Funds totalling £16.7m (2020 – £14.5m) have been designated by the Trustees for specific purposes. These purposes and an analysis of the movements on the funds are set out in note 20 to the financial statements. The Trustees are aware that most of the designated funds are represented by ministry housing and in 2021 they reviewed their policy on the sale of empty property to improve the level of working capital.

General funds (including non-charitable trading funds of £10k) total £3,594k (2020 - £852k). Excluding gains on disposal, revaluation of investments and fund transfers, general funds decreased by £197k for the year (2020 – increase of £429k).

FINANCIAL REVIEW (continued)

Reserves policy

The Board's policy is to hold working capital (net current assets) of between 15% and 20% of its annual budgeted expenditure. In 2021 this would require working capital of between £1.3m and £1.8m. This amount is regarded as the minimum necessary to enable the Board to withstand cash flow fluctuations in the course of its normal business. At the end of 2021 the Board's working capital was £3.3m (2020 - £1.7m).

Going concern

The Trustees have assessed whether the use of the going concern assumption is appropriate in preparing these financial statements. The Trustees have made this assessment in respect to a period of at least one year from the date of approval of these financial statements.

The Trustees, mindful of Covid-19, have concluded that there are no material uncertainties related to events or conditions that may cast significant doubt on the ability of the charity to continue as a going concern. The Trustees are of the opinion that the charity will have sufficient resources to meet its liabilities as they fall due. This is because the charity has sufficient investments which can be realised in the short term to meet liabilities should a shortfall in income arise. In addition, the charity has designated reserves of £16.7m, including £15.2m designated for ministry housing. If necessary, some properties could be undesignated and sold to meet any cash flow shortfall should this be necessary in the medium term at that time.

For these reasons the Trustees continue to adopt the going concern basis in preparing the financial statements and have concluded that there are no material uncertainties related to events or conditions that may cast significant doubt on the ability of the charity to continue as a going concern.

Pay policy for senior staff

Senior Clergy are paid according to stipend scales set by the national church. The stipends for the Bishop of Dover and the Archdeacon of Maidstone (in lieu of the unused Bishop of Maidstone post) are borne by the Church Commissioners. The stipend of the Archdeacon of Canterbury is borne principally by Canterbury Cathedral. The stipend of the Archdeacon of Ashford is borne by CDBF.

CDBF uses a system of job evaluation to grade staff appropriately. CDBF regularly looks at the local market in terms of benchmarking salaries to ensure staff are paid a fair wage for fair work and as such salaries may move with the market throughout the year. The HR Committee then formally agrees the appropriate salary in the light of these variables.

Key management personnel are defined as the Trustees together with those employees listed in note 13 to the attached financial statements.

FINANCIAL REVIEW (continued)

PLANS FOR THE FUTURE

Future developments

The Archbishop's Council will continue to pursue the strategy 'Changed Lives→Changing Lives' still further in line with Bishop Rose's episcopal leadership. The Council will look to obtain funds for the different project strands both from the Church Commissioners and other charities as well as re-allocating diocesan resources. We have a Strategic Programme Board that oversees progress on each strand. Below that we have programme boards (in some cases "frameworks") that focus on particular strands. We are aware that the level of future retirements of clergy and, consequently, our 'Enriching leadership' strand is particularly important for us to develop a mixed economy of leadership in our churches and parishes. We will also work to implement the vision and ideas in our recent report "Towards a Flourishing and Sustainable Future". As part of the resourcing of this strategy, the Trustees will continue to look for ways to develop the current Diocesan House to better enable modern team based collegiate working and changes have already been made to accomplish this.

FUNDS HELD AS CUSTODIAN TRUSTEE ON BEHALF OF OTHERS

The Board acts as Custodian Trustee in respect of trusts administered on behalf of managing trustees, which includes incumbents, churchwardens, Parochial Church Councils and other organisations of the diocese. The assets held in the capacity of Custodian Trustee include freehold property and investments.

The Board also administers funds, on behalf of Parochial Church Councils, on an agency basis for investment and obtains income tax repayments, relating to Gift Aid, on behalf of parishes and other diocesan organisations. The tax recoverable during 2021 was £1.1m (2020 - £1.5m).

In 2000 the Board arranged for the Central Board of Finance to take over the administration of investments held on behalf of parishes, except for Endowment Funds. The Board is still administering investments with a book value of £3.2m (2020 - £3.1m). The assets of these funds are held separately from those of the Board.

TRUSTEES' RESPONSIBILITIES STATEMENT

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

Company law requires the Trustees to prepare financial statements for each financial year. 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 affairs of the charity and the group and of the income and expenditure of the group for that period. In preparing these financial statements, the Trustees are required to:

TRUSTEES' RESPONSIBILITIES STATEMENT (continued)

- ♦ select suitable accounting policies and then apply them consistently;
- ♦ observe the methods and principles in Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102);
- ♦ make judgments and accounting estimates that are reasonable and prudent;
- ♦ state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- ♦ prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charitable group will continue in operation.

The Trustees are responsible for keeping adequate accounting records that are sufficient to show and explain the charity and the group's transactions and disclose with reasonable accuracy at any time the financial position of the charity and group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the charity and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

DISCLOSURE OF INFORMATION TO AUDITOR

Each of the persons who are Trustees at the time when this Trustees' report is approved has confirmed that:

- ♦ so far as that Trustee is aware, there is no relevant audit information of which the charitable group's auditor is unaware, and
- ♦ the Trustee has taken all the steps that ought to have been taken as a Trustee in order to be aware of any relevant audit information and to establish that the charitable group's auditor is aware of that information.

AUDITOR

Buzzacott LLP was reappointed as statutory auditor on 14 July 2021 and has indicated its willingness to continue in office and a resolution proposing its reappointment will be put to the Annual General Meeting.

This report, incorporating the Strategic Report, was approved by the Trustees on 11 June 2022 and signed on their behalf by:



Peter Wyllie

Trustee

Independent Auditor's Report to the Members of Canterbury Diocesan Board of Finance

Opinion

We have audited the financial statements of Canterbury Diocesan Board of Finance (the 'charitable parent company') and of Canterbury Diocesan Board of Finance and its subsidiaries (the 'group') for the year ended 31 December 2021 which comprise the consolidated statement of financial activities, the consolidated summary income and expenditure account, the consolidated and charitable parent company balance sheets, the consolidated statement of cash flows, the principal accounting policies, the notes to the financial statements and the appendices. 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 affairs of the group and of the charitable parent company as at 31 December 2021 and of the group's income and expenditure for the year then ended;
- ◆ have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- ◆ have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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 and Financial Statements, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

- ◆ the information given in the Trustees' report, which is also a directors' report for the purposes of company legislation, for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- ◆ the Trustees' report, which is also a directors' report for the purposes of company legislation, has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the charitable parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the Trustees' 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 parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- ◆ the charitable parent 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

As explained more fully in the Trustees' responsibilities statement in the Trustees' report, the Trustees are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Trustees are responsible for assessing the group's and the charitable parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Trustees either intend to liquidate the group or the charitable parent 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.

Our approach to identifying and assessing the risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, was as follows:

- ◆ the audit partner ensured that the engagement team collectively had the appropriate competence, capabilities and skills to identify or recognise non-compliance with applicable laws and regulations;
- ◆ we identified the laws and regulations applicable to the charitable company through discussions with Trustees and management, and from our commercial knowledge and experience of the sector;
- ◆ we focused on specific laws and regulations which we considered may have a direct material effect on the financial statements or the operations of the charitable company, including the Charities Act 2011; the Companies Act 2006; Church Assembly and General Synod Measures; and safeguarding regulations;
- ◆ we assessed the extent of compliance with the laws and regulations identified above through making enquiries of management and inspecting legal correspondence; and
- ◆ identified laws and regulations were communicated within the audit team regularly and the team remained alert to instances of non-compliance throughout the audit.

Auditor's responsibilities for the audit of the financial statements (continued)

We assessed the susceptibility of the charitable company's financial statements to material misstatement, including obtaining an understanding of how fraud might occur, by:

- ◆ making enquiries of management and representatives of those charged with governance as to where they considered there was susceptibility to fraud, their knowledge of actual, suspected and alleged fraud; and
- ◆ considering the internal controls in place to mitigate risks of fraud and non-compliance with laws and regulations.

To address the risk of fraud through management bias and override of controls, we:

- ◆ performed analytical procedures to identify any unusual or unexpected financial relationships;
- ◆ tested journal entries to identify unusual financial transactions;
- ◆ assessed whether judgements and assumptions made in determining the accounting estimates set out in the accounting policies were indicative of potential bias;
- ◆ performed substantive testing on expenditure; and
- ◆ investigated the rationale behind significant or unusual financial transactions.

In response to the risk of irregularities and non-compliance with laws and regulations, we designed procedures which included, but were not limited to:

- ◆ agreeing financial statement disclosures to underlying supporting documentation;
- ◆ reading the minutes of meetings of those charged with governance;
- ◆ enquiring of management and representatives of those charged with governance as to actual and potential litigation and claims; and
- ◆ reviewing correspondence with HMRC and the charitable company's legal advisors.

There are inherent limitations in our audit procedures described above. The more removed that laws and regulations are from financial transactions, the less likely it is that we would become aware of non-compliance. Auditing standards also limit the audit procedures required to identify non-compliance with laws and regulations to enquiry of Trustees and management and the inspection of regulatory and legal correspondence, if any.

Material misstatements that arise due to fraud can be harder to detect than those that arise from error as they may involve deliberate concealment or collusion.

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.

Independent auditor's report Year ended 31 December 2021

Use of our report

This report is made solely to the charity'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 charity'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 charity and the charity's members as a body, for our audit work, for this report, or for the opinions we have formed.

A handwritten signature in black ink that reads "Buzzacott LLP". The signature is written in a cursive, flowing style.

Catherine Biscoe (Senior Statutory Auditor)
For and on behalf of Buzzacott LLP, Statutory Auditor
130 Wood Street
London
EC2V 6DL

Date: 14 June 2022

Consolidated statement of financial activities Year to 31 December 2021

	Notes	Unrestricted funds £'000	Restricted funds £'000	Endowment funds £'000	Total funds 2021 £'000	Total funds 2020 £'000
Income and endowments from:						
Donations and grants:						
Archbishops' Council	1	222	—	—	222	665
Other donations and grants	1	7,687	1,900	—	9,587	9,442
Charitable activities	2	816	629	—	1,445	1,434
Other trading activities	3	170	—	—	170	300
Investments and interest	4	205	—	34	239	223
Other sources	5	88	—	—	88	453
Total income and endowments		9,188	2,529	34	11,751	12,517
Expenditure on:						
Raising funds	6	321	—	—	321	330
Charitable activities	8	9,053	2,095	34	11,182	10,944
Total expenditure	10	9,374	2,095	34	11,503	11,274
Net (expenditure) income before investment gains		(186)	434	—	248	1,243
Net gains on investments	16	226	106	569	901	423
Net income before transfers		40	540	569	1,149	1,666
Transfers between funds	20	4,501	—	(4,501)	—	—
Net income (expenditure) for the year	11	4,541	540	(3,932)	1,149	1,666
Other recognised gains and losses:						
Gains (losses) on revaluation of pension fund liabilities	22	333	—	19	352	(52)
Gains on revaluations of tangible fixed assets	15	—	—	5,986	5,986	3,076
Net movement in funds		4,874	540	2,073	7,487	4,690
Reconciliation of funds						
Total funds brought forward		15,371	1,756	74,863	91,990	87,300
Total funds carried forward		20,245	2,296	76,936	99,477	91,990

All activities relate to continuing operations in both the above financial years.

The unrestricted fund column above comprises both general funds and designated funds. Details of the analysis between these funds can be found in note 20 to these financial statements. At 31 December 2021, general funds were £3,594k (2020 - £779k) whilst designated funds (many of which represent ministry housing) amounted to £16.7m (2020 - £14.5m).

Consolidated summary income and expenditure account Year to 31 December 2021

	Note	2021 £'000	2020 £'000
Income		11,717	12,496
Less: Expenditure		(11,469)	(11,239)
Net income for the year before transfers and investment gains and losses		248	1,257
Net gains on investments		332	130
Transfers from endowment funds	20	4,501	950
Net income for financial year		5,081	2,337

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 activities relate to continuing operations.

Balance Sheets 31 December 2021

		Group	Group	Charity	Charity
		2021	2020	2021	2020
	Notes	£'000	£'000	£'000	£'000
Fixed assets					
Tangible fixed assets	15	89,730	83,469	89,730	83,469
Investments	16	9,020	8,150	9,021	8,151
		98,750	91,619	98,751	91,620
Current assets					
Debtors	17	1,210	1,558	1,264	1,562
Cash at bank and in hand		4,750	4,508	4,511	4,382
		5,960	6,066	5,775	5,944
Creditors: amounts falling due within one year	18	(2,644)	(4,360)	(2,579)	(4,312)
Net current assets		3,316	1,706	3,196	1,632
Total assets less current liabilities		102,066	93,325	101,947	93,252
Creditors: amounts falling due after more than one year	19	(2,589)	(1,335)	(2,589)	(1,335)
Net assets		99,477	91,990	99,358	91,917
Funds					
Endowment funds	20	76,936	74,863	76,936	74,863
Restricted funds	20	2,296	1,756	2,200	1,756
Unrestricted funds					
. Designated funds	20	16,651	14,519	16,651	14,519
. General funds	20	3,584	779	3,571	779
. Non-charitable trading funds	20	10	73	—	—
Total funds		99,477	91,990	99,358	91,917

The financial statements were approved by the Trustees on 11 June 2022 and signed on their behalf by:



Peter Wyllie

Trustee

Consolidated statement of cash flows Year to 31 December 2021

	Note	2021 £'000	2020 £'000
Cash flows from operating activities			
Net cash (used in) generated by operating activities	A	(484)	219
Cash flows from investing activities			
Investment income and interest received		239	223
Proceeds from the sale of tangible fixed assets		418	267
Purchase of tangible fixed assets		(638)	(200)
Proceeds from sale of investments		31	—
Net cash provided by investment activities		50	290
Cash flows from financing activities			
Repayments of borrowings		(1,824)	—
Cash inflows from new borrowing		2,500	872
Net cash provided by financing activities		676	872
Change in cash and cash equivalents in the year		242	1,381
Cash and cash equivalents brought forward		4,508	3,127
Cash and cash equivalents carried forward	B	4,750	4,508

A. Reconciliation of net income for the year to net cash (used in) generated by operating activities

	2021 £'000	2020 £'000
Net income for the year (as per the statement of financial activities)	1,149	1,666
Adjustment for:		
Depreciation charges	33	31
Gains on investments	(901)	(423)
Investment income and interest receivable	(239)	(223)
Gains on property disposals	(88)	(267)
Pensions adjustment	(297)	(432)
Decrease / (increase) in debtors	348	(236)
(Decrease) / increase in creditors excluding loans and pensions	(489)	103
Net cash (used in) generated by operating activities	(484)	219

B. Analysis of cash and cash equivalents

	2021 £'000	2020 £'000
Cash at bank and in hand	4,750	4,508

Consolidated statement of cash flows Year to 31 December 2021

C. Net debt

	2020 £'000	Cash flows £'000	2021 £'000
Cash and cash equivalents	4,508	242	4,750
Borrowings			
Debt due within one year	(1,440)	1,087	(353)
Debt due after one year	(778)	(1,763)	(2,541)
	<u>(2,218)</u>	<u>(676)</u>	<u>(2,894)</u>
Total	<u>2,290</u>	<u>(434)</u>	<u>1,856</u>

Principal accounting policies Year ended 31 December 2021

Basis of accounting

The principal accounting policies adopted, judgements and key sources of estimation uncertainty in the preparation of the financial statements are laid out below.

Basis of preparation

These financial statements have been prepared for the year to 31 December 2021 with comparative information provided for the year to 31 December 2020.

The financial statements have been prepared under the historical cost convention with items recognised at cost or transaction value unless otherwise stated in the relevant accounting policies below or the notes to these financial statements.

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

The financial statements have been drawn up in accordance with the requirements of the Companies Act 2006 except where the special nature of the Canterbury Diocesan Board of Finance's operations has required adaptation of the formats as allowed by section 396(5).

The charity constitutes a public benefit entity as defined by FRS 102.

The financial statements are presented in sterling and are rounded to the nearest thousand pounds.

Basis of consolidation

The financial statements consolidate the accounts of Canterbury Diocesan Board of Finance and all its subsidiary undertakings ('subsidiaries').

The charity has taken advantage of the exemption contained within section 408 of the Companies Act 2006 not to present its own income and expenditure account. Gross income of the charity of £11,507k (2020 - £12,436k) and surplus of £1,102k (2020- £1,667k) has been dealt with in the accounts of the charity.

Company status

The charity is a company limited by guarantee, Company Registration Number 00145650 (England and Wales). Every member of Diocesan Synod is a member of CDBF for company law purposes. In the event of the charity being wound up the liability in respect of the guarantee is limited to £1 per member of the charity. The company's address and other reference information is shown on page 1.

Fund structure

The unrestricted funds comprise those monies which may be used towards meeting the charitable objectives of the charity and may be applied at the discretion of the Trustees. Certain unrestricted funds have been set aside and designated for specific purposes by the Trustees.

The restricted funds are monies raised for, and their use restricted to, a specific purpose, or donations subject to donor-imposed conditions.

Fund structure (continued)

The endowment funds comprise assets which normally must be held as capital but, where permitted, may be applied towards meeting certain charitable aims. The income therefrom may be used either in accordance with the donors' wishes, if stipulated, or for general purposes.

The non-charitable trading funds represent the accumulated gains and losses arising on the charity's trading subsidiaries.

Critical accounting estimates and areas of judgement

Preparation of the financial statements requires the Trustees and management to make significant judgements and estimates. The items in the financial statements where these judgements and estimates have been made include:

- ◆ the useful economic life of tangible fixed assets for the purpose of determining the annual depreciation charge;
- ◆ the valuation of investment property and benefice properties;
- ◆ the underlying assumptions in the actuarial valuations of the defined benefit schemes;
- ◆ the recoverability of debtors and any provision for bad or doubtful debts; and
- ◆ the assumptions underlying the assessment of future income and expenditure flows used in the trustees' assessment of the going concern basis of accounting (see below).

The Trustees consider valuation of benefice properties and pensions liabilities to be the areas of judgement and estimation that have a significant effect on the financial statements. Further details of these judgements are given in notes 15 and 22 respectively.

Going concern

The Trustees have assessed whether the use of the going concern assumption is appropriate in preparing these financial statements. The Trustees have made this assessment in respect to a period of at least one year from the date of approval of these financial statements.

The Trustees, mindful of Covid-19, have concluded that there are no material uncertainties related to events or conditions that may cast significant doubt on the ability of the charity to continue as a going concern. The Trustees are of the opinion that the charity will have sufficient resources to meet its liabilities as they fall due. This is because the charity has sufficient investments which can be realised in the short term to meet liabilities should a shortfall in income arise. In addition, the charity has designated reserves of £16.7m, including £15.2m designated for ministry housing. If necessary, some properties could be undesignated and sold to meet any cash flow shortfall should this be necessary in the medium term at that time.

For these reasons the Trustees continue to adopt the going concern basis in preparing the financial statements and have concluded that there are no material uncertainties related to events or conditions that may cast significant doubt on the ability of the charity to continue as a going concern.

Income

Income is recognised in the period in which the charity is entitled to receipt, the amount can be measured reliably and it is probable that the funds will be received.

Income comprises donations, including Parish Share income, income from listed investments, interest receivable, income directly related to charitable activities (including grants), income from trading activities, the surplus on disposal of tangible fixed assets, rental and miscellaneous income.

Donations are recognised when the charity has confirmation of both the amount and settlement date. In the event of donations pledged but not received, the amount is accrued for where the receipt is considered probable. If a donation is subject to conditions that require a level of performance before the charity is entitled to the funds, the income is deferred and not recognised until either those conditions are fully met, or the fulfilment of those conditions is wholly within the control of the charity and it is probable that those conditions will be fulfilled in the reporting period.

In accordance with the Charities SORP FRS 102 volunteer time is not recognised.

Grants from government and other agencies have been included as income from activities in furtherance of the charity's objectives where these amount to a contract for services, but as donations where the money is given in response to an appeal or with greater freedom of use, for example monies for core funding.

Monies receivable from the Government's Coronavirus Job Retention Scheme are recognised when the charity has entitlement to the income and the amount due to the charity can be measured.

Income is deferred only when the charity must fulfil performance related conditions before becoming entitled to it or where the donor or funder has specified that the income is to be expended in a future accounting period.

Investment income is recognised once the dividend or similar income has been declared and notification has been received of the amount due.

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

Income from charitable activities comprises parochial fees received for occasional offices including baptisms, weddings and funerals.

Income from other trading activities includes the income received from third parties by the charity's trading subsidiaries. Such income is measured at the fair value of the consideration received or receivable, excluding discounts and rebates.

Gains or losses on the disposal of property assets are calculated as the difference between the sale proceeds net of sale costs and the net book value of the asset immediately prior to disposal. They are accounted for once legal completion of the disposal has taken place.

Principal accounting policies Year ended 31 December 2021

Expenditure

Expenditure is included in the statement of financial activities when incurred and includes any attributable VAT which cannot be recovered. Expenditure comprises the following:

- a) Expenditure on raising funds which includes expenditure associated with raising funds and comprises the expenditure of trading subsidiary companies.
- b) Expenditure on charitable activities which comprises expenditure on the charity's primary charitable purposes as described in the Trustees' report i.e. promoting and assisting the work of the Church of England for the advancement of the Christian faith in the Diocese of Canterbury. The expenditure includes both costs that can be allocated directly to such activities and those indirect costs necessary to support them.

Support costs are those costs which enable charitable activities to be carried out. These costs include the expenses relating to finance, human resources, communications and information technology. Where expenditure incurred relates to more than one activity it is apportioned using the most appropriate basis.

Grants payable are included in the statement of financial activities when approved and committed. Commitment will usually arise when the intended recipient has either received the funds or been informed of the decision to make the donation.

Property, plant and equipment

All assets costing more than £1,000 and with an expected useful life exceeding one year are capitalised. Laptop and desktop computers costing under £1,000 are also capitalised.

Benefice property being buildings designed as, and used wholly or mainly for, private residential accommodation are not depreciated. Their value and conditions are reviewed annually by the Trustees, who are satisfied that their residual value is not materially less than their book value. Other freehold buildings which are used either as private residential properties or as Diocesan offices are not depreciated. The value and condition of the properties is reviewed annually to ensure that their residual value is not materially less than their book value.

Office equipment is written off over a period of three to five years, based on cost, in order to write the cost of each asset off over its estimated useful life.

Benefice property

CDBF has followed the requirements of FRS 102 in its accounting treatment for benefice houses. FRS 102 requires the accounting treatment to follow the substance of arrangements rather than their strict legal form. CDBF is formally responsible for the maintenance and repair of benefice houses 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. Therefore, the Trustees consider the most suitable accounting policy to be to capitalise such properties as expendable endowment assets and to carry them at their estimated current value. Benefice houses are revalued on a five-year cycle by professional valuers or a member of the charity's property team with a Chartered Surveyor qualification with approximately one-fifth of the properties being visited for valuation purposes each year. Those properties not revalued in the year are however revalued by reference to appropriate property indices.

Investments

Listed investments are a form of basic financial instrument and are initially recognised at their transaction value and subsequently measured at their fair value as at the balance sheet date using the closing quoted bid price.

Glebe property mainly consists of agricultural land and is included in the financial statements at a valuation based on income yield with provision being made for any impairment deemed necessary. The valuation is determined by the Trustees after consultation with the Board's property director. Some glebe properties have development potential but due to the uncertainties in the planning process these are not revalued unless planning permission has been granted and a willing purchaser exists.

Realised gains (or losses) on investment assets are calculated as the difference between disposal proceeds and their opening carrying value or their purchase value if acquired after the first day of the financial year. Unrealised gains and losses are calculated as the difference between the fair value at the year end and their carrying value at that date. Realised and unrealised investment gains (or losses) are combined in the statement of financial activities and are credited (or debited) in the year in which they arise.

Operating leases

Rentals under operating leases are charged to the statement of financial activities on a straight-line basis over the lease term.

Debtors

Debtors are recognised at their settlement amount, less any provision for non-recoverability. Prepayments are valued at the amount prepaid.

Cash at bank and in hand

Cash at bank and in hand represents such accounts and instruments that are available on demand or have a maturity of less than three months from the date of acquisition.

Creditors and provisions

Creditors and provisions are recognised when there is an obligation at the balance sheet date as a result of a past event, it is probable that a transfer of economic benefit will be required in settlement, and the amount of the settlement can be estimated reliably. Creditors and provisions are recognised at the amount the charity anticipates it will pay to settle the debt. They have been discounted to the present value of the future cash payment where such discounting is material.

Financial instruments

The charity only has financial assets and financial liabilities of a kind that qualify as basic financial instruments. Apart from fixed asset investments held at fair value, basic financial instruments are initially recognised at transaction value and subsequently measured at amortised cost using the effective interest method.

Principal accounting policies Year ended 31 December 2021

Pensions

The charity operates four pension schemes as more fully described in note 22:

- i) A defined benefits scheme for clergy – the Church of England Funded Pensions Scheme
- ii) A defined benefits scheme for certain diocesan staff now closed to new staff – the Church of England Defined Benefits Scheme (DBS), part of the Church Workers Pension Fund
- iii) A defined benefits scheme for diocesan staff – the Church of England Pension Builder Classic Scheme, part of the Church Workers Pension Fund
- iv) A defined contribution pension scheme for diocesan staff not included in the above schemes

The pension costs charged as expenditure represent CDBF's contributions payable in respect of the accounting period, in accordance with FRS 102. 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.

Custodian funds

Funds held by the charity on behalf of parishes, church schools and other entities and over which the charity has no power to make management decisions are classified as custodian funds and are not included in the financial statements. Instead, the funds held are disclosed by way of a note to the financial statements.

School major repair and capital projects

The SCA (School Condition Allocation) system was introduced in April 2020 and superseded LCVAP (Locally Coordinated Voluntary-Aided Programme). The SCA grant funding received is recognised in the statement of financial activities along with the related expenditure.

Notes to the financial statements Year to 31 December 2021

1. Income from: Donations and grants

	Unrestricted funds	
	2021 £'000	2020 £'000
Archbishops' Council	222	665

The grants given in 2021 and 2020 are to provide support to the diocese during the Coronavirus pandemic.

	Unrestricted funds £'000	Restricted funds £'000	2021 £'000	2020 £'000
Parish Share	7,584	—	7,584	7,529
Archbishops' Council	—	1,394	1,394	1,379
Benefact Trust (formerly Allchurches Trust)	—	127	127	125
Together Kent (see below)	11	115	126	—
Other donations and grants	92	242	356	409
Total funds	7,687	1,900	9,587	9,442

As explained more fully in note 24, the other donations and grants include £126k arising from the acquisition of Together Kent.

2. Income from: Charitable activities

	Unrestricted funds £'000	Restricted funds £'000	2021 £'000	2020 £'000
Parochial fees for occasional offices (see (a) below)	377	—	377	297
Rental income	439	—	439	470
Department for Education capital grants (see (b) below)	—	629	629	667
Total funds	816	629	1,445	1,434

(a) Occasional offices include weddings and funerals.

(b) The charity assists voluntary aided schools with school building projects and the provision of IT equipment. SCA grant funding is included as income in the SOFA along with the related expenditure.

3. Income from: Other trading activities

	Unrestricted funds	
	2021 £'000	2020 £'000
Income generated by subsidiary trading companies	115	144
Other trading income	55	156
Total funds	170	300

Income from subsidiary trading companies represents work done by Canterbury Diocesan Enterprises Limited and Ethos School Improvement Limited for third parties outside of the group. Work done by Canterbury Diocesan Enterprises Limited for CDBF of £217k (2020 - £258k), work done by Ethos School Improvement Limited for Canterbury Diocesan Enterprises Limited of £3k (2020 - £4k), work done by Canterbury Diocesan Board of Finance for Ethos School Improvement Limited of £24k (2020 - £26k) and work done for Together Kent of £7k (2020-£nil) has been eliminated on consolidation.

4. Income from: Investments and interest

	Unrestricted funds £'000	Endowment funds £'000	2021 £'000	2020 £'000
Investment income	203	34	237	213
Bank and other interest receivable	2	—	2	10
Total funds	205	34	239	223

5. Income from: Other sources

	Total funds 2021 £'000	Total funds 2020 £'000
Net gains on property disposals	88	267
Proceeds from sale of closed schools	—	186
Total funds	88	453

The gains on property disposals in 2021 relate to the disposal of a property deemed surplus to requirements less abortive development costs written off.

6. Expenditure on: Raising funds

	Unrestricted funds	
	2021 £'000	2020 £'000
Wages and salaries	121	148
Social security costs	11	14
Pension costs	3	5
Other overheads	186	163
	321	330

Expenditure on raising funds comprises the expenditure of subsidiary trading companies.

7. Analysis of grant funding activities

Included within expenditure on charitable activities (note 8) are the following grants:

	Number	2021 £'000	Number	2020 £'000
From unrestricted funds for National Church responsibilities				
Contributions to Archbishops' Council	—	535	—	550
From restricted funds				
Education grants for school building projects	5	511	5	480
From unrestricted and restricted funds				
Ministry grants	32	818	31	791
Deanery grants	15	30	11	22
		1,894		1,843

The provision of diocesan grants, using the Church Commissioner funding allocation, continues to see the diocese giving financial assistance to parishes to leverage their mission. In 2021, £818k (2020 - £791k) was spent in targeting parishes which can most benefit from grant funding for mission and ministry.

8. Expenditure on: Charitable activities

	Unrestricted funds £'000	Restricted funds £'000	Endowment funds £'000	Total funds 2021 £'000	Total funds 2020 £'000
Contributions to Archbishops' Council:					
Training for ministry	235	—	—	235	235
National church responsibilities	164	—	—	164	177
Grants and provisions	20	—	—	20	20
Mission agency pension costs	11	—	—	11	9
Retired clergy housing costs	87	—	—	87	85
Pooling of ordinands' maintenance grants	18	—	—	18	24
	535	—	—	535	550
Resourcing Ministry and Mission:					
Parish Ministry					
Stipends	3,133	—	—	3,133	3,046
National Insurance	250	—	—	250	242
Pension contributions	954	—	—	954	784
Housing costs	1,218	—	—	1,218	1,151
Apprenticeship levy	15	—	—	15	14
Removal and resettlement costs	160	—	—	160	204
Other expenses	42	120	10	172	177
Lay and ordinand training	129	138	—	267	347
Mission development grants	30	818	—	848	813
	5,931	1,076	10	7,017	6,778
Senior Clergy					
Stipends, NI and Pensions	58	—	—	58	57
Housing cost allocation	32	—	—	32	29
	90	—	—	90	86
Strategic Investment Projects (see below)	49	411	—	460	600
Support costs (note 9)	2,091	97	—	2,188	2,110
Total expenditure on resourcing Ministry and Mission	8,161	1,584	10	9,755	9,574
Expenditure on education:					
Support for church schools and young people	357	—	24	381	340
School building grants (see note 2)	—	511	—	511	480
Total funds	9,053	2,095	34	11,182	10,944

The 2020 expenditure is analysed by fund in the appendix.

Restricted expenditure on Strategic Investment Projects comprises expenditure on projects to enable the Diocesan Strategy of 'Changed Lives→ Changing Lives'.

Notes to the financial statements Year to 31 December 2021

9. Analysis of support costs

	Unrestricted funds £'000	Restricted funds £'000	Total funds 2021 £'000	Total funds 2020 £'000
Administration				
Salaries	1,214	—	1,214	1,260
National Insurance	115	—	115	122
Pensions	219	—	219	218
Administration, office and other indirect costs	404	97	501	380
Governance				
External audit	40	—	40	40
Diocesan Synod and Archbishop's Council	—	—	—	6
National Synod	6	—	6	2
Registrar	68	—	68	57
Statutory accounts preparation	10	—	10	10
Strategic management	15	—	15	15
Total support costs	2,091	97	2,188	2,110

In both 2020 and 2021, support costs relate only to the resourcing of Ministry and Mission. Restricted administration expenditure includes £97k (2020 - £nil) in respect of Together Kent.

10. Analysis of total expenditure

	Activities directly undertaken £'000	Grant funding of activities £'000	Support costs £'000	2021 Total funds £'000	2020 Total funds £'000
Raising funds	321	—	—	321	330
Charitable activities					
. Contributions to Archbishops' Council	—	535	—	535	550
. Resourcing Ministry and Mission	6,719	848	2,188	9,755	9,574
. Education	381	511	—	892	820
	7,421	1,894	2,188	11,503	11,274

The 2020 expenditure is analysed by activity in the appendix.

11. Net income (expenditure) for the year

This is stated after charging:

	2021 £'000	2020 £'000
Depreciation of tangible fixed assets owned by the charitable group	33	31
Operating lease rentals	20	23

12. Auditor's remuneration

	2021 £'000	2020 £'000
Audit of the charity's annual accounts and those of subsidiary trading companies:		
Current year	29	30
Prior years	11	10
Taxation services to the group	7	8

13. Stipends and staff costs

	2021 £'000	2020 £'000
Wages, salaries and stipends	4,975	5,069
Social security costs	421	430
Other pension costs	1,261	1,102
	6,657	6,601
Defined benefit scheme operating cost	8	6
Apprenticeship levy	15	14
	6,680	6,621

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

	2021 No.	2020 No.
Clergy, Curates and Senior Staff	129	128
Diocesan House (including strategic projects)	61	69
Subsidiary trading companies	3	5
	193	202

The number of employees with remuneration in excess of £60,000 (including taxable benefits but excluding employer pension and national insurance contributions) was:

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

Employer pension scheme costs under employment contracts in respect of the above higher paid employees were £28,684 (2020 - £49,106).

13. Stipends and staff costs (continued)

Remuneration of key management personnel

Key management personnel are deemed to be the Trustees and those having authority and responsibility, delegated to them by the Trustees, for planning, directing and controlling the activities of the diocese. During 2021 and 2020 the key management personnel were the Trustees and the following:

Diocesan Secretary and Company Secretary

Director of Communications

Director of Communities and Partnerships

Director of Education

Director of Finance

Director of HR

Director of Mission and Ministry

Director of Ordinands

Director of Property

Remuneration including taxable benefits and employer national insurance and pension contributions for these 9 positions amounted to £541,078 (2020 - £596,394).

14. Trustees' remuneration

No Trustees received any remuneration in connection with their duties as trustees during the year (2020 – none). During the year several Trustees, who are also clergy within the diocese, received stipends from, and/or were provided with housing by, the charity in connection with their religious and pastoral duties within the diocese.

The following table gives details of the Trustees who were in receipt of a stipend (including pension), part stipend (including pension) and/or housing provided by CDBF during part or all of the year, either directly or via a spouse.

	Stipend	Housing
The Bishop of Dover	No	Yes
Mr Nigel Mansley	Yes	Yes
The Archdeacon of Ashford	Yes	Yes
The Archdeacon of Canterbury	Yes	No
The Archdeacon of Maidstone	Yes	Yes
The Venerable Stephen Taylor, MBE	No	Yes
The Revd Estella Last	Yes	Yes
The Revd Canon Stephen Lillicrap	Yes	Yes
The Revd Shiela Porter	Yes	Yes
The Revd Carol Smith	Yes	Yes

7 trustees (2020 – 6) received reimbursement of expenses of £6,820 (2020 - £13,718) in respect of General Synod duties, duties as archdeacon and other duties as trustees.

15. Tangible fixed assets

Group and charity	Freehold property £'000	Office equipment £'000	Benefice property £'000	Total £'000
Cost or valuation				
At 1 January 2021	16,768	432	67,584	84,784
Additions	634	4	—	638
Transfers (note 20)	4,501	—	(4,501)	—
Disposals	(350)	—	—	(350)
Revaluation	—	—	5,986	5,986
At 31 December 2021	21,553	436	69,069	91,058
Depreciation				
At 1 January 2021	957	358	—	1,315
Charge for the year	—	33	—	33
Disposals	(19)	—	—	(19)
At 31 December 2021	938	390	—	1,328
Net book values				
At 31 December 2021	20,614	46	69,070	89,730
At 31 December 2020	15,811	74	67,584	83,469

Benefice houses are revalued on a five-year cycle by professional valuers or a member of the charity's property team with a Chartered Surveyor qualification with approximately one-fifth of the properties being visited for valuation purposes each year. Those properties not revalued in the year are however revalued by reference to appropriate property indices.

All other tangible fixed assets are included in the financial statements at cost.

16. Fixed asset investments

Group	Glebe property £'000	Listed investments £'000	Total £'000
Market value			
At 1 January 2021	1,793	6,357	8,150
Disposal proceeds	—	(31)	(31)
Net investment gains	—	901	901
At 31 December 2021	1,793	7,227	9,020
Historical cost	—	3,826	3,826

In 1978, when the Endowment and Glebe Measure 1976 came into effect, the ownership of all glebe land was transferred from the incumbents of benefices to the Diocesan Board of Finance at nil cost.

16. Fixed asset investments (continued)

Charity	Glebe property £'000	Investment in subsidiaries £'000	Listed investments £'000	Total £'000
Cost or valuation				
At 1 January 2021	1,793	127	6,357	8,277
Disposals	—	—	(31)	(31)
Net investment gains	—	—	901	901
At 31 December 2021	1,793	127	7,227	9,147
Impairment				
At 1 January 2021 and 31 December 2021	—	126	—	126
Net book values				
At 31 December 2021	1,793	1	7,227	9,021
At 31 December 2020	1,793	1	6,357	8,151

All the fixed asset investments are held in the UK. The listed investments are held in Church of England Central Board of Finance funds managed by CCLA Investment Management Limited.

Further details of subsidiaries are provided in note 24.

At 31 December 2021, the listed investments included the following holdings deemed material in the context of the entire portfolio of listed investments.

Holding	Value £'000	% of portfolio
Property fund	1,501	20.8%
Investment fund	5,695	78.8%

17. Debtors

	Group		Charity	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000
Parish Share due	167	251	167	251
Amounts owed by subsidiaries	—	—	76	26
Other debtors:				
. Secured loan	—	216	—	216
. Other debtors	434	432	415	419
Prepayments	267	317	264	308
Accrued income	342	342	342	342
	1,210	1,558	1,264	1,562

17. Debtors (continued)

Parish Share (the group and the charity)

The parish share element within debtors above consists of:

	2021 £'000	2020 £'000
Total parish share due at 31 December	4,040	3,434
Provisions made in respect of:		
· Current year	(1,019)	(1,135)
· Previous years	(2,854)	(2,048)
Total	167	251

18. Creditors: amounts falling due within one year

	Group		Charity	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000
Bank loan	208	423	208	423
Church Commissioners' loan	—	872	—	872
Other loans	145	145	145	145
Expense creditors	154	303	141	308
Other taxation and social security	46	48	45	48
Other creditors	1,643	1,928	1,643	1,924
Pension scheme liabilities	291	432	291	432
Accruals and deferred income	157	209	106	160
	2,644	4,360	2,579	4,312

The bank loan of £1,971k is secured over freehold properties and is repayable in monthly capital instalments of £41,667 commencing 29 August 2022. The bank loan is provided under the UK Government backed Coronavirus Business Interruption Loan Scheme with interest for the first twelve months being paid by the UK Government direct to the lender. After twelve months the interest rate will be either 1.68% over base rate or 1.72% over the cost of funds, the margin chosen being at the discretion of Canterbury Diocesan Board of Finance. A further £1,314k of the bank loan has been repaid since the year end following the sale of freehold properties no longer required for ministry purposes.

The Church Commissioners' loan related to an advance to cover three month's stipends for August, September and October 2020. It was interest free and was repaid in 2021.

Other loans comprise Value Linked Loans of £145,000 (2020 - £145,000) for the purchase of special needs housing (purchased on behalf of the Church Commissioners). These loans are only repayable in the event of a sale of any of the properties and interest is charged on these loans at a variable rate.

19. Creditors: amounts falling due after more than one year

	Group		Charity	
	2021	2020	2021	2020
	£'000	£'000	£'000	£'000
Bank loan (see note 18)	1,763	—	1,763	—
Other loans	778	778	778	778
Pension scheme liabilities	48	556	48	556
	2,589	1,335	2,589	1,335

Creditors include amounts not wholly repayable within 5 years as follows:

	Group		Charity	
	2021	2020	2021	2020
	£'000	£'000	£'000	£'000
Repayable other than by instalments	826	1,335	826	1,335

The other loans consist of three (2020 - three) interest only mortgages which are secured on freehold properties. All the loans are repayable within 20 years. Interest on the loans is charged at 1.50% above base rate.

Notes to the financial statements Year to 31 December 2021

20. Statement of funds

	Brought forward at 1 January 2021 £'000	Income £'000	Expenditure £'000	Transfers in (out) £'000	Gains (losses) £'000	Carried forward at 31 December 2021 £'000
Endowment funds						
Ministry Trust Fund	2,082	—	—	—	298	2,380
Clergy Training Fund	575	—	—	—	84	659
Tait Mission Fund	218	—	—	—	29	247
Benefice Properties Fund	67,850	—	—	(4,501)	6,005	69,354
Board of Education General Fund	1,350	34	(24)	—	53	1,413
Stipends Capital Fund	2,788	—	(10)	—	105	2,883
	74,863	34	(34)	(4,501)	6,574	76,936
Restricted funds						
Clergy and Spouses Retirement Fund	750	—	(2)	—	106	854
Benefact (formerly Allchurches Trust)	16	127	(14)	—	—	129
Lower Income Communities Fund	—	818	(818)	—	—	—
Resourcing Ministerial Education	—	219	(138)	—	—	81
Strategic Investment Projects	40	357	(397)	—	—	—
School Buildings Fund (see note 2)	187	629	(511)	—	—	305
Education Funds	178	—	—	—	—	178
Other Funds	269	379	(209)	—	—	439
Diocesan Pastoral Account Fund	316	—	(6)	—	—	310
	1,756	2,529	(2,095)	—	106	2,296
Designated funds						
Ministry Housing	13,187	—	—	1,971	—	15,158
Spirituality Fund	254	7	(32)	—	29	258
Witney Fund	1,055	32	(21)	—	146	1,212
Training Fund	23	—	—	—	—	23
	14,519	39	(53)	1,971	175	16,651
General funds						
General	779	9,034	(9,143)	2,530	384	3,584
Total unrestricted funds	15,298	9,073	(9,196)	4,501	559	20,235
Total Charity funds (including Together Kent)	91,917	11,636	(11,325)	—	7,239	99,467
Non-charitable trading funds	73	115	(178)	—	—	10
Total Group funds	91,990	11,751	(11,503)	—	7,239	99,477

20. Statement of funds (continued)

Summary: Group funds 2021	Brought forward at 1 January 2021 £'000	Income £'000	Expenditure £'000	Transfers in (out) £'000	Gains £'000	Carried forward at 31 December 2021 £'000
Designated funds	14,519	39	(53)	1,971	175	16,651
General funds (and non-charitable trading funds)	852	9,149	(9,321)	2,530	384	3,584
Unrestricted funds	15,371	9,188	(9,374)	4,501	559	20,245
Endowment funds	74,863	34	(34)	(4,501)	6,574	76,936
Restricted funds	1,756	2,529	(2,095)	—	106	2,296
Total funds	91,990	11,751	(11,503)	—	7,239	99,477

Designated Funds

- i) Ministry Housing - This fund consists of Ministry Housing properties.
- ii) Spirituality Fund - The fund represents the sale proceeds of St Gabriel's Retreat House for financing a part time Diocesan Spirituality Adviser and making grants to assist Parishes and individuals to take retreats.
- iii) Witney Fund - This fund consists of a legacy from the Estate of the Late Dr Raymond Witney. The Board resolved that the capital of the fund should be retained intact and the income be used to assist in the promotion of the Christian faith in the diocese.
- iv) Training Fund - The purpose of this fund is to provide grants to clergy to supplement their training needs as appropriate. This fund receives unused Continuing Ministerial Education contributions and the income arising from the Cobbe Holiday Trust Fund (with the approval of the Charity Commission).

General Funds

General funds consist of the accumulated surpluses, less deficits, on unrestricted funds, excluding designated fund movements.

Non-charitable trading funds

These funds consist of the unrestricted funds of the trading subsidiaries.

Endowment Funds

Permanent Endowment Funds

The endowment funds, whereby the capital may not be expended and the income may be applied as specified are as follows:

- i) Ministry Trust Fund - Income to be applied for stipends. The fund comprises the Standen Bequest, the Spooner Bequest, the A T Wiggins Bequest, the Parsonage Repair Fund, and the Dame Stancombe- Wills Fund.
- ii) Clergy Training Fund - Income to be applied for clergy training. The fund comprises the Candidates for the Ministry Fund, the Holt Fund and the Knight Trust Fund.
- iii) Tait Mission Fund - Income to be applied for the expenses of the Tait Missioner.

20. Statement of funds (continued)

Expendable Endowment Funds

- i) **Benefice Properties Fund** - The fund consists of resources restricted to provision of benefice houses which are vested for the time being in the incumbents of the benefices concerned. The CDBF is obliged to maintain them and to ensure that there are sufficient benefice houses for the pastoral structure of the diocese. Sale proceeds of benefice houses surplus to requirements may be transferred into the diocesan pastoral account fund or other funds following specific agreement of the Church Commissioners. During the year £4,501,000 (2020 - £950,000) was transferred from the Benefice Properties Fund to the Ministry Housing Fund following schemes approved by the Church Commissioners.
- ii) **Board of Education General Fund** - The proceeds of sale of redundant properties are held on a separate endowment fund under s554 of the Education Act. The capital of funds awaiting Orders from the Secretary of State are not available for use until such time as they are included in a charitable order or scheme which may require funds to be disposed of to other parties in part or in full. Other proceeds of sale of redundant properties are held until the completion of replacement schools. In these cases the proceeds of sale may be used to offset expenses relating to the new school projects.
- iii) **Stipends Capital Fund** - The fund is governed by s35 of the Endowments and Glebe Measure 1976. Income is derived primarily from the return on investments, the sale of glebe, gains on sale of investments, the transfer of parsonage proceeds and occasional gifts and bequests. Income of the fund is automatically applied to stipends but, at the request of the Bishop, and with the concurrence of the Board, can be applied to:
 - ◆ acquiring new glebe land;
 - ◆ developing, improving and protecting amenities of glebe;
 - ◆ discharging loans on glebe;
 - ◆ the improvement or repair of parsonage houses or ministry housing.

Restricted Funds

Restricted funds comprise of:

- i) **Clergy and Spouses Retirement Fund** - The following restricted funds specify that both capital and income must be applied for retired clergy and spouses:
 - ◆ C S Thomas
 - ◆ Mrs A W Mannell Bequest
 - ◆ R & M Pratt
 - ◆ Dorothy Mowll Will Trust
- ii) **Benefact (formerly Allchurches Trust)** - These funds, which are intended to be recurring, must be used for projects of regional or national significance and may be spread over up to three years.
- iii) **Lower Income Communities Fund** - The fund consists of income from Archbishops' Council to make provision for the cure of souls in parishes where such assistance is most required.
- iv) **Resourcing Ministerial Education** - The fund consists of income from Archbishops' Council to support ordinand training.

20. Statement of funds (continued)

Restricted Funds (continued)

- v) Strategic Investment Projects - The fund consists of funding for projects to enable the Diocesan Strategy of 'Changed Lives→Changing' Lives.
- vi) School Buildings Fund – This fund consists of funding received from the DfE under the School Condition Allocation (see note 2).
- vii) Education Funds – This fund consists of monies from the sale of a closed school. These funds are likely to be subject to an order under s554 of the Education Act and will then be transferred to the Board of Education expendable endowment fund.
- viii) Other Funds – These funds consist of various funds for projects other than the Diocesan Strategy.
- ix) Diocesan Pastoral Account Fund - The purposes for which this fund may be used are laid down in Section 94 of the Pastoral Measure 2011 and comprise:
 - ♦ grants and loans for parsonage and church provision, restoration, improvement or repair;
 - ♦ costs of disposing of or maintaining houses and churches vested in the Board or Commissioners by the Measure;
 - ♦ transfers to Stipends Capital Fund of capital or income;
 - ♦ other purposes of the Diocese or any benefice or parish.

The fund receives the sale proceeds of churches and parsonages, which have become redundant under pastoral reorganisation when it is specified that they should be paid into this fund. The fund includes monies set aside by the Pastoral Committee for mission and development in parishes.

The analysis of the movements in funds for 2020 is included in the appendix.

21. Analysis of net assets between funds

An analysis of the group net assets between funds at 31 December 2021 is given below:

	General funds £'000	Designated funds £'000	Restricted funds £'000	Endowment funds £'000	Total funds 2021 £'000
Group 2021					
Tangible fixed assets	5,191	15,469	—	69,070	89,730
Fixed asset investments	403	1,770	942	5,905	9,020
Current assets	1,682	412	1,905	1,961	5,960
Creditors due within one year	(1,093)	(1,000)	(551)	—	(2,644)
Creditors due in more than one year	(2,589)	—	—	—	(2,589)
Total funds	3,594	16,651	2,296	76,936	99,477

General funds include non-charitable trading funds of £10k (2020 – £73k). The 2020 analysis of net assets by fund is included in the appendix.

22. Pension commitments

Clergy

Canterbury 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 scheme 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 each 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 statement of financial activities in the year are contributions payable towards benefits and expenses accrued in that year, plus any impact of deficit contributions (see below).

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% pa;
- ◆ RPI inflation of 3.4% pa (and pension increases consistent with this);
- ◆ Increase in pensionable stipends of 3.4% pa;
- ◆ 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.

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

% of pensionable stipends	January 2019 to December 2020	January 2021 to December 2022
Deficit contributions	11.9%	7.1%

As at 31 December 2019, 31 December 2020 and 31 December 2021 the deficit recovery contributions under the recovery plan in force were as set out in the above table.

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

22. Pension commitments (continued)

Clergy (continued)

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

	2021 £'000	2020 £'000
Balance sheet liability at 1 January	458	791
Deficit contribution paid	(223)	(357)
Interest cost (recognised in statement of financial activities)	1	7
Remaining change to the balance sheet liability* (recognised in statement of financial activities)	(20)	17
Balance sheet liability at 31 December	216	458

* 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 recovery contributions agreed as at the accounting date and has been valued using the following assumptions. In general, these are set by reference to the duration of the deficit recovery payments, but as at 31 December 2021, under accounting rules the payments are not discounted since the remaining recovery plan is less than 12 months. No price inflation assumption is needed since pensionable stipends for the remainder of the recovery plan are already known.

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

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

Staff

Canterbury DBF participates in the Defined Benefits Scheme and the Pension Builder Scheme of the Church Workers Pension Fund for lay staff. The scheme is administered by the Church of England Pensions Board, which holds the assets of the scheme separately from those of the Employer and the other participating employers.

CWPF has two sections:

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

Defined Benefits Scheme

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

22. Pension commitments (continued)

Staff (continued)

Defined Benefits Scheme (continued)

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

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

The scheme is a multi-employer scheme as described in Section 28 of FRS 102. It is not possible to attribute DBS assets and liabilities to specific employers, since each employer, through the Life Risk Pool, 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.

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 the DBS is carried out once every three years. The most recent valuation was carried out as at 31 December 2019. In this valuation, the Life Risk Section was shown to be in deficit by £7.7m and £7.7m was notionally transferred from the employers' sub-pools to the Life Risk Pool. This increased the Employer contributions that would otherwise have been payable. The overall deficit in the DBS was £11.3m.

Following the valuation, the Employer has entered into an agreement with the Church Workers Pension Fund to pay a contribution rate of 46.1% of pensionable salary and expenses of £6,700 per year. In addition, deficit payments of £74,552 per year have been agreed for 2.5 years from 1 April 2021 in respect of the shortfall in the Employer sub-pool. This obligation has been recognised as a liability within these financial statements.

Section 28.11A of FRS 102 requires agreed deficit recovery payments to be recognised as a liability.

The movement in the provision is set out below:

	2021 £'000	2020 £'000
Balance sheet liability at 1 January	530	577
Deficit contributions paid	(75)	(75)
Interest cost (recognised in statement of financial activities)	2	8
Remaining change to the balance sheet liability* (recognised in statement of financial activities)	(335)	20
Balance sheet liability at 31 December	122	530

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

22. Pension commitments (continued)

Staff (continued)

Defined Benefits Scheme (continued)

This liability represents the present value of the deficit recovery 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	1.30%	0.50%	1.40%

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

Pension Builder Scheme

Both sections of the Pension Builder Scheme are classed as defined benefit schemes.

Pension Builder Classic provides a pension, 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. Discretionary increases may also be added, depending on investment returns and other factors.

Pension Builder 2014 is a cash balance scheme that provides a lump sum which members use to provide benefits at retirement. Pension contributions are recorded in an account for each member. Discretionary bonuses may be added before retirement, depending on investment returns and other factors. The account, plus any bonuses declared is payable, unreduced, from age 65.

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

The scheme is considered to be a multi-employer scheme as described in Section 28 of FRS 102. This is because it is not possible to attribute the Pension Builder Scheme's assets and liabilities to specific employers and 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 the contributions payable (2021: £42,539 (2020: £nil).

A valuation of the Pension Builder Scheme is carried out once every three years. The most recent valuation was carried out as at 31 December 2019. The next valuation is due as at 31 December 2022.

For the Pension Builder Classic section, the valuation revealed a deficit of £4.8m on the ongoing assumptions used. At the most recent annual review, the Board chose to grant a discretionary bonus of 3% following improvements in the funding position over 2021. There is no requirement for deficit payments at the current time.

For the Pension Builder 2014 section, the valuation revealed a surplus of £5.5m on the ongoing assumptions used. There is no requirement for deficit payments at the current time.

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

23. Operating lease commitments

At 31 December 2021 the total of the group's and charity's future minimum lease payments under non-cancellable operating leases was:

Group and Charity	Land and buildings £'000	Equipment £'000	2021 £'000	Land and buildings £'000	Equipment £'000	2020 £'000
Amounts payable:						
Within 1 year	15	6	21	15	7	22
Between 2 and 5 years	4	20	24	20	28	48
Over 5 years	—	1	1	—	3	3
Total	19	27	46	35	38	73

24. Principal subsidiaries, joint ventures and connected charities

a. Principal subsidiaries

Details of the principal subsidiaries are provided below:

Company name	Registration number	Country	Percentage Shareholding	Principal Activity
Canterbury Diocesan Enterprises Limited	6673588	England & Wales	100%	Property management
Diocesan Architectural Services Limited	2790278	England & Wales	100%	Architectural services Dormant from May 2018
Ethos School Improvement Limited	7945168	England & Wales	100%	Provision of services to schools
Together Kent Limited	8763875	England & Wales	100%	Building partnerships to work with marginalised communities

Financial information for each of the subsidiaries is as follows:

Diocesan Architectural Services Limited	2021 £'000	2020 £'000
Assets and funds	1	1
Canterbury Diocesan Enterprises Limited	2021 £'000	2020 £'000
Income	252	326
Expenditure	(313)	(329)
Loss	(61)	(3)
Assets	12	49
Liabilities	(48)	(24)
Funds	(36)	25

24. Principal subsidiaries, joint ventures and connected charities (continued)

Ethos School Improvement Limited	2021 £'000	2020 £'000
Income	83	81
Expenditure	(86)	(79)
Profit	(3)	2
Assets	131	119
Liabilities	(85)	(70)
Funds	46	49

Together Kent	2021 £'000	2020 £'000
Income	89	132
Expenditure	(106)	(37)
Profit	(17)	95
Assets	116	131
Liabilities	(7)	(5)
Funds	109	126

With effect from 1 March 2021 Together Kent became a wholly owned charitable subsidiary. There was no cost of acquisition and the reserves acquired of £126k are treated as other donations and grants (see note 1 to the accounts). The donations consisted of £11k of unrestricted reserves and £115k of restricted reserves. The 2020 comparative figures are reported above only for comparative purposes and do not form part of the 2020 consolidated results.

b. Principal joint ventures

With effect from 1 March 2021, Together Kent became a wholly owned subsidiary.

c. Connected entities

Company name	Registration number	Country	Principal Activity
The Diocese of Canterbury Academies Company Limited	7793458	England & Wales	Educational activities

25. Custodian Trustee

The charity acts as Custodian Trustee in respect of various funds. These assets are held separately from those of the charity and are not included in the balance sheets on page 22. The summary of the funds as at 31 December is as follows:

	2021 £'000	2020 £'000
Trust funds		
Represented by:		
Fixed assets		
. Listed investments (at cost)	1,772	1,782
Current assets		
. Central Board of Finance Deposit Fund	1,382	1,321
. Cash at bank	—	3
Total	3,154	3,106
Market value of investments at 31 December		
Listed investments	6,335	5,629

26. Related party transactions

Other than the relationships and transactions disclosed in note 14, there are no other related party transactions requiring disclosure (2020 - none).

Appendix: Comparative consolidated statement of financial activities Year to 31 December 2020

	Notes	Unrestricted funds £'000	Restricted funds £'000	Endowment funds £'000	Total funds 2020 £'000
Income and endowments from:					
Donations and grants:					
Archbishops' Council	1	665	—	—	665
Other donations and grants	1	7,664	1,778	—	9,442
Charitable activities	2	767	667	—	1,434
Other trading activities	3	300	—	—	300
Investments and interest	4	210	—	13	223
Other sources	5	267	178	8	453
Total income and endowments		9,873	2,623	21	12,517
Expenditure on:					
Raising funds	6	330	—	—	330
Charitable activities	8	8,847	2,062	35	10,944
Total expenditure	10	9,177	2,062	35	11,274
Net income (expenditure) before investment gains		696	561	(14)	1,243
Net gains on investments	16	85	45	293	423
Net income before transfers		781	606	279	1,666
Transfers between funds	20	950	—	(950)	—
Net income (expenditure) for the year	11	1,731	606	(671)	1,666
Other recognised gains and losses:					
(Losses) gains on revaluation of pension fund liabilities	22	(28)	—	(24)	(52)
Gains on revaluations of tangible fixed assets	15	—	—	3,076	3,076
Net movement in funds		1,703	606	2,381	4,690
Reconciliation of funds					
Total funds brought forward		13,668	1,150	72,482	87,300
Total funds carried forward		15,371	1,756	74,863	91,990

Appendix: Comparative notes to the financial statements Year to 31 December 2020

1. Income from: Other donations and grants

	Unrestricted funds £'000	Restricted funds £'000	2020 £'000
Parish Share	7,529	—	7,529
Archbishops' Council	—	1,379	1,379
Allchurches Trust	—	125	125
Other donations and grants	135	274	409
Total funds	7,664	1,778	9,442

2. Income from: Charitable activities

	Unrestricted funds £'000	Restricted funds £'000	2020 £'000
Parochial fees for occasional offices	297	—	297
Department for Education capital grants	—	667	667
Rental income	470	—	470
Total funds	767	667	1,434

4. Income from: Investments and interest

	Unrestricted funds £'000	Endowment funds £'000	2020 £'000
Investment income	200	13	213
Bank and other interest receivable	10	—	10
Total funds	210	13	223

5. Income from: Other sources

	Unrestricted funds £'000	Restricted funds £'000	Endowment funds £'000	Total funds 2020 £'000
Gains on property disposals	267	—	—	267
Proceeds from sale of closed schools	—	178	8	186
Total funds	267	178	8	453

8. Expenditure on: Charitable activities

	Unrestricted funds £'000	Restricted funds £'000	Endowment funds £'000	Total funds 2020 £'000
Contributions to Archbishops' Council:				
Training for ministry	235	—	—	235
National church responsibilities	177	—	—	177
Grants and provisions	20	—	—	20
Mission agency pension costs	9	—	—	9
Retired clergy housing costs	85	—	—	85
Pooling of ordinands' maintenance grants	24	—	—	24
	550	—	—	550
Resourcing Ministry and Mission:				
Parish Ministry				
Stipends	3,046	—	—	3,046
National Insurance	242	—	—	242
Pension contributions	784	—	—	784
Housing costs	1,151	—	—	1,151
Apprenticeship levy	14	—	—	14
Removal and resettlement costs	204	—	—	204
Other expenses	124	18	35	177
Lay and ordinand training	138	209	—	347
Mission development grants	22	791	—	813
	5,725	1,018	35	6,778
Senior Clergy				
Stipends, NI and Pensions	57	—	—	57
Housing cost allocation	29	—	—	29
	86	—	—	86
Strategic Investment Projects (see below)	36	564	—	600
Support costs (note 9)	2,110	—	—	2,110
Total expenditure on resourcing Ministry and Mission	7,957	1,582	35	9,574
Expenditure on education:				
Support for church schools and young people	340	—	—	340
School building grants	—	480	—	480
Total funds	8,847	2,062	35	10,944

10. Analysis of total expenditure

	Activities directly undertaken £'000	Grant funding of activities £'000	Support costs £'000	2020 Total funds £'000
Raising funds	330	—	—	330
Charitable activities				
. Contributions to Archbishops' Council	—	550	—	550
. Resourcing Ministry and Mission	6,651	813	2,110	9,574
. Education	340	480	—	820
	7,321	1,843	2,110	11,274

20. Statement of funds

	Brought forward at 1 January 2020 £'000	Income £'000	Expenditure £'000	Transfers in (out) £'000	Gains (losses) £'000	Carried forward at 31 December 2020 £'000
Endowment funds						
Ministry Trust Fund	1,987	—	—	—	95	2,082
Clergy Training Fund	548	—	—	—	27	575
Tait Mission Fund	201	—	—	—	17	218
Benefice Properties Fund	65,748	—	—	(950)	3,052	67,850
Board of Education General Fund	1,332	21	—	—	(3)	1,350
Stipends Capital Fund	2,666	—	(35)	—	157	2,788
	72,482	21	(35)	(950)	3,345	74,863
Restricted funds						
Clergy and Spouses Retirement Fund	710	—	(5)	—	45	750
Allchurches Trust	42	125	(151)	—	—	16
Lower Income Communities Fund	—	791	(791)	—	—	—
Resourcing Ministerial Education	—	209	(209)	—	—	—
Strategic Investment Projects	74	379	(413)	—	—	40
School Buildings Fund	—	667	(480)	—	—	187
Education Funds	—	178	—	—	—	178
Other Funds	—	274	(5)	—	—	269
Diocesan Pastoral Account Fund	324	—	(8)	—	—	316
	1,150	2,623	(2,062)	—	45	1,756
Designated funds						
Ministry Housing	12,237	—	—	950	—	13,187
Spirituality Fund	239	6	—	—	9	254
Witney Fund	1,065	29	(83)	—	44	1,055
Training Fund	23	—	—	—	—	23
	13,564	35	(83)	950	53	14,519
General funds						
General	29	9,694	(8,948)	—	4	779
Total unrestricted funds	13,593	9,729	(9,031)	950	57	15,298
Total Charity funds	87,225	12,373	(11,129)	—	3,447	91,917
Non-charitable trading funds	75	144	(146)	—	—	73
Total Group funds	87,300	12,517	(11,274)	—	3,447	91,990

Appendix: Comparative notes to the financial statements Year to 31 December 2020

20. Statement of funds (continued)

Summary: Group funds 2020	Brought forward at 1 January 2020 £'000	Income £'000	Expenditure £'000	Transfers in (out) £'000	Gains £'000	Carried forward at 31 December 2020 £'000
Designated funds	13,564	35	(83)	950	53	14,519
General funds (and non-charitable trading funds)	104	9,838	(9,094)	—	4	852
Unrestricted funds	13,668	9,873	(9,177)	950	57	15,371
Endowment funds	72,482	21	(35)	(950)	3,345	74,863
Restricted funds	1,150	2,623	(2,062)	—	45	1,756
Total funds	87,300	12,517	(11,274)	—	3,447	91,990

21. Analysis of net assets between funds

An analysis of the group net assets between funds at 31 December 2020 is given below:

Group 2020	General funds £'000	Designated funds £'000	Restricted funds £'000	Endowment funds £'000	Total funds 2020 £'000
Tangible fixed assets	2,689	13,196	—	67,584	83,469
Fixed asset investments	399	1,435	779	5,537	8,150
Current assets	1,530	924	1,870	1,742	6,066
Creditors due within one year	(2,431)	(1,036)	(893)	—	(4,360)
Creditors due in more than one year	(1,335)	—	—	—	(1,335)
Total funds	852	14,519	1,756	74,863	91,990

General funds include non-charitable trading funds of £73k.