

DIOCESE IN EUROPE

THE CHURCH
OF ENGLAND



DBF5: Members of the DBF are asked to approve this Annual Report

THE DIOCESE IN EUROPE BOARD OF FINANCE

ANNUAL REPORT AND FINANCIAL STATEMENTS

for the year ended 31 December 2021

*Company No. 106580
Registered Charity No. 250186*

THE DIOCESE IN EUROPE BOARD OF FINANCE

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BISHOP'S INTRODUCTION

for the year ended 31 December 2021

I am very pleased to introduce this annual report for the Diocese in Europe. 2021 was the year we hoped Covid would recede and had to live with the reality that it did not. This was hard for our clergy and especially for lay people looking after chaplaincies in vacancy. I pay tribute to the resilience, perseverance and hard work of all our clergy, our lay officers and our central staff as they coped with yet another year of uncertainty and unpredictability. They did so remarkably well, and this report is testimony to the year's significant achievements.

In 2022 we face some new and very serious challenges: war in Ukraine, within the territory covered by our Diocese, and linked to this rising inflation in Europe and the threat of famine in the global south. We do not underestimate the gravity of the situation. Yet our Diocese remains trustful of God and in good heart. Materially undergirded by the Diocesan Board of Finance, we seek to continue to fulfil our extraordinary mission of delivering Anglican ministry to congregations in 40 countries across Europe plus Turkey, Western Russia and Morocco.

I hope you enjoy reading this report. I trust that you are encouraged and reassured by the great care that is taken over the management of our relatively slender resources, and the way these are deployed for maximum effect. I thank God for the vitality of our Diocese in Europe as evidenced by this report and pray for its continued fruitfulness and flourishing.

The Right Reverend Dr. Robert Innes
Bishop of Gibraltar in Europe

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ANNUAL REPORT

for the year ended 31 December 2021

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

OBJECTIVES

The Diocese in Europe has almost 300 congregations in 40 countries in Europe, Russia and North Africa. These congregations are organised within 147 (2020:148) separate chaplaincies. The Company's principal activity is to promote, assist and advance the mission and ministry of the Church of England in the Diocese in Europe by acting as the financial executive of the Diocesan Synod.

The main objectives of the charitable Company or Diocese in Europe Board of Finance ("DBF") are:

- To manage the financial aspects of providing a priestly and pastoral presence where needs arise and as resources permit across the Diocese.
- To provide appropriate personnel, financial grants and other resources including safeguarding to support the mission of the Diocese.
- To engage with the community as part of the Church's response to God's mission to His people in the area covered by the Diocese.
- To manage funds on behalf of the churches in the Diocese, and related trust funds.
- To provide services to churches and help the flow of communications across the Diocese, including the provision of various publications.

Funds and other support are given to encourage fresh expressions for worship and mission; to support the ongoing mission of the Diocese, and to provide a service to our chaplaincies. Priorities for Diocesan support are identified at regular meetings of the Bishop's staff and at the Diocesan and archdeaconry synods. Significant financial issues are delegated to the Finance, Audit and Personnel Committee ("FAPC") between meetings of the Diocesan Synod and the Bishop's Council. Revised Terms of Reference for that committee including spending thresholds were agreed by the Trustees at the Bishop's Council in October 2020.

The Trustees aim to operate a balanced budget, meeting current expenditure from current income, so that capital growth can be set aside to support the work of the Diocese in future years and be available at times of particular hardship. This aim became increasingly difficult to achieve as the costs of the Diocese escalated during the last decade. At the Bishop's Council in 2018 a financial plan was approved which aimed to achieve break-even over the next three years. The plan accommodates required increases in costs, principally in the areas of safeguarding, archdeacons and communications. It also incorporated increases in Common Fund contributions from chaplaincies in the three years up to and including 2021. As a result of the Covid-19 pandemic the plan was revised at the Bishop's Council in 2021. A new plan through to 2025 was approved including a freeze in the Common Fund requests for a further year 2022. The revised plan envisages increases in Common Fund requests from chaplaincies in the years 2023-2025 to be agreed annually and the plan showed that up to £1.7 million of reserves would have been used in the years 2019 to 2025 or £1.25 million from 2022-2025 inclusive. Trustees agreed that this plan was sustainable.

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STRATEGIC AIMS

The Diocesan strategy commits us to:

- Building up the Body of Christ and fostering growth.
- Sharing with other churches and agencies in the evangelisation of Europe.
- Striving for the creation of a just society and a sustainable environment.
- Working for Reconciliation in communities and in the wider world.
- Providing the Resources to do these things.

Across our far-flung Diocese, the Diocesan staff team and the chaplaincies work together in fulfilling this strategic vision by making good clergy appointments, fostering vocations; forging partnerships with mission agencies, working with refugees and providing encouragement and support to our people. The achievement in continuing this work in the context of Brexit and COVID-19 is gratifying.

At Bishop's Council, the Trustees reviewed the strategy and it is still regarded as being fit for purpose. However, some key priorities for activity emerged at the Council and subsequent Diocesan Synod meetings over the past year. These are:

1. The environment and the stewardship of creation.
2. Growing ministry to young people.
3. Growing training and development of both lay leaders and clergy with a particular focus on the Ministry of Women and of Black, Asian and Minority Ethnic people both lay and ordained.
4. Embracing lower income groups and learning how to function better with less.

Some but not all of this work has been constrained by the pandemic. However well these priorities may be understood and agreed, progress on the work depends on financial stability and growth along with the commitment of people across the Diocese to work towards these objectives.

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FINANCIAL EXECUTIVE SUMMARY

The outcome for the year for the unrestricted fund is a deficit, before investment gains of £(282,758) (2020: Surplus £9,991). This is less than the budgeted deficit agreed by the Trustees at the Bishop's Council in 2020 of £(381,470). The main reasons for the reduction in the deficit lie in the better than expected return from the Common Fund request and the lower than budgeted expenditure due to the pandemic continuing longer than predicted in the Autumn of 2020. No extra funding was received from the Archbishop's Council as the DBF would not have qualified under the criteria for 2021. The DBF continued to make grants from the Covid-19 hardship fund. 26 chaplaincies benefitted from a total of £133,661 of grants in the year. The Common Fund request from all chaplaincies was frozen for a second year in 2021 and 96.6% was received. The DBF holds a very significant portion of its unrestricted reserves as investments managed by CCLA. The fund managers continued to perform well and at the year end the capital value of these funds had grown by £0.65 million to £5.14 million (2020: £4.49 million).

The Trustees reviewed the financial plan for the DBF through to 2025 and the outcome for 2021 has enabled the 2022 Common Fund request from chaplaincies to be frozen once again. The Trustees recognised that such freezes will not be able to continue in the succeeding years if the DBF's financial health and sustainability is to be maintained. Looking ahead savings will need to continue to be made on travel and in meeting costs. The objective of the DBF is that there will be no increase in central office costs and that staffing levels will be kept as low as possible. Alternative funding streams continue to be explored by senior staff particularly but not only grants from the Archbishops' Council. The big risks to the financial plan lie in the financial fragility of chaplaincies and in rising costs as inflation hits the global economy. The high cost of the Safeguarding Past Cases Review 2 arising from reviewing the files in Brussels is a significant risk to remaining on budget in 2022. This matter is under discussion with the National Church Institutions.

The full economic effects of the war in Ukraine (a Post Balance Sheet Event, see Page 14 for further details) are not yet apparent but costs, income and the value of investments are all threatened. Investments are regarded by the DBF as long term, low risk holdings. Performance overall has been strong but uncertainty in the global economy makes forecasting of investment values difficult and it should not be assumed that the 2021 values will be maintained.

This Annual Report paints a picture of effective stewardship, ambitious planning, and considerable generosity which are all causes for optimism. However, it should be read with a clear understanding that, whilst the Diocese has proved resilient and adaptable through the pandemic, it is also fragile and manages on far fewer resources than other Dioceses in the Church of England.

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2021 IN CONTEXT

Covid-19

Towards the end of 2020 there was some optimism that life across the Diocese in Europe would be returning to relative normality early in 2021. Such hope was founded mainly on the emergence of vaccines. This optimism was largely misplaced due to the emergence of new variants and slow distribution of or low take up of vaccines. So, much of the year was characterised by fluctuating rates of infection which provoked a wide range of different lockdowns and changes in regulations across the multiple jurisdictions in the Diocese. The impact of the challenges was in no way reduced by their familiarity. The consequences of this included:

1. Staff and Clergy continued to work remotely with often increased workloads.
2. Chaplaincies continued with mainly online worship for significant portions of the year.
3. In person meetings were very restricted with consequences for chaplaincy fundraising although this also allowed some reductions in DBF costs.
4. Restrictions in travel reduced the numbers of visitors in chaplaincies as well as keeping many regular worshippers away from their chaplaincies either due to being isolated or staying in the UK for longer than expected.
5. Staff and clergy have suffered fatigue and stress as a result of the pandemic though they have also proved adaptable and resilient.

Clergy found new ways of offering pastoral care remotely but there is little doubt that in person activity of all kinds was much missed. There is a longer-term concern that people may have got out of the habit of coming to church regularly. There is however a palpable longing to be back in the pews for large numbers of members. The financial impact of the pandemic continued to be felt across the Diocese and included the following:

1. Congregational giving has had to be moved rapidly to online donations. The growth of regular online giving is to be encouraged but the reduction in the plate giving has hit some chaplaincies harder than others.
2. A reduction in big and often lucrative public events has reduced chaplaincy income.

The DBF has also sought to realise some benefits from these unexpected circumstances by:

1. Reduced travel saving both cash and reducing carbon impact.
2. Continued successful Diocesan online services and events bringing the people of the Diocese together more regularly.
3. Greater flexibility of work styles and circumstances for staff.
4. New ways of conducting synod business have been adopted which will endure beyond the Covid years.

The desire to return to pre-pandemic church life in many areas cannot be underestimated. Staff and congregations need to be present in person to be creative and effective and to build community. In 2022 the challenge is to achieve a new normal which takes on the best of what has been learned and revives and grows the best of what existed prior to the lockdowns. The benefits of this will be both to the mission and the finances of the Diocese.

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2021 IN CONTEXT (continued)

Brexit

In the public square in the UK, Brexit has been largely relegated as a topic for debate and analysis due to the pandemic. The full effects of Brexit have not been wholly apparent in 2021 in the Diocese and the war in Ukraine may continue to cast a veil over Brexit in 2022. However, visa regulations now hamper the ability of some church members to spend as many extended periods of time in the Diocese as was possible in the past. Equally there is added complexity and cost for new clergy in particular as they join the Diocese. That said, successful appointments have been made and the regulatory hurdles have been overcome in almost all cases. The costs, both in time and cash, of the regulatory changes should not be underestimated.

The value of sterling against the euro recovered and remained fairly steady for the last 3 quarters of the year after a brief decline with the signing of the withdrawal agreement. This has helped chaplaincies and their members who hold sterling accounts in London. Inflation may well represent a greater financial threat to the finances of both the DBF and its chaplaincies in 2022 than the currency value itself.

The declaration of the UK's Data Protection laws as 'adequate' by the EU has smoothed what might otherwise have been a difficult path for the DBF as there is no longer a need to make specific new arrangements with chaplaincies.

The Church of England

The Diocese has continued to build relationships with the broader Church of England to positive effect through the year. The Diocesan Secretary and the Bishops remain very active members of their respective local and national groups which have now begun to meet together more regularly. This sharing of information and perspectives is helpful in driving joined up approaches to issues between the episcopal leaders and senior lay staff across dioceses. The Head of Safeguarding is on several national safeguarding consultative groups and the Diocese is a pathfinder in the new case management system being developed at a national level.

The Diocese in Europe remains behind schedule in delivering the Past Cases Review 2. Covid regulations have delayed access to the files that have to be reviewed in Brussels. The Diocese has more files for review than many other dioceses and this in addition to the travel costs is making PCR2 particularly costly. Representations are being made to the Archbishops' council for extra funding to cover this.

Elections to General Synod were held in the Summer of 2021. For the first time these were conducted online with the technical work undertaken for all dioceses by the agency 'Civica'. The elections in Europe passed without any problems though the nationally prescribed process was inefficient with regard to staff time and cost. A review will be conducted nationally before the next elections.

The Diocesan Synod elections were conducted online for the first time. The process administered by the Registry and the Diocesan Office.

The Diocese continues to benefit from almost £200,000 a year from the Strategic Ministry Fund, established to support stipendiary curates through their training. Funds have been agreed for new starters in 2022 and an application has been submitted for 2023. The task is now to identify candidates to take up possible posts and match them with chaplaincies.

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ACTIVITIES AND ACHIEVEMENTS

Ministry

The number of clergy in the Diocese holding a Bishop's licence as at 31 December 2021 was 139 (2020: 138). This includes 90 clergy in post as Chaplains (2020: 101) and 24 assistant priests who hold a licence in a chaplaincy (2020: 29) as well as the Dean, the Archdeacons and the Director of Ministerial Development. At the close of 2021, the Diocese had 30 vacancies (2020: 33) which, when filled, will have licensed clergy (including both Chaplains and assistant priests). Posts requiring a licensed priest total 169 (2020: 174). There were 10 appointments out of 10 advertised during 2021 (2020: 19). There was also one appointment that was not advertised (Option B process applied).

72 Readers held a Bishop's licence or Permission to Officiate at the end of the year (2020: 118). In addition, 10 Readers were awaiting new licences and a further 7 are applying for licences under the Ecumenical Canons.

There were 12 ordinands in either residential or non-residential training (2020: 17) at the end of December 2021 and 17 Readers in training (2020: 20).

Chaplaincy membership and attendance

The total number on chaplaincy electoral rolls is 9,284 (2020: 9,894). The pandemic has slowed the normal increase in roll numbers picking up from the creation of completely new rolls in 2019.

There were 277 baptisms (2020: 120) and 37 marriages (2020: 10) recorded in the Diocese with an additional 81 marriage blessings. The number of marriages in particular, represents a significant financial issue for some chaplaincies. These events are a source of engagement and income particularly when families travel from the UK for ceremonies. This has been restricted somewhat during the pandemic, however the growth from 2020 is a positive indicator. It is hoped that a return to near the 2019 levels will be achieved in 2022.

13 confirmation services were held with 116 candidates (2020 61: candidates).

Easter Day attendance was recorded as 4,752 . This number was limited by the pandemic in some places making the usual celebrations impossible. Many chaplaincies had strict limits on the number of people even allowed to attend the church. Christmas Day attendance was recorded at 8,025. Again there was some reduction due to the pandemic as the Omicron variant took hold in December 2021. 2020 figures are not available.

The Usual Sunday Attendance is recorded as 12,246 (2020 not recorded) and chaplaincies report 89 weekly online services each week down from 109 in 2020 as some churches return to normal patterns of in person worship.

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ACTIVITIES AND ACHIEVEMENTS (continued)

Finance

Financial oversight was offered to the DBF by the Finance, Audit and Personnel Committee (“FAPC”) which met six times during the year as well as providing advice through correspondence. The Committee is a source of essential expertise and challenge to the executive as well as representing the concerns of chaplaincies about financial matters. In the year ahead a new Chair of the DBF will be recruited after Mike Fegan announced his plan to step down from the role in 2022. The Committee is also seeking to increase the expertise it can draw upon in the area of HR.

A significant task of the Committee has been to scrutinise and approve a refreshed financial plan that was presented to and approved by the Trustees at the October 2021 Bishop’s Council. The plan includes a freeze in Common Fund requests in 2022 and a likely increase in the three subsequent years to be approved at future Council meetings. It sets a target of a deficit under £100,000 by 2025 and keeping at least 2 years of DBF running costs in reserve both for security and for income that is derived from the investments. This plan presents a stable position and a clear path in uncertain times which is essential for stakeholders and prospective donors alike. It will be updated each year but that should not imply fundamental changes.

The FAPC approves grants made through the Covid Hardship fund. 26 chaplaincies benefitted in 2021 with grants totalling £133,661. Further rounds of Hardship Fund applications will be conducted in 2022.

The Clergy Pension Scheme is no longer in the deficit position of previous years and the Church of England Pensions board announced that Clergy Pension contributions would drop by 3.9% as a proportion of the benchmark stipend in April 2022. This will save £750 a year each for about 35 chaplaincies as well as a saving on pensions for the DBF of around £2,500 pa which relate mainly to the pension contributions on behalf of Archdeacons in the Diocese.

The DBF was successful with a bid to the Archbishop’s Council for funding of £80,000 over 5 years towards the costs of a Giving Advisor to work across the Diocese to increase income to chaplaincies from congregations and other sources. This role will be recruited in 2022 and is expected to make a significant difference in areas such as tax efficient giving, online and regular giving and legacy giving campaigns. The role will be closely associated with the Church of England’s strategic work in this area.

The lease on the DBF offices in London has been extended until the end of 2022 and negotiations regarding the renewal have begun with the Corporation of Church House working towards a longer term arrangement. The strategy of the DBF is to attempt to reduce its footprint and avoid an overall increase in cost. This may involve occupying new space in Church House.

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ACTIVITIES AND ACHIEVEMENTS (continued)

Loans and Liquidity

In January 2021 a loan of £500,000, was obtained from CCLA, the DBF's investment managers, under the Diocesan Loan Scheme. The loan had been approved in 2020. The terms are favourable with an interest rate of the average daily rate declared by their fund over the month plus 0.55%. The maximum term of the loan is ten years, with no requirement of repayment of capital in the interim. The DBF anticipates repaying the loan in equal instalments over the 10 year period. The interest is payable every six months. The rate in May 2022 was 0.86%. No other loans have been obtained.

No investments were sold following the disposal of £500,000 worth of investments at the end of 2020.

Diocesan Investments

The Diocesan unrestricted investments were closely monitored throughout the year and their value was reported regularly to the FAPC. The DBF's investment manager, CCLA, attended several FAPC meetings to update the committee on investment performance and strategy. After the turbulence of 2020, 2021 was a much calmer year and the total investments gained £1.40m in the year or 13%. This figure includes restricted funds for which the DBF is the Trustee on behalf of other beneficiaries in the Diocese. The Capital value of the DBF's own unrestricted funds held as investments increased by £648,000 to £5.14m (see Note 14).

The vast majority of all investments are managed by CCLA whose performance outperformed that of many large fund managers. Many chaplaincies and trust funds, of which the DBF is the custodian trustee, are also managed by CCLA with positive results. See Note 18(a), Summary of Fund Movements. This positive picture should not obscure the downsides in the markets caused by inflation, the pandemic and latterly the war in Ukraine.

Pensions

No issues arose in the year regarding pension liabilities of the DBF or for staff and clergy enrolled in the Clergy Pension Scheme of the Church Workers Pension Scheme. In May 2022, following a valuation of the Pension Fund the Church of England Pension Fund trustees announced a reduction in contributions to 28% of clergy benchmark stipends. This is a further reduction from the interim rate of 36% (previously 38%) announced for April 2022.

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ACTIVITIES AND ACHIEVEMENTS (continued)

Common Fund Allocation

The decision about how the frozen total common fund request should be allocated, was delegated to the Finance, Audit and Personnel Committee by the Bishop's Council. After detailed work examining the consequences of returning to using the formula for both the 2021 and 2022 request, the Committee decided to continue to ask for the same amount as in 2019 and 2020 from all chaplaincies, rather than applying the formula which would have been based on chaplaincy income in years not (fully) impacted by the pandemic. In 2022 the Committee decided to ask for a small supplement of 3% to be given to the hardship fund from those chaplaincies who would have had a big increase in common fund under the formula. In 2023 a return to the use of the formula based on the income in 2019, 2020 and 2021 is envisaged. This will be unsettling for some chaplaincies but the request will, as a result, be more justly aligned with the relative financial health of the chaplaincies across the Diocese.

Senior Staff Changes

The team of stand-alone stipendiary Archdeacons was completed when Rev'd Dr. Peter Hooper took up his post as Archdeacon of France in February 2021 and was licensed on 28 November. He added responsibility for the Archdeaconry of Switzerland in December 2021 following the retirement of Rev'd Canon Adèle Kelham.

Rev'd Sam Van Leer was licensed as the permanent Archdeacon of North-West Europe following his period of office as Acting Archdeacon.

Rev'd Canon Alan Strange was appointed to the full-time position of Bishop's Chaplain and started work in Brussels in April 2021 following the vacancy being created at the end of 2020.

Rev'd Canon Debbie Flach was appointed Dean of Women's Ministry. This is a new voluntary position.

Safeguarding

The pandemic has not reduced the volume of safeguarding activity. The independent scrutiny of this activity is provided by the Diocesan Safeguarding Advisory Committee which recruited additional independent members in 2021. A subset of that Committee acts as the Reference Group for the Past Cases Review 2. New safe recruitment guidelines have been issued by the National Safeguarding Team and are being implemented in the Diocese. There have been no new notifications of cases to the Charity Commission. The Diocese is continuing its work on the Past Cases Review 2. The reviewing of clergy files has been contracted to the experienced supplier DPR and is underway. The Diocese in Europe will report later than the rest of the Church of England due to travel restrictions in Europe caused by the pandemic.

The training programme is now conducted online with a reduction in cost and increase in engagement compared to the in person programmes in the past.

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ACTIVITIES AND ACHIEVEMENTS (continued)

Communications

2021 saw a marked increase in the volume and consumption of communications from the DBF on all platforms. Over 100 online news stories were published on the website. The site now has 58,000 visitors each month 75% of which are new visitors. The Diocese is on Twitter, Facebook and Instagram and has over 7,800 followers. The subscribers to E-News (newsletter) and European Anglicans (online magazine) now exceed 3,000 and the publications have a 60% open rate which is twice the industry standard for such publications.

Work has commenced on the new website build which is to be delivered in 2022. Much of this development is funded by a grant from Allchurches Trust. The second tranche of that funding has not been drawn down due to the pandemic slowing spending of the first tranche. This has been agreed with the Allchurches Trust (now rebranded Benefact) trustees who have confirmed that they are holding the money for the Diocese.

Diocesan Synod and Bishop's Council

The pandemic prevented in person meetings of the Diocesan Synod and the Bishop's Council. An additional meeting of the Diocesan Synod was held in December 2021 as well as the June online meeting which approved the annual report and accounts.

The Bishop's Council met online in October 2021 to approve the budget and the revised financial plan. It was agreed that both bodies would meet in person in 2022 but not always in person thereafter thus making savings in both cost and carbon footprint and making it easier for lay members in particular to attend meetings.

A number of Trustees retired in November 2021 following the Diocesan Synod elections. New Trustees will be elected from the Diocesan Synod in 2022.

Events

The pandemic may have restricted the return to normal in person worship and events in many chaplaincies but it would be inaccurate to portray this as an uneventful year in the Diocese. Much chaplaincy activity moved online where it could not happen in person and new events online as well as hybrid online and in person events have also been developed.

In chaplaincies Morning Prayer continues to be very popular online and many bible studies and discussion groups have been very well attended in digital form.

Diocesan events such as the Vocations Seminar now happen online. This used to take place over a weekend in London with many people travelling long distances at considerable expense. The event is well attended at lower cost both in cash and in carbon footprint than in previous years.

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ACTIVITIES AND ACHIEVEMENTS (continued)

Events (continued)

Much of the training of curates has also moved online though it was important that the seminar on liturgy was able to take place in person in Cologne given the 'physical' nature of elements of that event.

Pan Diocesan online worship continued to be very well supported with events being streamed both on zoom and the Diocesan YouTube channel.

Online services in 2021 included; A Service of Prayer and Reflection across the Diocese in Europe on the eve of the Funeral of His Royal Highness Prince Philip, Duke of Edinburgh, A Service of Blessing of Oils and Rededication of Ministry for Holy Week, the Annual Service of the Friends of the Diocese, and an event, aimed at young people, to mark the COP 22 Environment Summit. The closing service of the Diocesan Synod in December was an Advent Service for the Diocese at which The Rev'd Canon Adele Kelham preached to mark her retirement as Archdeacon of Switzerland.

Other significant events included:

- Ordinations in Madrid, Rome, London, Ghent as well as a historic first ever ordination service at the Queen's Chapel of the Savoy.
- An ecumenical milestone was passed when for the first time ever a Roman Catholic Archbishop preached at installation of an Anglican priest. This was at Holy Cross Palermo.
- 25 years of the Porvoo Agreement was celebrated at the Nordic/Baltic Deanery Synod in Porvoo.
- The blessing of the expanded St John the Evangelist Church, Casablanca in a civic and ecumenical event.
- Celebration of 50 years of the Church of the Holy Spirit, Costa Blanca.
- Publication of French language texts of Morning and Evening Prayer under the auspices of French ARC.
- Appointment of Rev'd Canon Debbie Flach and Rev'd Dr Catriona Laing as Dean and Assistant Dean of Womens Ministry respectively.
- Participation in the Conference in Yerevan on peace and reconciliation in Nagorny Karabakh under the auspices of the Catholicos of the Armenian Apostolic Church.
- Completion of the final stage of the approval of the Treaty between the Church of England and the Italian Government which will have significant advantages for all chaplaincies in Italy.
- 250th anniversary of Christ Church Amsterdam's occupation of its historic Groenburgwal building for the use of Anglican worship.
- Bishop Robert's participation in Article 17 High Level dialogue with EU leaders.
- Licensing of Sam Van Leer as Archdeacon of NW Europe, meaning the ambition of having three and a half stipendiary Archdeacons across the Diocese has been realised.
- Re-opening and dedication of the church in Menton following very extensive repair works, along with the opening of a library/community centre.

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ACTIVITIES AND ACHIEVEMENTS (continued)

Events (continued)

Other significant events included (continued):

- Events to mark the 100th anniversary of the Malines conversation, including a keynote paper presented by former Archbishop Rowan Williams.
- Establishment of CityKirche as a new church plant in Vienna.

December saw the completion of the UKNSF project, funded by the Foreign and Commonwealth Office to assist UK Nationals in France in obtaining their residency permits. The Foreign Office Minister congratulated the Diocese on its “adaptability and resilience in moving to an online model of delivery”. Nearly 20,000 people engaged with the project and over 96% of users were satisfied with the response.

Volunteers

The DBF is dependent on the huge number of people involved in chaplaincies. The number of active volunteers (or volunteer hours) given to the mission and ministry of the church is a key indicator of the health of a church. The service provided to a community through church volunteering also has a significant impact on people’s relationship to the church particularly at times of crisis. Within this context, the DBF greatly values the considerable time given by all Committee members and other volunteers across the Diocese in pursuit of the church’s mission.

Measuring in a meaningful way the in-kind value of volunteer time to the operations of the DBF is particularly difficult. It is for this reason that no estimate of the value of this time has been included in the financial statements.

Volunteer recruitment is now carried out in a way that takes account of the new guidelines on safer recruitment and new social media volunteers have been brought in on that basis helping to run the Diocesan Twitter account.

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POST BALANCE SHEET EVENTS

War in Ukraine

Ukraine was invaded by the Russian Army in February 2022. This war in the Diocese had profound effects for the ministry and mission in Kyiv and in Moscow. The refugee crisis spilled initially into Eastern Europe but fairly rapidly across very many jurisdictions served by the Diocese.

Very many of the community in the chaplaincy of Christchurch Kyiv were forced to flee including the church officers. Many members of the congregation at St Andrew's Moscow were told to leave by their employers though an international community remained in the city. The curate had to leave the city.

The first chaplaincies to respond to the refugee crisis were Budapest and Warsaw where shelter and hospitality and cash were the primary needs of refugees. Chaplaincies have responded with practical and spiritual and psychological support. Many other chaplaincies from Bergen in Norway to the South of France have been helping refugees as they move across the continent.

Online vigils for both the Diocese in Europe and the wider church were hosted by the Diocese and included contributions from those most affected. The first service was the biggest online event ever for the Diocese. The attendance of over 12,000 would have filled St Paul's Cathedral more than 3 times over.

The Diocese launched an appeal for aid in Ukraine and for refugees within 4 days of the invasion. The appeal was run in partnership with the United Society Partners in the Gospel who are working with the Diocese on the distribution of grants to ecumenical partners in Ukraine and beyond and to chaplaincies with suitable projects. The appeal was also launched as the Bishop's Lent and Easter Appeal. By the week after Easter over £300,000 had been received.

At the time of presenting this Annual Report it is unclear how severe the economic effects of the war will be either locally in the areas closest to Russia and Ukraine or more broadly across the Diocese. The contribution of the war to increases in fuel costs is already being felt across Europe. Any significant economic downturn that hits chaplaincies in the Diocese threatens their ability to pay Common Fund contributions which can have consequences for the DBF's finances.

There is considerable volatility in capital markets which are affecting the Diocesan and chaplaincy investments. Initially values held up quite well but by the middle of May the value of the investment units that make up much of the unrestricted reserves had fallen back to the levels of May 2021 or a loss of 8% in 2022 alone.

More parochially there is no knowing how long it will be before work in Moscow can grow once again. Money has been allocated from the Mission Opportunities Fund and from donors to revive ministry in Kyiv with a stipendiary Chaplain when the time is right. Chaplaincies continue to step up their activities for refugees some of which are funded by the Bishop's Lent Appeal.

The DBF is mindful that despite chaplaincies being stand-alone legal entities there would be consequences for the Diocese should a chaplaincy be unable to function due to the war.

THE DIOCESE IN EUROPE BOARD OF FINANCE

ANNUAL REPORT

for the year ended 31 December 2021

POST BALANCE SHEET EVENTS (continued)

Cost of Living

Since early 2022, all economies in Europe have been hit by inflation caused by multiple factors, including fuel prices that were already rising prior to the war in Ukraine. Food prices and those of almost all commodities continue to rise. Chaplaincies and hence the Diocese are conscious of the financial squeeze. This will be exacerbated if the economic crisis prevents people travelling on holiday or if returning UK nationals, who swell the congregation in the summer, decide to stay in the UK. Overall rising chaplaincy costs and smaller attendances present a risk to chaplaincies ability to contribute to Diocesan funds as well as a risk to the DBF's ambition and its financial forecasts. The rate of inflation has a significant impact in the decisions about pay with staff and clergy costs being the main driver of all budgets in the Diocese.

THE DIOCESE IN EUROPE BOARD OF FINANCE

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for the year ended 31 December 2021

FUTURE PLANS

After two years dominated by the pandemic, the number one aspiration for chaplaincies is to return to gathering in person for worship and to build community once more. Nothing can be more significant than that. Within that context there is rich potential to learn from the best of what has happened in the pandemic. This may be to welcome those who have previously only engaged with chaplaincy life online or to continue with initiatives that were never thought of before the pandemic.

The Diocese will learn how to function effectively digitally as well as in person and make the best of the efficiency and engagement that is possible with new technology. In practical terms this will mean accelerating progress with the Digital Diocese project including a new website, reinvigorated social media channels and digital networks.

Some specific initiatives for the coming year include:

- Developing a co-ordinated approach to our work with refugees across the Diocese (especially from Ukraine) by adding expertise in partnership with the United Society Partners in the Gospel (“USPG”).
- Appointing a refugee projects officer in Calais in partnership with Canterbury Diocese.
- Building on our achievement of Bronze Eco Status as a Diocese, including carrying out an energy audit of the Bishop’s Office in Brussels and begin to put into practice a new action plan to reach net zero carbon emissions by 2030.
- Exploring church planting opportunities in France along with opportunities for joint working with the French Protestant Church under the auspices of the Reuilly Agreement.
- Exploring possibility of a church plant between Amsterdam and Utrecht.
- Celebration of our ministry in Belgium and its extensive support by the Belgian authorities with the attendance by the King of the Belgians at a Eucharist at Holy Trinity Brussels.
- Planning a conference of Licensed Women Clergy for the Spring of 2023.
- Launching the Diocese’s new theological course for lay people, *Walking Together in Faith*.

The Chair of the Diocesan Board of Finance Mike Fegan has indicated his intention to stand down in 2022 but also his willingness to continue as a Bishop’s Nominee to the Bishop’s Council and a member of the FAPC. The work to recruit a new chair has begun.

The 2022 Diocesan Synod and Bishop’s Council plan to meet in person for the first time since 2019 but plans tabled at the Bishop’s Council suggest that only one or other of these bodies will occur in person each year in future. Other Diocesan committees, the FAPC and the Safeguarding Advisory Committee will continue to meet online which increases attendance and saves time and money.

All the Archdeaconry Synods apart from France and Gibraltar (which meets in January 2023) plan to meet in person in 2022 including, for the first time in many years, a joint meeting of the Deaneries of Germany and Northern Europe.

THE DIOCESE IN EUROPE BOARD OF FINANCE

ANNUAL REPORT

for the year ended 31 December 2021

FINANCIAL REVIEW

Financial performance summary

The overall deficit for the year including all funds, before investment gains, per the Statement of Financial Activities on page 28 was £(228,941) (2020: surplus £149,576). No one off grants or other income were received in the year unlike the grant of £210,000 from the Archbishops' Council in 2020. Investments made total gains in the year of £1,405,735 (2020: £563,830). The DBF's unrestricted investments made gains in the year of £648,190 with a value at the year end of £5,139,648 (2020: £4,491,458).

Income

Total income for the year was £2,155,560 (2020: £2,224,162). This includes unrestricted income of £1,323,543 (2020: £1,603,788) and restricted income of £830,953 (2020: £620,374) received for many activities such as the training of ordinands, the UK National Support fund project and Strategic Ministry Funding for Curates. See note 18 (a) for further details.

The contribution from chaplaincies through the Common Fund was £917,576 (2020: £912,771).

Expenditure

During the year total charitable expenditure was £2,384,501 (2020: £2,074,586), made up largely of direct ministry and mission costs and grants. See Note 8 for further details.

Designated grants of £287,323 (2020: £244,361) were made in the year. See Note 18(a).

Restricted expenditure totalled £778,200 (2020: £480,789.)

Balance sheet

Net assets as at December 31 2021 were £12,903,311 (2020: £11,726,517).

The gain in the total value of investments held was £1,405,735 (2020: £563,830). These include both unrestricted and endowed (see Note 14 and 18a for further details).

As at 31 December 2021 unrestricted funds were £5,135,600 (2020: £4,782,863). Restricted funds were £486,605 (2020: £421,157). Endowment funds (restricted) were £7,281,106 (2020: £6,522,497), which included an investment gain of £757,545 in the year.

Legacies

A small number of chaplaincies benefitted from legacy income in the past year. The promotion of giving by legacy to chaplaincies or to the Diocese, will be a focus for more activity in the future.

Remuneration of key management personnel

The responsibility for setting salaries for all staff, including senior personnel, lies with the FAPC, which is always mindful of prevailing market conditions. DBF staff and Archdeacons did not receive a pay rise in 2021. A winter allowance of £156 was paid to each member of staff earning under £60,000.

THE DIOCESE IN EUROPE BOARD OF FINANCE

ANNUAL REPORT

for the year ended 31 December 2021

FINANCIAL REVIEW (continued)

Grant making policy

The Trustees award grants principally through the FAPC. These are normally to establish new chaplaincies via the Diocesan Development Fund or develop new mission initiatives within a chaplaincy or archdeaconry or in support of agencies or organisations which directly benefit the DBF but which do not charge fees, via the Mission Opportunity Fund.

Investment policy

The policy of the Trustees is to invest in a diversified portfolio of quoted equity and fixed interest securities. They take into account the requirements of the law in relation to the investment of charitable monies, while seeking the best possible returns and having due regard to preservation of capital. Investment decisions also take account of the funds' ethical policies and ensure that these fall within the guidelines approved by Church of England General Synod. The Company invests through common investment funds and does not invest directly in the stock market. For operational reasons, it also has certain very limited interests in property.

The portfolio held is diverse and designed to withstand pressures that may come in various parts of the global economy.

The FAPC meets at least quarterly and is updated on the portfolio's performance. Any need to draw down on investments is approved at these meetings. Representatives of CCLA, who manage the DBF's unrestricted investments and the vast majority of the Endowment Funds, regularly attend FAPC meetings. The Committee has considered the distribution of the investments between the various funds administered by CCLA and resolved not to change the distribution but to review this matter on a regular basis.

Reserves policy

The Trustees consider it important to carry reserves to cover unforeseen eventualities and the possibility of future operating deficits, taking into account the fact that more than half of all funds are endowed for specific purposes. In the case of unrestricted funds, the Trustees seek to maintain general reserves that will support the ongoing mission of the Diocese and allow the Company to operate as a going concern. The Unrestricted General Fund was £4,802,009 (2020: £4,455,051) at the end of the year. The DBF has been accustomed to holding two years' operating costs in reserves and the Trustees resolved to continue that policy at the Bishop's Council in 2021. Within unrestricted reserves, the Trustees also have five designated funds totalling £333,591 (2020: £327,812) at the end of the year. See Note 18(a) for further details. Current accounts with chaplaincies, which are not matched with specific investments, are retained in the DBF's balance sheet as creditors due within one year. These amounted to £1,157,970 at the year end (2020: £1,192,632). See Note 16.

The amount held in reserve is a relatively high proportion of expenditure compared to other dioceses. However the Diocese in Europe has few other assets such as land or buildings and little flexibility in its cost base. Hence these funds are the only sources of finance in the event of significant financial challenges.

THE DIOCESE IN EUROPE BOARD OF FINANCE

ANNUAL REPORT

for the year ended 31 December 2021

FINANCIAL REVIEW (continued)

Other funding which has an influence on the life of the Diocese

All chaplaincies in the Diocese are required to be financially self-sufficient. They are funded largely by electoral rolls members and visitors and in some cases by returns on investments and local commercial activity. Thanks are also given to mission agencies working in the Diocese, including Mission to Seafarers (which funds several port chaplains), and ICS (which retains patronage of 23 churches and supports some seasonal work), and the Allchurches Trust (Benefact) which supports both the DBF and the See Cathedral as well as giving a “Transformational Grant” of £250,000 over three years towards the Digital Diocese project which will see the new website created and launched in 2022/23. Following the pandemic, attention is being given to online giving and moving away from the reliance on giving in person. This will be assisted with the appointment of a Giving Adviser to work with chaplaincies.

Going concern

In light of the financial impact of Covid-19, the financial position and forecasts have been reviewed, taking into account the levels of investment reserves and cash. As a result of this review, the Trustees believe that the Diocese will be able to manage operational and financial risks successfully.

As explained in the Investment Policy above, the portfolio is very diverse and is designed to withstand adverse market conditions, such as those currently being experienced. The DBF will seek to avoid selling investments at low points in market valuations.

In January 2021, a ten-year loan of £500,000 was obtained from CCLA, the DBF’s investment managers, on favourable terms. £50,000 was repaid in the year. See Note 17 for further details.

It continues to be the Trustees’ policy to invest surplus funds in fixed asset investments for the long-term so that the best returns are achieved. The Trustees are confident that the DBF can access these resources at short notice should the need arise to satisfy current liabilities.

Accordingly, the Trustees have a reasonable expectation that there are adequate resources to continue in operational existence for the foreseeable future. As a consequence, they continue to support the going concern basis of accounting in preparing the annual accounts.

THE DIOCESE IN EUROPE BOARD OF FINANCE

ANNUAL REPORT

for the year ended 31 December 2021

PRINCIPAL RISKS

The Trustees are responsible for maintaining a sound system of financial control to safeguard the Company's assets. The FAPC identifies the major risks to which the Company is exposed, and such systems and procedures as are practicable are in place to mitigate those risks. A formal risk assessment review is conducted annually at the Winter meeting of FAPC, which monitors the risks and the effectiveness of the system of internal control operated by the Company.

The most significant risks are as follows:

Safeguarding failure

A big case could have a significant reputational or financial impact. This is mitigated by a strongly led Safeguarding Advisory Committee, the engagement of professional safeguarding staff, Diocesan safeguarding policy and training and the DBF's insurance.

Investment underperformance

Poor investment performance could have an adverse effect on the ability of the DBF to meet its financial commitments. However, to reduce the chance of this, funds are invested with an established and reputable fund manager. Funds are widely spread, and performance is monitored. £500,000 worth of units were liquidated on the advice of the FAPC at the end of 2020.

Chaplaincy finances

Chaplaincies face a range of issues which in some cases make payment of Common Fund very challenging. This is mitigated by prudent financial planning and encouragement of appropriate stewardship and giving. Communication with chaplaincies about the Diocesan finances has increased in recent years and there is some evidence that greater understanding has assisted in chaplaincies being more prepared to contribute.

Global pandemic

The effects of a significant disaster were covered by the risk register when it was last reviewed though a global pandemic was not specified. The widespread impact of the virus may continue for 2-5 years with an impact on chaplaincy and hence Diocesan income. This might be partially mitigated by improved stewardship by chaplaincies and improved cost control at all levels within the Diocese as well as some changes in the pattern and deployment of ministry in chaplaincies.

Hazards

Fire, flood and computer failure. The Diocese has insurance in place with a reputable insurer to cover these risks. The Diocese is also a tenant of Church House in Westminster and uses services provided by Church House. It can therefore rely on disaster recovery and computer back-up routines employed by the National Church Institutions.

Funds held as custodian Trustee

The DBF holds investments and cash on behalf of chaplaincy councils. Care is taken to ensure the funds are managed correctly and that sufficient liquidity is maintained to ensure any demands for repayment can be met. This matter was reviewed by the FAPC in 2020. See note 21 for further details

THE DIOCESE IN EUROPE BOARD OF FINANCE

ANNUAL REPORT

for the year ended 31 December 2021

STRUCTURE AND GOVERNANCE

The Diocese in Europe is a Diocese of the Church of England in the Province of Canterbury. The legal framework for the Diocese is the 'Diocese in Europe Measure 1980' and the Constitution of the Diocese 1995. While The Diocese in Europe Board of Finance is autonomous for most practical purposes, decisions may be influenced by those taken by the Church of England.

The DBF is a Company which is limited by guarantee and which does not have share capital. It is incorporated in England and Wales with the registration number: 106580.

Directors and Trustees

Under the Memorandum and Articles of Association, members of the Bishop's Council are designated as Directors for the purposes of the Companies Act 2006 and are Trustees under charity law. The members of the Diocesan Synod are the members of the Company.

The members of the board may derive no benefit, income or capital interest from the Company's affairs from their position, other than the reimbursement of out-of-pocket expenses. In the event of the Company being wound up, each member, who is a member at that time, has undertaken to contribute £1 to the Company. The FAPC agreed to the management contracting the current Chair of the DBF to offer some financial consultancy during the year outside of his trustee duties.

Constitution

The constitution of the DBF is set out in its memorandum and articles of association. Episcopally led, the DBF's activities are directed by the Diocesan Synod and Bishop's Council which also meets as the Board of the DBF and as the Trustees of the charity (together "The Trustees").

Organisation and decision-making structure

Members of Diocesan Synod are also members of the Company and the charity. They set priorities and the overall financial strategy for the DBF in its prime imperative to participate in God's mission by and to Anglicans across the area covered by the Diocese in Europe.

The Trustees meet once a year at Bishop's Council to approve the budget for the following year; to consider strategic financial matters and monitor the implementation of financial policies. Members of the Company meet annually during Diocesan Synod to consider and approve the annual report and forecasts.

The FAPC meets at least four times a year to review the DBF's overall activities against budget, consider investment policy and performance, and approve requests for grants. It also reviews the budgets prior to their presentation to Bishop's Council and the Annual Report prior to its presentation to the DBF members at the Diocesan Synod. Membership of the Committee is a balance of ex-officio appointments and members elected by the Trustees every three years. It is proposed to co-opt a personnel expert following a review of the skills available to the Committee.

THE DIOCESE IN EUROPE BOARD OF FINANCE

ANNUAL REPORT

for the year ended 31 December 2021

STRUCTURE AND GOVERNANCE (continued)

Appointment and induction of Trustees

At the start of each new triennium new Trustees and members participate in an induction process and receive information about roles and responsibilities.

Other organisations with which the Board co-operates in achieving its objectives

The Company's activities involve regular and routine financial transactions with chaplaincy councils in the Diocese as well as the central Church authorities, though none of these bodies are a connected charity as defined by charity law. In addition, there are links (in respect of finance and activities) with various related agencies, together with Diocesan-wide voluntary and statutory organisations.

Decision making and delegation policy

Diocesan Synod sets and approves strategy and policies. The Board sets the annual budget and makes decisions on the financial policy for the Diocese. The day-to-day management and implementation of agreed strategies and policies is undertaken by senior staff.

Funds held as Custodian Trustee on behalf of others

The Board holds investments and cash as custodian trustee on behalf of its chaplaincy councils and trusts. Where amounts owed to chaplaincies and trusts are matched by specific investment and cash balances these are excluded from the DBF's balance sheet and are recorded in Note 21.

Public benefit

The Trustees are aware of the Charity Commission's guidance on public benefit "The Advancement of Religion for the Public Benefit" and have regard to that guidance in their administration of the charity. The DBF believes that this report provides evidence of the public benefit of the charity's work in 2021.

As described more fully throughout the report, the DBF provides funds to support the work of Anglican Chaplaincies in Europe, part of North Africa and Russia. The vast majority of churches are available to the public at large and none is restricted to members of the Church of England.

Trustees' indemnity

The DBF provides insurance to Trustees against liability in respect of actions brought by third parties, subject to the conditions set out in the Companies Act 2006. Such qualifying third-party indemnity insurance remains in force as of the date of approving the Trustees' Annual Report.

THE DIOCESE IN EUROPE BOARD OF FINANCE

ANNUAL REPORT

for the year ended 31 December 2021

STATEMENT OF TRUSTEES' RESPONSIBILITIES

The Trustees (who are also the directors of the charitable company for the purpose of Company law) are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires Trustees to prepare financial statements for each financial year. Under that law the Trustees have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (UK Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the DBF and of the surplus or deficit of the DBF for that period.

In preparing these financial statements the Trustees are required to:

- Select suitable accounting policies and apply them consistently.
- Observe methods and principles in the Charities SORP.
- Make judgements and estimates that are reasonable and prudent.
- State whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements.
- Prepare the financial statements on a going concern basis unless it is inappropriate to assume that the Company will continue in operation.

The Trustees are also responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the DBF 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 DBF and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

This report has been prepared in accordance with the special provisions relating to small companies within Part 15 of the Companies Act 2006.

Statement of disclosure to the Auditor

As far as the Trustees are aware, there is no relevant audit information of which the charitable Company's auditor is unaware. The Trustees have taken all steps that they ought to have taken as Trustees in order to make themselves aware of any relevant audit information and to establish that the charitable Company's auditor is aware of that information.

Appointment of Auditor

A resolution to reappoint Haysmacintyre LLP as auditor to the Company will be proposed at the Annual General Meeting.

On behalf of the Board of Trustees on 8 June 2022

M Fegan – Chair

THE DIOCESE IN EUROPE BOARD OF FINANCE

ANNUAL REPORT

for the year ended 31 December 2021

ADMINISTRATIVE DETAILS

Trustees

No trustee had any beneficial interest in the Company during the year. The following served as Directors and Trustees throughout the year, except where stated. Triennial Elections to Diocesan Synod were held in the Summer of 2021 which is the point where some members retire from office.

Ex officio

Mr. M Fegan (Chair)

The Right Rev'd Dr. R Innes – Bishop of Gibraltar in Europe

The Right Rev'd Dr. D Hamid – Suffragan Bishop

The Venerable P Hooper – Archdeacon of France – licensed 28 November 2021

The Rev'd T Makipää (Chair, House of Clergy)

Mr. D Coulston (Chair, House of Laity)

The Venerable L Nathaniel – Archdeacon of the East, Germany & Northern Europe

The Venerable S Van Leer – Archdeacon of North West Europe – Confirmed in post 12 June 2021

The Venerable D Waller – Archdeacon of Gibraltar and Archdeacon of Italy and Malta

Elected - House of Laity

Ms S. Boyd (Term of office ended 31 October 2021)

Mr. D Bean (Term of office ended 31 October 2021)

Mrs. J Berry (Term of office ended 31 October 2021)

Mrs. M Kopetzky (Term of office ended 31 October 2021)

Ms. M Talbot (Term of office ended 31 October 2021)

Mr. P Tillbrook (Term of office ended 31 October 2021)

Mr S Urquhart (Term of office ended 31 October 2021)

Elected– House of Clergy

The Rev'd Canon A Dickinson (Term of office ended 31 October 2021)

The Rev'd Canon D Flach (Term of office ended 31 October 2021)

The Rev'd Dr. F Hegedus (Term of office ended 31 October 2021)

The Rev'd A Lowen (Term of office ended 31 October 2021)

The Rev'd R Seabrook (Term of office ended 31 October 2021)

The Rev'd A Strange (Term of office ended April 2021)

Nominated by the Bishop of Gibraltar in Europe

The Rev'd Canon S Godfrey (Term of office ended 31 October 2021)

The Rev'd P Jackson

The Rev'd S Prasadam

Mr. D White

THE DIOCESE IN EUROPE BOARD OF FINANCE

ANNUAL REPORT

for the year ended 31 December 2021

ADMINISTRATIVE DETAILS (continued)

Finance, Audit and Personnel Committee (“FAPC”)

The following served on the FAPC throughout the year and to date, except where otherwise stated:

Mr. M Fegan (Chair)

The Rt Rev’d Dr. R Innes – Bishop of Gibraltar in Europe

The Rt Rev’d Dr. D Hamid – Suffragan Bishop

Mr. D Bean – Elected House of Laity

The Rev’d Canon Dr. P Hooper – Archdeacon of France - appointed 14 February 2021 and licensed 28 November 2021

The Rev’d P Jackson – Elected House of Clergy

Ms. H Thomas – Committee nominee

The Rev’d R Williams - Committee nominee

Senior staff and principal advisers

A Caspari – Chief Operating Officer (Diocesan Secretary) / Company Secretary

Registered office

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Barclays Bank plc

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London W1D 3QR

National Westminster Bank plc

PO Box 34, 15 Bishopsgate

London EC2N 3NW

Independent Auditor

Haysmacintyre LLP

10 Queen Street Place

London EC4R 1AG

Investment manager

CCLA Investment Management Ltd

Senator House

85 Queen Victoria Street

London EC4V 4ET

Legal registrar

Aiden Hargreaves-Smith

Partner, Winckworth Sherwood

Minerva House

5 Montague Close

London SE1 9BB

THE DIOCESE IN EUROPE BOARD OF FINANCE

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE DIOCESE IN EUROPE BOARD OF FINANCE

for the year ended 31 December 2021

Opinion

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

In our opinion the financial statements:

- give a true and fair view of the state of the charitable company's affairs as at 31 December 2021 and of the charitable company's net movement in funds for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

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

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

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

THE DIOCESE IN EUROPE BOARD OF FINANCE

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE DIOCESE IN EUROPE BOARD OF FINANCE

for the year ended 31 December 2021

Other information

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If 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 Report of the Trustees for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Report of the Trustees 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 charitable company and its environment obtained in the course of the audit, we have not identified material misstatements in the Trustees' Annual Report.

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

- adequate accounting records have not been kept by the charitable company, or returns adequate for our audit have not been received from branches not visited by us; or
- the charitable company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Trustees' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the Trustees were not entitled to take advantage of the small companies' exemptions in preparing the Trustees' report and from the requirement to prepare a strategic report.

THE DIOCESE IN EUROPE BOARD OF FINANCE

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE DIOCESE IN EUROPE BOARD OF FINANCE

for the year ended 31 December 2021

Responsibilities of Trustees for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

THE DIOCESE IN EUROPE BOARD OF FINANCE

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE DIOCESE IN EUROPE BOARD OF FINANCE

for the year ended 31 December 2021

We evaluated management's incentives and opportunities for fraudulent manipulation of the Financial Statements (including the risk of override of controls), and determined that the principal risks were related to the posting of inappropriate journal entries and management bias in accounting estimates and judgements. Audit procedures performed by the engagement team included:

- Reviewing minutes of trustee and committee meetings for evidence of non-compliance with laws and regulations and fraud;
- Discussions with management including consideration of known or suspected instances of non-compliance with laws and regulation and fraud;
- Evaluating management's controls designed to prevent and detect irregularities;
- Identifying and testing journals, in particular journal entries posted that significantly impact on the result for the year, posting in areas subject to significant judgements or estimates, postings in accounts that are considered higher risk; and
- Challenging assumptions and judgements made by management in their critical accounting estimates.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

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

Use of our report

This report is made solely to the charitable company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the charitable company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charitable company and charitable company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Adam Halsey (Senior Statutory Auditor)
for and on behalf of Haysmacintyre LLP, Statutory Auditor

10 Queen Street Place
London
EC4R 1AG

Date:.....

THE DIOCESE IN EUROPE BOARD OF FINANCE

STATEMENT OF FINANCIAL ACTIVITIES

for the year ended 31 December 2021

	Note	Unrestricted funds £	Restricted funds £	Endowment funds £	Total funds 2021 £	Total funds 2020 £
Income and endowments from:						
Donations and legacies						
- Common Fund		917,576	-	-	917,576	912,771
- Archbishops' Council grant	3	172,836	-	-	172,836	167,072
- Archbishops' Council sustainability grant	3	-	-	-	-	210,000
- Other donations	4	50,637	424,357	-	474,994	497,342
Charitable activities	5	-	255,467	-	255,467	93,867
Investments	6	172,272	151,129	1,064	324,465	339,636
Other	7	10,222	-	-	10,222	3,474
Total income		1,323,543	830,953	1,064	2,155,560	2,224,162
Expenditure on:						
Charitable activities	8 / 9	(1,606,301)	(778,200)	-	(2,384,501)	(2,074,586)
Net (deficit) / surplus before gain on investments		(282,758)	52,753	1,064	(228,941)	149,576
Net gain on fixed asset investments	14	648,190	-	757,545	1,405,735	563,830
Net income in year		365,432	52,753	758,609	1,176,794	713,406
Transfers between funds		(12,695)	12,695	-	-	-
Net movement in funds		352,737	65,448	758,609	1,176,794	713,406
Total funds brought forward		4,782,863	421,157	6,522,497	11,726,517	11,013,111
Total funds carried forward	18	5,135,600	486,605	7,281,106	12,903,311	11,726,517

All activities derive from continuing activities. The Notes on pages 35 to 57 form part of these financial statements.

THE DIOCESE IN EUROPE BOARD OF FINANCE

INCOME AND EXPENDITURE ACCOUNT

for the year ended 31 December 2021

		2021	2020
	Note	£	£
Total income	8	2,154,496	2,224,162
Total expenditure		(2,384,501)	(2,074,586)
Operating (deficit) / surplus		(230,005)	149,576
Net gain on investments	14	648,190	268,820
Total comprehensive income		418,185	418,396

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

THE DIOCESE IN EUROPE BOARD OF FINANCE

BALANCE SHEET

as at 31 December 2021

	Note	2021		2020	
		£	£	£	£
Fixed Assets					
Tangible fixed assets	13		543,999		551,880
Investments	14		<u>12,259,648</u>		<u>10,853,913</u>
			12,803,647		11,405,793
Debtors	15	463,364		617,099	
Short term deposits and cash at bank		<u>1,578,211</u>		<u>1,287,581</u>	
		2,041,575		1,904,680	
Creditors: amounts falling due within one year	16	<u>(1,490,973)</u>		<u>(1,580,260)</u>	
Net current assets			<u>550,602</u>		<u>324,420</u>
Total assets less current liabilities			13,354,249		11,730,213
Creditors: amounts falling due after one year	17		<u>(450,938)</u>		<u>(3,696)</u>
Net Assets			<u>12,903,311</u>		<u>11,726,517</u>
Funds					
Unrestricted Funds					
- General		4,802,009		4,455,051	
- Designated Funds		<u>333,591</u>		<u>327,812</u>	
	18		5,135,600		4,782,863
Restricted Funds	18		486,605		421,157
Endowment Funds	18		7,281,106		6,522,497
			<u>12,903,311</u>		<u>11,726,517</u>

The notes on pages 35 to 57 form part of these financial statements.

The financial statements were approved by the Board of Trustees, and authorised for issue on 8 June 2022.

The financial statements are signed on behalf of the Board of Trustees by:

Mike Fegan
Chair

Company reg. number: 106580

THE DIOCESE IN EUROPE BOARD OF FINANCE

CASH FLOW STATEMENT

for the year ended 31 December 2021

	2021		2020	
	£	£	£	£
Cash flows from operating activities				
Net cash (outflow) / inflow from operating activities		(481,221)		165,776
Cash flows from investing activities				
Interest and dividends received	324,465		339,636	
Proceeds from the sale of:				
Investments	-		500,000	
Purchase of:				
Tangible fixed assets	(2,614)		(3,834)	
Reclassification of current asset debtor as social investment	-		(200,000)	
Net cash provided by investing activities		321,851		635,802
Cash flows from financing activities				
Cash inflow from new borrowing	500,000		-	
Repayment of borrowing	(50,000)		-	
Net cash provided by financing activities		450,000		-
Change in cash and cash equivalents in the year		290,630		801,578
Cash and cash equivalents at 1 January		1,287,581		486,003
Cash and cash equivalents at 31 December		1,578,211		1,287,581

THE DIOCESE IN EUROPE BOARD OF FINANCE

NOTES TO THE CASH FLOW STATEMENT

for the year ended 31 December 2021

	2021	2020
	£	£
Reconciliation of net income to net cash flow from operating activities		
Net income before investment gains for the year	1,176,794	713,406
Adjustments for:		
Depreciation	10,495	12,641
(Gain) on investments	(1,405,735)	(563,830)
Investment income	(324,465)	(339,636)
Decrease / (increase) in debtors	153,735	137,935
Increase /(decrease) in creditors	(92,045)	205,260
Net cash (outflow) / inflow from operating activities	(481,221)	165,776

	2021	2020
	£	£
Analysis of cash and cash equivalents		
Short term deposits and cash at bank	1,578,211	1,287,581

	At 1 Jan 21	Cash flows	At 31 Dec 21
	£	£	£
Analysis of changes in net debt			
Short term deposits and cash at bank	1,287,581	290,630	1,578,211
Loans falling due after more than one year	-	(450,000)	(450,000)
	1,287,581	(159,370)	1,128,211

THE DIOCESE IN EUROPE BOARD OF FINANCE

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2021

1. Accounting Policies

a) General information

The DBF is a charitable Company limited by guarantee incorporated in England and Wales and registered with the Charity Commission.

b) Accounting convention and basis of preparation

The financial statements have been prepared under the historical cost convention, with the exception of fixed and current asset investments, which are included at their market value at the balance sheet date. The financial statements have been prepared in accordance with the Statement of Recommended Practice for Charities (SORP FRS 102), second edition effective 1 January 2019, the Companies Act 2006, and applicable accounting standards (FRS102). The DBF meets the definition of a public benefit entity under FRS102.

c) Going concern

The Trustees consider that there are no material uncertainties regarding the DBF's ability to continue as a going concern (see page 19 for further details).

d) Income

All incoming resources are included in the Statement of Financial Activities ("SOFA") when the Board is legally entitled to them as income or capital respectively, when ultimate receipt is reasonably certain and the amount to be recognised can be quantified with reasonable accuracy.

The principal source of income of the DBF is Common Fund donations. These monies are recognised in the SOFA in the period for which they are receivable. Monies received after the new Common Fund request is made are included in the current year on an entitlement basis.

Grants received which are subject to pre-conditions for entitlement or where use is specified by the donor are included in creditors where these pre-conditions have not been met at the balance sheet date.

Legacies, contributions and other donations are accounted for when conditions for their receipt have been met.

Investment income is recognised when receivable.

e) Expenditure

Expenditure is accounted for on an accruals basis and has been aggregated under the relevant SOFA category. Expenditure includes irrecoverable VAT.

Charitable expenditure consists of expenditure on resourcing ministry and mission in the chaplaincies of the Diocese.

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

THE DIOCESE IN EUROPE BOARD OF FINANCE

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2021

1 Accounting Policies (continued)

e) Expenditure (continued)

Support costs consist of central management, administration and governance costs. Administrative support associated with making grants is insignificant and all costs are allocated to resourcing ministry and mission charitable expenditure.

f) Tangible fixed assets

Assets in excess of £300 are capitalised as tangible fixed assets and are stated at cost less depreciation. Depreciation is provided on all tangible fixed assets other than freehold land, at rates calculated to write off the cost of each asset on a straight-line basis over its expected useful life, as follows:

Freehold buildings	100 years
Leasehold property	Over the term of lease
Leasehold improvements	Over the term of lease
Equipment	5 years

Properties included in fixed assets only include those properties acquired after 1974. The details of properties owned by the DBF prior to 1974 are recorded in a property register, but the historic cost is not known and therefore not included in the balance sheet. None of these are "Heritage Assets".

g) Investments

Investments are included in the balance sheet at market value with the gain or loss taken to the SOFA.

h) Social investments

Social investments are at cost less any necessary impairment. They are not amortised.

i) Leases

The DBF is only party to operating leases and has no finance leases. The rental on these operating leases is charged in full as expenditure in the year to which it relates. Where rent free periods are given as part of an operating lease, the impact of this rent free period is included in the SOFA over the lease term.

j) Foreign exchange

Transactions in foreign currencies are translated at the rate ruling on the date of the transaction. Foreign currency balances are translated at the balance sheet date and any differences are included in the SOFA.

THE DIOCESE IN EUROPE BOARD OF FINANCE

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2021

1 Accounting Policies (continued)

k) Chaplaincy accounts

Where the Diocese invests money on behalf of individual chaplaincies, these assets and the associated liability to the chaplaincy are not included in the balance sheet. However, where the Diocese operates a "current account" with a chaplaincy, and the amount owed to a chaplaincy is not covered with specific assets in the chaplaincy name, these liabilities to the chaplaincies are recorded in creditors. If these obligations to chaplaincies were required to be settled, they would be settled out of the general unrestricted assets of the Diocese.

l) Pensions

The accounting treatment for the pension schemes in which the DBF participates is described in Note 24.

m) Financial instruments – assets and liabilities

Debtors: Debtors are recognised at the settlement amount due.

Cash and cash equivalent: Cash at bank and cash in hand, held in short term highly liquid investments with a short maturity of three months or less from the date of acquisition or opening of the deposit or similar account.

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

n) Fund balances

Unrestricted Funds

The DBF's corporate funds are freely available for any purpose within the Company's objects, at the discretion of the DBF. There are two types of unrestricted funds:

General Funds which the Diocese intends to use for the general purposes of the Diocese.

Designated Funds which are allocated to a specific purpose but which are, nonetheless, unrestricted.

Restricted Funds

Income funds subject to conditions imposed by the donor as specific terms of trust, or else by legal measure.

Endowment Funds

Funds held on trust to be retained for the benefit of the donor charity as a capital fund. In the case of endowment funds administered by the DBF, there is no provision for expenditure of capital and all are classed as permanent endowments. A management charge of 5% of income is applied to all funds to cover accountancy and administration costs.

THE DIOCESE IN EUROPE BOARD OF FINANCE

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2021

2 Critical accounting judgements and estimates

In preparing these financial statements, management has made judgements, estimates and assumptions that affect the application of the DBF's accounting policies and the reported assets, liabilities, income and expenditure and the disclosures made in the financial statements. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Key area subject to judgement and estimation:

Recognition of defined benefit pension scheme creditor

The DBF is different to many other English Diocesan boards of finance in that the clergy for overseas churches are legal employees of those local churches in order to comply with the different legal and tax frameworks in place across the wide geographical area in which the DBF operates. Consistent with this practice the relevant stipendiary and pension expenses for overseas clergy are recognised in the financial statements of the local churches and not in the financial statements of the DBF.

FRS102 requires an entity that has entered into an agreement to reduce the historic deficit on a multi-employer pension scheme, to recognise the liability in accordance with FRS102 section 28.13 and 28.13A. The DBF has a payment plan with the Church of England's Pensions Board to make additional contributions to the clergy pension scheme to fund the estimated deficit under the recovery plan until 31 December 2022.

The Trustees consider that, while the DBF is the legal member of the scheme responsible for making contributions to the Church of England pension scheme, the substance of the arrangements in place is that the DBF only acts as a conduit for pension contributions for overseas clergy and therefore the liability lies with those overseas churches. On this basis, the Trustees consider it appropriate to recognise the deficit only for those members of the clergy that the DBF is directly responsible for. At the balance sheet date this was four individuals.

The DBF has estimated the liability to be recognised in its financial statements by pro-rating the calculations provided by the Church of England pension scheme actuaries for the current year. This has resulted in the recognition of a liability at the balance sheet date of £938 (2020: £3,696). If the full liability to make deficit repayments was to be recognised in these accounts, the liability at the balance sheet date would be £66,000 (2020: £168,000). A full explanation of the DBF's pension arrangements and the presentation in the financial statements is included in Note 24.

THE DIOCESE IN EUROPE BOARD OF FINANCE

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2021

3 Archbishops' Council income

	Unrestricted funds 2021 £	Designated funds 2021 £	Restricted funds 2021 £	Endowment funds 2021 £	Total funds 2021 £
Lower income communities funds	172,836	-	-	-	172,836
	2020 £	2020 £	2020 £	2020 £	2020 £
Lower income communities funds	167,072	-	-	-	167,072
Sustainability grant	210,000	-	-	-	210,000
	377,072	-	-	-	377,072

In 2019 a further three year award was approved by the Church Commissioners, £172,836 was received in the year (2020: £167,072). Following the impact of Covid-19 on the Diocese, the Church Commissioners created the one off opportunity to apply for a Sustainability Grant. £210,000 was awarded in 2020. No application was made in 2021.

4 Other donations income

	Unrestricted funds 2021 £	Designated funds 2021 £	Restricted funds 2021 £	Endowment funds 2021 £	Total funds 2021 £
Ordination candidates donations	-	16,784	-	-	16,784
Other donations	17,536	16,317	-	-	33,853
Ministry division RME Ordinands' grant	-	-	210,798	-	210,798
Digital Diocese (Allchurches grant)	-	-	-	-	-
Strategic ministry fund	-	-	159,071	-	159,071
Ministry Experience Scheme	-	-	54,488	-	54,488
	17,536	33,101	424,357	-	474,994
	2020 £	2020 £	2020 £	2020 £	2020 £
Ordination candidates donations	-	18,394	-	-	18,394
Other donations	33,414	68,654	-	-	102,068
Ministry division RME Ordinands' grant	-	-	230,480	-	230,480
Digital Diocese (Allchurches grant)	-	-	110,000	-	110,000
Strategic ministry fund	-	-	36,400	-	36,400
	33,414	87,048	376,880	-	497,342

THE DIOCESE IN EUROPE BOARD OF FINANCE

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2021

5 Charitable activities

	Unrestricted funds 2021 £	Designated funds 2021 £	Restricted funds 2021 £	Endowment funds 2021 £	Total funds 2021 £
UKNSF (FCDO) grant	-	-	255,467	-	255,467
	2020 £	2020 £	2020 £	2020 £	2020 £
UKNSF (FCDO) grant	-	-	93,867	-	93,867

6 Investment Income

	Unrestricted funds 2021 £	Designated funds 2021 £	Restricted funds 2021 £	Endowment funds 2021 £	Total funds 2021 £
Income from listed investments	163,847	-	151,129	1,064	316,040
Interest receivable	8,425	-	-	-	8,425
	172,272	-	151,129	1,064	324,465
	2020 £	2020 £	2020 £	2020 £	2020 £
Income from listed investments	173,798	-	149,627	-	323,425
Interest receivable	16,211	-	-	-	16,211
	190,009	-	149,627	-	339,636

7 Other Income

	Unrestricted funds 2021 £	Designated funds 2021 £	Restricted funds 2021 £	Endowment funds 2021 £	Total funds 2021 £
Sundry income	10,222	-	-	-	10,222
	2020 £	2020 £	2020 £	2020 £	2020 £
Sundry income	3,474	-	-	-	3,474

THE DIOCESE IN EUROPE BOARD OF FINANCE

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2021

8 Expenditure on Charitable Activities

	Unrestricted funds 2021 £	Designated funds 2021 £	Restricted funds 2021 £	Endowment funds 2021 £	Total funds 2021 £
Ministry and mission costs	718,564	100,280	393,252	-	1,212,096
Housing costs	13,896	-	-	-	13,896
Grants	-	53,381	129,618	-	182,999
Charitable activities	-	133,661	248,986	-	382,647
Allocated support costs	586,519	-	6,344	-	592,863
	1,318,979	287,322	778,200	-	2,384,501
	2020 £	2020 £	2020 £	2020 £	2020 £
Ministry and mission costs	697,803	22,945	237,224	-	957,972
Housing costs	8,718	-	-	-	8,718
Grants	11,287	32,748	145,129	-	189,164
Charitable activities	-	188,668	93,867	-	282,535
Allocated support costs	631,628	-	4,569	-	636,197
	1,349,436	244,361	480,789	-	2,074,586

9 Analysis of expenditure including allocation of support costs

	Activities undertaken directly 2021 £	Grant funding of activities 2021 £	Charitable activities 2021 £	Support Costs 2021 £	Total funds 2021 £
<u>Charitable Activities</u>					
Ministry and mission costs	1,212,096	-	129,618	592,862	1,934,576
Housing	13,896	-	-	-	13,896
Grants	-	382,647	53,381	-	436,029
	1,225,992	382,647	182,999	592,862	2,384,501
	2020 £	2020 £	2020 £	2020 £	2020 £
<u>Charitable Activities</u>					
Ministry and mission costs	957,972	-	93,867	636,197	1,688,036
Housing	8,718	-	-	-	8,718
Grants	-	377,832	-	-	377,832
	966,690	377,832	93,867	636,197	2,074,586

THE DIOCESE IN EUROPE BOARD OF FINANCE

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2021

10 Analysis of support costs

	Unrestricted funds 2021 £	Designated funds 2021 £	Restricted funds 2021 £	Total funds 2021 £
Central staff costs	350,734	-	-	350,734
Central office and premises	62,942	-	-	62,942
Depreciation	10,495	-	-	10,495
Legal and professional fees	84,361	-	-	84,361
Trust management costs	-	-	6,344	6,344
Other support costs	48,264	-	-	48,264
Governance				
Auditors fee:				
- Current year statutory audit	19,800	-	-	19,800
- Non audit fee payroll services	4,000	-	-	4,000
Synod and Bishop's Council	5,923	-	-	5,923
	586,519	-	6,344	592,862
	2020	2020	2020	2020
	£	£	£	£
Central staff costs	359,279	-	-	359,279
Central office and premises	79,923	-	-	79,923
Depreciation	12,641	-	-	12,641
Legal and professional fees	77,091	-	-	77,091
Trust management costs	-	-	4,569	4,569
Other support costs	78,820	-	-	78,820
Governance				
Auditors fee:				
- Current year statutory audit	14,760	-	-	14,760
- Prior year statutory audit	1,200	-	-	1,200
- Non audit fee payroll services	2,064	-	-	2,064
Synod and Bishop's Council	5,851	-	-	5,851
	631,628	-	4,569	636,197

THE DIOCESE IN EUROPE BOARD OF FINANCE

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2021

11 Staff costs

	2021	2020
	£	£
Salaries	439,950	477,764
Social security costs	40,976	38,638
Other pension costs	49,292	46,968
Redundancy	-	3,125
	<u>530,218</u>	<u>566,495</u>

	2021	2020
Average number included in staff costs above during the year:	<u>10.7</u>	<u>11.3</u>
Average number of Full Time Equivalents in the year:	<u>9.0</u>	<u>10.0</u>

The number of staff whose emoluments (including benefits in kind but excluding pension contributions) amounted to more than £60,000 were as follows:

	2021 Number	2020 Number
£60,001 - £70,000	1	1
£80,001 - £90,000	<u>1</u>	<u>1</u>

Remuneration of Key Management Personnel

Key management personnel are deemed to be those having authority and responsibility, delegated to them by the Trustees, for planning, directing and controlling activities of the Diocese. The remuneration totalled £91,132 (2020: £91,132).

The Diocesan and Suffragan Bishops are stipended office holders in the Diocese, however unlike other stipended office holders, the Diocese is not asked directly to reimburse the Bishops' costs. Instead these are met by the Church Commissioners and thus the costs not included in these accounts. The three full time and one part time Archdeacon are paid a stipend and these costs are included in the Charitable Activities Note 8, under Ministry and Mission costs and not included in this Staff costs note. The comparatives have been restated to remove the costs of the Archdeacons and contractors working for the DBF as they are not employees.

Trustees reimbursed expenses and remuneration

All trustees usually attend a minimum two meetings a year, in June and October and receive reimbursement for travel and accommodation costs. However due to the pandemic inter alia the Diocesan Synod, Bishop's Council and Finance and Personnel and Audit Committee meetings were not held in person but on line with the result no costs were incurred. In 2020 six trustees were reimbursed expenses totalling £2,874.

No trustee was paid any remuneration from the DBF as a result of their position.

THE DIOCESE IN EUROPE BOARD OF FINANCE

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2021

12 Analysis of transfers between funds

	Unrestricted Funds		Restricted funds
	General funds	Designated funds	
	2021 £	2021 £	
Transfer from unrestricted to designated funds:			
- Grants	(10,000)	10,000	
- Hardship Fund	(150,000)	150,000	
- Safeguarding Past Case review 2	(100,000)	100,000	
Transfer from unrestricted to restricted funds:			
- Digital Diocese	(12,695)	-	12,695
	(272,695)	260,000	12,695

	Unrestricted Funds		Restricted funds
	General funds	Designated funds	
	2020 £	2020 £	
Transfer from unrestricted to designated funds:			
- Ordination Candidates Fund	(11,243)	11,243	-
- Hardship Fund	(200,000)	200,000	-
- Safeguarding Past Case review 2	(25,000)	25,000	-
	(236,243)	236,243	-

13 Tangible Fixed Assets

	Freehold £	Leasehold £	Equipment £	Total £
Cost				
Brought forward 1 January 2021	685,012	53,390	40,322	778,724
Additions	-	-	2,614	2,614
Disposals	-	-	(749)	(749)
Carry forward 31 December 2021	685,012	53,390	42,187	780,589
Depreciation				
Brought forward 1 January 2021	142,120	53,390	31,334	226,844
Depreciation charge for the year	6,850	-	3,645	10,495
Written back on disposal	-	-	(749)	(749)
Carry forward 31 December 2021	148,970	53,390	34,230	236,590
Net book value				
At 31 December 2021	536,042	-	7,957	543,999
At 1 January 2021	542,892	-	8,988	551,880

THE DIOCESE IN EUROPE BOARD OF FINANCE

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2021

14 Investments

	Listed investments		Social investments	Total
	Unrestricted	Restricted	Unrestricted	
	£	£	£	£
Brought forward 1 January 2020	4,491,458	6,162,455	200,000	10,853,913
Net gain on investments	648,190	757,545	-	1,405,735
Carry forward 31 December 2021	5,139,648	6,920,000	200,000	12,259,648

The majority of the listed investments are held in collective investment funds managed by CCLA.

The historic cost of these investments at 31st December 2021 was £6,475,031 (2020: £6,767,767).

15 Debtors

	2021	2020
	£	£
Amounts due from chaplaincies	125,000	125,000
Prepayments and accrued income	71,630	209,875
Other debtors	266,734	282,224
	463,364	617,099

16 Creditors: falling due within 1 year

	2021	2020
	£	£
Amounts owed to chaplaincies	1,157,970	1,192,632
Other creditors	73,945	105,217
Accruals and deferred income	259,058	282,411
	1,490,973	1,580,260

17 Creditors: falling due after more than 1 year

	2021	2020
	£	£
Loan (see note below)	450,000	-
Pension deficit repayment creditor (see note 26)	938	3,696
	450,938	3,696

In January 2021 a loan of £500,000, was obtained from CCLA, the DBF's investment managers, under the Diocesan Loan Scheme. The terms are favourable with an interest rate of the average daily rate declared by their fund over the month plus 0.55%. The maximum term of the loan is ten years, with no requirement of repayment of capital in the interim. The DBF anticipates repaying the loan in equal instalments over the 10 year period. The interest is payable every six months.

THE DIOCESE IN EUROPE BOARD OF FINANCE

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for the year ended 31 December 2021

18 (a) Summary of fund movements - current year

	As at 1.1.21	Income	Grants & Expenditure	Investment gains and losses	Transfers	As at 31.12.21
	£	£	£	£	£	£
Unrestricted Funds:						
<i>General funds:</i>						
Diocesan Fund	4,455,051	1,290,442	(1,318,979)	648,190	(272,695)	4,802,009
<i>Designated funds:</i>						
Ordination Candidates Fund	51,274	16,784	(22,418)	-	-	45,640
Mission Opportunities Fund	194,497	-	(28,063)	-	-	166,434
Hardship Fund	79,986	16,317	(133,661)	-	150,000	112,641
Safeguarding Past Case Review 2	2,055	-	(100,280)	-	100,000	1,775
Diocesan grants	-	-	(2,900)	-	10,000	7,100
Total Unrestricted Funds	4,782,863	1,323,543	(1,606,301)	648,190	(12,695)	5,135,600
Restricted funds						
Ackland Troyte Trust (Pau)	-	1,303	(1,303)	-	-	-
All Saints (Dresden) Trust (Germany)	-	4,632	(4,632)	-	-	-
Armstrong Trust (Istanbul)	65,236	5,741	(5,292)	-	-	65,684
Bagneres de Bigorre Fund (France)	-	1,684	(1,684)	-	-	-
Bertie Watson (Algarve)	86,430	13,855	(64,178)	-	-	36,107
Clement Jones (Suffragan Bishop)	2,935	2,697	(922)	-	-	4,710
Col Doughty Wylie Fund (FCO)	15,050	10	(578)	-	-	14,482
Crimean Memorial Church (Istanbul)	-	2,494	(2,494)	-	-	-
Daphne Willoughby - Waters (Palma)	8,257	2,128	(5,106)	-	-	5,279
Diocesan Development Fund	66,895	14,625	(2,781)	-	-	78,739
Emma Tebbs Trust (Rome)	-	3,638	(3,638)	-	-	-
Frank Pratt Barlow (Monte Carlo)	-	35,075	(1,765)	-	-	33,310
Houlton Fund (Malta)	-	1,203	(1,203)	-	-	-
Lindley Fund (Germany)	-	1,666	(1,666)	-	-	-
MMS (Gibraltar & Marseilles)	(13,909)	10,045	(11,502)	-	-	(15,366)
Overseas Bishops Fund	20,122	6,055	(303)	-	-	25,874
Philip Coleman Trust (Palma)	-	1,303	(1,303)	-	-	-
Riga Mission Trust	14,416	20,322	(9,134)	-	-	25,603
Spicer Trust (Needy clergy)	11,427	3,154	(1,494)	-	-	13,087
St Andrew's (Tangier)	4,642	14,014	(9,498)	-	-	9,158
St Georges (Berlin)	-	2,879	(2,879)	-	-	-
Stephenson Bequest (Malaga)	-	2,606	(2,606)	-	-	-
Ministry division RME Ordinands' gran	29,656	210,798	(208,791)	-	-	31,663
UKNSF (FCDO) grant	-	255,467	(248,986)	-	-	6,481
Strategic ministry fund	-	159,071	(157,071)	-	-	2,000
Digital Diocese (Allchurches grant)	110,000	-	(6,832)	-	12,695	115,864
Ministry Experience Scheme	-	54,488	(20,559)	-	-	33,929
	421,157	830,953	(778,200)	-	12,695	486,605
Balance c/f	5,204,020	2,154,496	(2,384,501)	648,190	-	5,622,205

THE DIOCESE IN EUROPE BOARD OF FINANCE

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for the year ended 31 December 2021

18 (a) Summary of fund movements - current year (continued)

	As at 1.1.21	Income	Grants & Expenditure	Investment gains and losses	Transfers	As at 31.12.21
	£	£	£	£	£	£
Balance c/f	5,204,020	2,154,496	(2,384,501)	648,190	-	5,622,205
Endowment Funds:						
Ackland Troyte Trust (Pau)	44,533	-	-	6,403	-	50,936
All Saints (Dresden) Trust (Germany)	159,260	-	-	22,900	-	182,160
Armstrong Trust (Istanbul)	156,853	-	-	20,479	-	177,332
Bagneres de Bigorre Fund (France)	48,010	-	-	6,903	-	54,913
Bertie Watson (Algarve)	532,104	-	-	68,157	-	600,261
Clement Jones (Suffragan Bishop)	93,461	-	-	7,193	-	100,655
Col Doughty Wylie Fund (FCO)	121,099	-	-	13,452	-	134,551
Continental Chaplaincies	1,139,363	-	-	98,937	-	1,238,300
Crimean Memorial Church (Istanbul)	85,797	-	-	12,337	-	98,134
Daphne Willoughby - Waters (Palma)	117,323	1,064	-	11,663	-	130,050
Diocesan Development Fund	410,419	-	-	65,828	-	476,247
Emma Tebbs Trust (Rome)	125,174	-	-	17,999	-	143,173
Frank Pratt Barlow (Monte Carlo)	1,453,190	-	-	216,439	-	1,669,629
Houlton Endowment Fund (Malta)	41,384	-	-	5,951	-	47,335
Lindley Endowment Fund (Germany)	57,306	-	-	8,240	-	65,546
MMS (Gibraltar & Marseilles)	371,395	-	-	46,881	-	418,276
Overseas Bishops Fund	238,913	-	-	29,953	-	268,865
Philip Coleman Trust (Palma)	49,520	-	-	(3,267)	-	46,253
Riga Mission Trust	505,500	-	-	13,608	-	519,108
Spicer Trust (Needy clergy)	31,522	-	-	2,840	-	34,362
St Andrew's (Tangier)	491,460	-	-	69,327	-	560,787
St. George's (Berlin)	157,046	-	-	13,205	-	170,251
Stephenson Bequest (Malaga)	91,865	-	-	2,117	-	93,982
	6,522,497	1,064	-	757,545	-	7,281,106
Total funds	11,726,517	2,155,560	(2,384,501)	1,405,735	-	12,903,311

THE DIOCESE IN EUROPE BOARD OF FINANCE

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2021

Details of Funds

Unrestricted

Diocesan Fund

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

Ordination Candidates Fund

This designated fund is available to support ordination candidates.

Mission Opportunities Fund

The Mission Opportunities Fund has been established to fund projects which have the specific objective of growing congregations in the Diocese.

Hardship Fund

A designated fund established to support chaplaincies with insolvency or the inability to pay their clergy following the outbreak of COVID-19.

Safeguarding Past Case Review 2

A designated fund to cover the cost of the requirement to independently review files relating to all serving and past (living) clergy & church officers, to ensure safeguarding matters have been appropriately handled.

Restricted

Restricted funds may only be applied for the purposes specified in the measures, trust deeds and the ecclesiastical statutory regulations. Generally all income generated on restricted funds is paid to the chaplaincies to which the fund relates. Grants and expenditure includes a 5% management fee levied by the Diocese.

The management charge is applied to all trusts to cover accountancy and administration for those trusts. This charge has been accounted for as income to the unrestricted general fund, and as a cost to the funds concerned. The total charge within restricted funds was £6,386 (2020: £4,569).

Diocesan Development Fund

A Special Trust for the purposes of Charities Act 2011.

Ministry Division RME Ordinand's Grant

Block grant received from the ministry division, Archbishops' Council, to fund the training of Ordinands.

UKNSF (FCDO) grant

A restricted grant from the Foreign Commonwealth and Development Office to help UK nationals with their residency applications in France following Brexit.

Strategic ministry fund

A fund from the Archbishops' Council to provide financial support for growth in the number of clergy.

Digital Diocese (Allchurches grant)

A transformational grant to create and distribute inspiring content that seeks to build and grow congregations across demographic groups.

Ministry Experience Scheme

A scheme for people aged 18 to 30, who desire to discern their vocation in the Church of England.

Endowment

Endowment funds may only be applied for the purposes specified in the measures, trust deeds and the ecclesiastical statutory regulations. They are only generally available for specified purposes.

THE DIOCESE IN EUROPE BOARD OF FINANCE

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2021

18 (b) Summary of fund movements - previous year

	As at 1.1.20	Income	Grants & Expenditure	Investment gains and losses	Transfers	As at 31.12.20
	£	£	£	£	£	£
Unrestricted Funds:						
<i>General funds:</i>						
Diocesan Fund	4,255,170	1,516,740	(1,349,436)	268,820	(236,243)	4,455,051
<i>Designated funds:</i>						
Ordination Candidates Fund	44,187	18,394	(22,550)	-	11,243	51,274
Mission Opportunities Fund	204,695	-	(10,198)	-	-	194,497
Hardship Fund	-	68,654	(188,668)	-	200,000	79,986
Safeguarding Past Case Review 2	-	-	(22,945)	-	25,000	2,055
Total Unrestricted Funds	4,504,052	1,603,788	(1,593,797)	268,820	-	4,782,863
Restricted funds						
Ackland Troyte Trust (Pau)	-	1,250	(1,250)	-	-	-
All Saints (Dresden) Trust (Germany)	-	4,491	(4,491)	-	-	-
Armstrong Trust (Istanbul)	65,685	5,843	(6,292)	-	-	65,236
Bagneres de Bigorre Fund (France)	-	1,347	(1,347)	-	-	-
Bertie Watson (Algarve)	96,567	13,936	(24,073)	-	-	86,430
Clement Jones (Suffragan Bishop)	1,802	2,836	(1,703)	-	-	2,935
Col Doughty Wylie Fund (FCO)	15,747	85	(782)	-	-	15,050
Crimean Memorial Church (Istanbul)	-	2,408	(2,408)	-	-	-
Daphne Willoughby - Waters (Palma)	6,206	2,159	(108)	-	-	8,257
Diocesan Development Fund	65,250	15,626	(13,981)	-	-	66,895
Emma Tebbs Trust (Rome)	-	3,513	(3,513)	-	-	-
Frank Pratt Barlow (Monte Carlo)	-	34,982	(34,982)	-	-	-
Houlton Fund (Malta)	-	1,161	(1,161)	-	-	-
Lindley Fund (Germany)	-	1,608	(1,608)	-	-	-
MMS (Gibraltar & Marseilles)	(11,232)	9,814	(12,491)	-	-	(13,909)
Overseas Bishopricks Fund	17,837	5,847	(3,562)	-	-	20,122
Philip Coleman Trust (Palma)	-	1,625	(1,625)	-	-	-
Riga Mission Trust	12,867	18,717	(17,168)	-	-	14,416
Spicer Trust (Needy clergy)	8,584	2,993	(150)	-	-	11,427
St Andrew's (Tangier)	2,259	13,533	(11,150)	-	-	4,642
St Georges (Berlin)	-	2,819	(2,819)	-	-	-
Stephenson Bequest (Malaga)	-	3,034	(3,034)	-	-	-
Ministry division RME Ordinands' grant	-	230,480	(200,824)	-	-	29,656
UKNSF (FCDO) grant	-	93,867	(93,867)	-	-	-
Strategic ministry fund	-	36,400	(36,400)	-	-	-
Digital Diocese (Allchurches grant)	-	110,000	-	-	-	110,000
Total Restricted Funds	281,572	620,374	(480,789)	-	-	421,157
Balance c/f	4,785,624	2,224,162	(2,074,586)	268,820	-	5,204,020

THE DIOCESE IN EUROPE BOARD OF FINANCE

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18 (b) Summary of fund movements - previous year (continued)

	As at 1.1.20	Income	Grants & Expenditure	Investment gains and losses	Transfers	As at 31.12.20
	£	£	£	£	£	£
Balance c/f	4,785,624	2,224,162	(2,074,586)	268,820	-	5,204,020
Endowment Funds:						
Ackland Troyte Trust (Pau)	41,657	-	-	2,876	-	44,533
All Saints (Dresden) Trust (Germany)	148,973	-	-	10,287	-	159,260
Armstrong Trust (Istanbul)	145,101	-	-	11,752	-	156,853
Bagneres de Bigorre Fund (France)	44,909	-	-	3,101	-	48,010
Bertie Watson (Algarve)	501,487	-	-	30,617	-	532,104
Clement Jones (Suffragan Bishop)	88,248	-	-	5,213	-	93,461
Col Doughty Wylie Fund (FCO)	132,695	-	-	(11,596)	-	121,099
Continental Chaplaincies	1,085,405	-	-	53,958	-	1,139,363
Crimean Memorial Church (Istanbul)	80,254	-	-	5,543	-	85,797
Daphne Willoughby - Waters (Palma)	110,753	-	-	6,570	-	117,323
Diocesan Development Fund	384,086	-	-	26,333	-	410,419
Emma Tebbs Trust (Rome)	117,089	-	-	8,085	-	125,174
Frank Pratt Barlow (Monte Carlo)	1,374,322	-	-	78,868	-	1,453,190
Houlton Endowment Fund (Malta)	38,711	-	-	2,673	-	41,384
Lindley Endowment Fund (Germany)	53,605	-	-	3,701	-	57,306
MMS (Gibraltar & Marseilles)	351,838	-	-	19,557	-	371,395
Overseas Bishoprics Fund	225,458	-	-	13,455	-	238,913
Philip Coleman Trust (Palma)	47,857	-	-	1,663	-	49,520
Riga Mission Trust	526,638	-	-	(21,138)	-	505,500
Spicer Trust (Needy clergy)	29,640	-	-	1,882	-	31,522
St Andrew's (Tangier)	460,317	-	-	31,143	-	491,460
St. George's (Berlin)	150,780	-	-	6,266	-	157,046
Stephenson Bequest (Malaga)	87,664	-	-	4,201	-	91,865
	6,227,487	-	-	295,010	-	6,522,497
Total funds	11,013,111	2,224,162	(2,074,586)	563,830	-	11,726,517

For details on the funds held see Note 18(a) for further information

THE DIOCESE IN EUROPE BOARD OF FINANCE

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for the year ended 31 December 2021

19 Commitments under operating leases

At 31 December 2021, the DBF had future minimum payments under non cancellable operating lease as follows:

	2021	2020
	£	£
Land and Buildings		
Not later than 1 year	30,000	-

20 Net assets by fund

	Tangible fixed assets	Investments	Current assets	Current liabilities	Amounts falling due after 1 year	Total Funds
	£	£	£	£	£	£
<u>2021</u>						
Unrestricted						
General	543,999	5,339,648	860,272	(1,490,973)	(450,938)	4,802,009
Designated	-	-	333,591	-	-	333,591
Endowment	-	6,920,000	361,106	-	-	7,281,106
Restricted	-	-	486,605	-	-	486,605
Total Funds	543,999	12,259,648	2,041,574	(1,490,973)	(450,938)	12,903,311
<u>2020</u>						
Unrestricted						
General	551,880	4,691,458	795,669	(1,580,260)	(3,696)	4,455,051
Designated	-	-	327,812	-	-	327,812
Endowment	-	6,162,455	360,042	-	-	6,522,497
Restricted	-	-	421,157	-	-	421,157
Total Funds	551,880	10,853,913	1,904,680	(1,580,260)	(3,696)	11,726,517

21 Funds held as custodian trustee

	2021	2020
	£	£
Investments (at Market Value 31st December)	1,794,792	1,676,141
Cash on deposit	511,465	521,141
Total assets held on behalf of chaplaincies	2,306,257	2,197,282

THE DIOCESE IN EUROPE BOARD OF FINANCE

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2021

22 Capital commitments

As at 31 December 2021 there were no capital commitments.

23 Post balance sheet events and contingent liabilities

The war in Ukraine has had a financial impact on chaplaincies and the DBF. Both Moscow and Kyiv chaplaincies have seen dramatic reductions in numbers. Chaplaincies across the diocese have offered hospitality and support to refugees. Financial markets have reacted to the uncertainty as well as fuel price rises and the investments have lost 8% (as at 15 May 2022) of their value post year end. Due to the war, the end of the pandemic and fuel prices rises in particular, inflation has risen sharply and will put stress on the financial plan to 2025 .

24 Pensions

The DBF participates in two pension schemes

These are:

1. Church of England Funded Pensions Scheme (“CEFPS”) for stipendiary clergy and
2. Church Workers Pension Fund (“CWPF”) for Diocesan lay employees

(a) Church of England Funded Pensions Scheme (“CEFPS”)

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

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

The scheme is considered to be a multi-employer scheme as described in Section 28 of FRS 102. This means it is not possible to attribute the Scheme’s assets and liabilities to each specific Responsible Body, therefore contributions are accounted for as if the Scheme were a defined contribution scheme. The pensions costs charged to the SOFA in the year are contributions payable towards benefits and expenses accrued in that year. In 2021 these amounted to £49,779 (2020: £20,645), plus the figures highlighted in the table below as being recognised in the SOFA, giving a total charge in the year of £47,021 (2020: £19,040).

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for the year ended 31 December 2021

24 Pensions (continued)

(a) Church of England Funded Pensions Scheme (“CEFPS”)

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

- An average discount rate of 3.2% p.a.;
- RPI inflation of 3.4% p.a. (and pension increases consistent with this);
- Increase in pensionable stipends of 3.4% p.a.;
- Mortality in accordance with 95% of the S3NA_VL tables, with allowance for improvements in mortality rates in line with the CMI2018 extended model with a long term annual rate of improvement of 1.5%, a “smoothing parameter” of 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 recovery contributions (as a percentage of pensionable stipends) are as set out in the table below.

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

As at years 31 December 2019, 2020 and 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.

Normally entities are required to bring on to the balance sheet the assets and liabilities (and therefore the surplus or deficit) relating to defined benefit schemes. However, an exception to this is where the scheme is considered to be a multi-employer scheme as described in section 28 of FRS 102. In this case, where the assets and liabilities within a scheme are pooled, they cannot be separately ascribed to individual participating employers. Where this is the case Section 28.11A of FRS 102 requires the DBF to account for deficit recovery payments as a liability.

The scheme actuaries have calculated that the total liability for deficit payments relating to the DBF’s 37 (2020: 44) members of the scheme amounts to £66,000 (2020: £168,000) including a change in agreed deficit recovery plan and change in discount rate and assumptions between year-ends.

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NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2021

24 Pensions (continued)

(a) Church of England Funded Pensions Scheme ("CEFPS") (continued)

The DBF is different to many other English Diocesan Boards of Finance in that the clergy for overseas churches are legal employees of those local churches in order to comply with the different legal and tax frameworks in place across the wide geographical area in which the DBF operates. Consistent with this practice the relevant stipendiary and pension expenses for overseas clergy are recognised in the financial statements of the local churches and not in the financial statements of the DBF.

The Trustees consider that, while the DBF is the legal member of the scheme responsible for making contributions to the Church of England Pension scheme, the substance of the arrangements in place is that the DBF only acts as a conduit for pension contributions for overseas clergy and therefore the liability lies with those overseas churches. On this basis the Trustees consider that it is appropriate to only recognise the deficit for those members of the clergy that the DBF is directly responsible for. At the Balance Sheet date and prior year there were four individuals.

The DBF has estimated the liability to be recognised in its financial statements by pro-rating the calculations provided by the Church of England Pension Scheme actuaries for the current and prior year.

The movement in the provision is set out in the table below:

	2021	2020
	£	£
Balance Sheet liability at 1 January	3,695	5,423
Deficit contribution paid	(2,027)	(2,500)
Interest costs (recognised in SOFA)	-	45
Remaining change to the balance sheet liability *	(730)	727
Balance Sheet liability at 31 December	<u>937</u>	<u>3,695</u>

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

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NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2021

24 Pensions (continued)

(a) Church of England Funded Pensions Scheme (“CEFPS”) (continued)

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

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

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

(b) Church Workers Pension Fund (“CWPF”)

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

The Church Workers Pension Fund has two sections

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

THE DIOCESE IN EUROPE BOARD OF FINANCE

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for the year ended 31 December 2021

24 Pensions (continued)

(b) Church Workers Pension Fund (“CWPF”) (continued)

Pension Builder Scheme

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

1. *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.
2. *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 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 pension costs charged to the SOFA in the year are the contributions payable of £49,292 (2020: £44,149).

A valuation of the Pension Builder Scheme is carried out once every three years. The most recent 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 DBF could become responsible for paying a share of that employer’s pension liabilities.

THE DIOCESE IN EUROPE BOARD OF FINANCE

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for the year ended 31 December 2021

25 Related party transactions

The Chair of the DBF received £6,300 for professional consultancy provided during the year (2020: £6,300). This sum was unpaid at the end of both financial years and included in accruals. There were no other related party transactions. See Note 11.

26 Prior year comparative SOFA

	Note	Unrestricted funds £	Restricted funds £	Endowment funds £	Total funds 2020 £
Income and endowments from:					
Donations and legacies					
- Common Fund		912,771	-	-	912,771
- Archbishops' Council grant		167,072	-	-	167,072
- Archbishops' Council sustainability grant		210,000	-	-	210,000
- Other donations	4	120,462	376,880	-	497,342
Chaitable activities	5	-	93,867	-	93,867
Investments	6	190,009	149,627	-	339,636
Other	7	3,474	-	-	3,474
Total income		1,603,788	620,374	-	2,224,162
Expenditure on:					
Charitable activities	8 / 9	(1,593,797)	(480,789)	-	(2,074,586)
Net surplus before gain on investments		9,991	139,585	-	149,576
Net gain on fixed asset investments	14	268,820	-	295,010	563,830
Net movement in funds		278,811	139,585	295,010	713,406