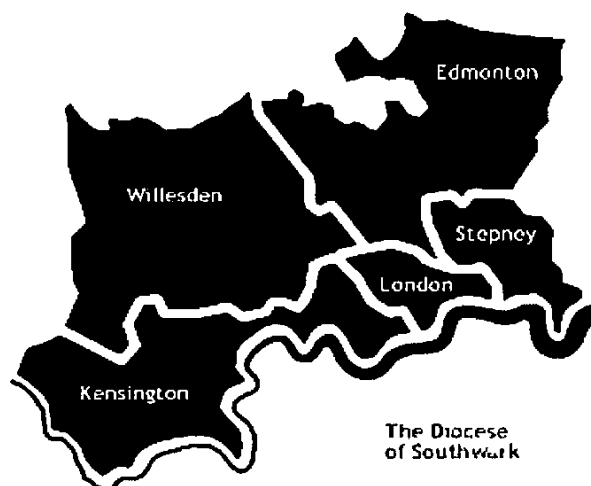




## THE LONDON DIOCESAN FUND



### **Directors' and Trustees' Report and Financial Statements for the year ended 31<sup>st</sup> December 2011**

Company number 150856  
Charity number 241083

SATURDAY



A03 \*A19Q812J\* 26/05/2012 #126  
COMPANIES HOUSE

## THE LONDON DIOCESAN FUND

Directors' and Trustees' Report and Financial Statements  
for the year ended 31 December 2011

### Directors' and Trustees' Report 2011

The directors of the London Diocesan Fund (LDF), who are also trustees, present their report together with the audited financial statements for the year ended 31 December 2011.

### Reference and Administrative Details, Trustees and Advisers

#### Name and registered office

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

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

All members of the Bishop's Council and Standing Committee, described more fully below, are, except where specifically noted, directors of the company for the purposes of the Companies Acts and are Trustees under charity law. The members on 14<sup>th</sup> May 2012, the date of approval of this report, were

#### President and Chairman

The Rt Revd and Rt Hon the Lord Bishop of London, Dr R J C Chartres KCVO

#### Lay Vice Chairman

Mr D E Loftus, Diocesan Synod House of Laity

#### Clerical Vice Chairman

The Revd Preb D N C Houlding, Diocesan Synod House of Clergy

#### Ex Officio

The Bishop of Stepney, the Rt Revd A Newman (from 22/7/11)

The Bishop of Kensington, the Rt Revd P G Williams

The Bishop of Edmonton, the Rt Revd P G Wheatley

The Bishop of Willesden, the Rt Revd P A Broadbent

The Bishop of Fulham, (vacant)

The Archdeacon of London, the Ven D Meara

The Archdeacon of Charing Cross, the Ven Dr W M Jacob

The Archdeacon of Hackney, the Ven R Treweek (from 22/7/11)

The Archdeacon of Middlesex, the Ven S J Welch

The Archdeacon of Hampstead, the Ven L J Miller

The Archdeacon of Northolt, the Ven R Treweek (until 22/7/11, then vacant)

The Dean of St Paul's Cathedral, the Rt Revd Graeme Knowles (until 31/1/12, then vacant)

#### Elected by The House of Laity, Diocesan Synod (3 seats)

Mr D Hurst

Mr B O'Donoghue

Ms M Murrell

The following members were elected by the various Areas.

#### Two Cities

The Revd O C M Ross

The Revd W T Taylor

Mr S C Finch

Mr J D Freeman

Mr K D Stern

Mr E D Roberts

#### Stepney

The Revd G L Warren

The Revd J Blackburn

Mrs C Adekunle

Mrs M Ford

Ms J W Munro

Dr P Rice (\*)

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### Kensington

The Revd Dr A Emerton  
The Revd Dr B Mayo  
Mrs A Barrett  
Mr H A Evans  
Mr J P Normand

### Edmonton

The Revd Preb C G Pope  
Mrs A K Atkins  
Mr S J Jones  
Mrs A L Ruoff  
Mr I R M Woolf

### Willesden

The Revd A R Corsie  
The Revd M Stone  
Mr M A Carmody  
Mr J R Dolling  
Mr C R Scowen  
Mrs S Wright

### Nominated by the Bishop of London

The Revd N R Holtam (until 22/7/11)  
The Revd K S Swithinbank (from 25/8/11)

Members are shown in the categories in which they are currently appointed. They may previously have served as members in a different capacity. \*Dr P Rice is a member of the Bishop's Council and Standing Committee but is not a director of the LDF nor a trustee

### Senior staff

The bishops and archdeacons of the diocese exercise day to day control of the LDF. Mr A Brookes is the LDF's Chief Executive and General Secretary. He also acts as secretary to the Bishop's Council. Some senior staff members have the title director in their job titles but they are not directors of the LDF for the purposes of company law nor are they trustees of the charity.

Director of Property:	Mr M Bye
Director of Finance and Operations	Mrs H Simmons
Head of HR	Ms P Bailey
Head of Strategic Development	Mr M Girt

### Professional advisers

#### Auditors

Mazars LLP  
Times House  
Throwley Way  
Sutton, Surrey  
SM1 4JQ

#### Solicitors

Winckworth Sherwood  
Minerva House  
5 Montague Close  
London  
SE1 9BB

#### Insurers

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

#### Bankers

Barclays Bank PLC  
Knightsbridge Business  
Centre  
P O Box 32014  
London, NW1 2ZG

#### Communications Consultants

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

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## THE LONDON DIOCESAN FUND

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### **Constitution, structure, governance and management**

#### **Summary information about the structure of the Church of England**

The Church of England is organised as two provinces each led by an archbishop (Canterbury for the Southern Province and York for the Northern). Each province comprises dioceses, of which there are 42 in England. Each diocese in England is divided into parishes. Each parish is overseen by a parish priest (the incumbent, usually called a vicar or rector).

Her Majesty the Queen, who is the Supreme Governor of the Church of England, appoints Archbishops, bishops and deans of cathedrals on the advice of the Prime Minister. The two Archbishops and the Bishop of London are members of the Privy Council. They, together with the Bishops of Durham and Winchester, are ex-officio members of the House of Lords. In addition, there are 21 other bishops who are admitted in order of their length of service as diocesan bishops.

The Church of England is led and governed by Bishops in Synod. General Synod makes decisions on matters of doctrine, church services and relations with other churches. General Synod passes measures which, if accepted by Parliament, have the effect of acts of Parliament. It is made up of three groups or houses of members: the Houses of Bishops, of Clergy and of Laity, and meets in London or York at least twice annually.

#### **The three National Church Institutions**

The Archbishops' Council, the Church Commissioners and the Church of England Pensions Board are sometimes referred to as the three National Church Institutions (NCIs).

The Archbishops' Council was established in 1999 to co-ordinate, promote, aid and further the mission of the Church of England. Its task is to give a clear sense of direction to the Church nationally and support the Church locally by acting as a policy discussion forum.

The Church Commissioners manage the historic assets of the Church of England. They are responsible for paying pensions for the clergy accrued before 1997. In addition to the costs of Episcopal administration they also make grants for developments in areas of missionary opportunity.

The Church of England Pensions Board was established by the Church Assembly in 1926 as the Church of England's pensions authority and to administer the pension scheme for the clergy. Subsequently it has been given wider powers, in respect of discretionary benefits and accommodation both for those retired from stipendiary ministry and for widows and widowers of those who have served in that ministry, and to administer pension schemes for lay employees of Church organisations. A new fund was established to cover pensionable service after 1997.

The Board, which reports to General Synod, is trustee of a number of pension funds and charitable funds. Whilst the Church has drawn together under the Board its central responsibilities for retirement welfare, the Board works in close cooperation both with the Archbishops' Council and with the Church Commissioners.

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## THE LONDON DIOCESAN FUND

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### **St Paul's Cathedral and Westminster Abbey**

St Paul's Cathedral is the mother church of the Diocese of London and legally is constituted as a separate charity. Westminster Abbey is a Royal Peculiar, which means that it falls directly under the jurisdiction of the British monarch, rather than under a Bishop.

The information about General Synod, the Church Commissioners, the Archbishops' Council, St Paul's Cathedral and Westminster Abbey is included as background only. The financial transactions of these bodies do not form part of these financial statements.

### **The Diocese of London**

The Diocese of London was founded in Roman times and was re-founded in 604 by St Mellitus. It is one of the 44 dioceses of the Church of England (42 in England, plus the Diocese of Europe and the Diocese of Sodor & Man). In its current form, it covers 18 boroughs of London and Surrey mostly north of the River Thames and west of the River Lea in Greater London. It serves 3.9 million people in 277 square miles.

The Diocese is led by the Bishop of London. He has delegated certain powers to four Area bishops, the Bishops of Edmonton, Kensington, Stepney and Willesden, and a Suffragan, the Bishop of Fulham. There is an archdeacon for each of these four areas. There is also one archdeacon for the City of London and one for the City of Westminster, these two archdeaconries forming the Two Cities area which is led by the Bishop of London personally. Each archdeaconry is subdivided into deaneries. There are 24 deaneries.

Each deanery consists of several parishes, there are over 400 parishes in the Diocese. The Parochial Church Council (PCC) is the elected governing body of an individual parish. The PCC is made up of the incumbent as chair, the churchwardens and a number of elected and *ex officio* members. Each PCC is a corporate body and a separate charity. PCCs are responsible, *inter alia*, for the maintenance of churches and certain other buildings. Except where shown, the transactions of PCCs do not form part of these financial statements.

The statutory governing body of the Diocese is its Synod, which is an elected body with representation from all parts of the Diocese. It is governed by Standing Orders approved by the Diocesan Synod inaugurated on 17<sup>th</sup> November 1970 and amended from time to time. Lay members are elected by deanery synods, which are comprised of members elected by parish members. Clergy members are similarly elected by the clergy in deanery synods. The bishops and archdeacons of the Diocese are *ex officio* members. In addition, a small number of members may be co-opted or nominated. The Diocesan Synod meets at least twice per year. Many of the Synod's responsibilities are delegated to the Bishop's Council, which acts as a standing committee.

The Bishop's Council consists of up to 30 members elected by Area by the Diocesan Synod, up to three members elected by the House of Laity of the Diocesan Synod, up to 16 *ex officio* members, being mostly bishops and archdeacons, and up to five members nominated by the Bishop of London. The Council meets at least three times per year.

The Diocese conducts its financial affairs through a number of corporate bodies. The main body is the London Diocesan Fund ("the LDF").

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## THE LONDON DIOCESAN FUND

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### The London Diocesan Fund

The objects for which the LDF is established and for which suitable powers are granted in its constitution are, in summary, as follows

To promote and assist the work and objects of the Church of England for the advancement of the Christian religion in the Diocese of London, and in particular to organise and provide funds for the following departments of the Church's work.

- ✦ maintenance of the Clergy generally, including Bishops Suffragan, Incumbents, and Assistant Curates,
- ✦ erection and repair and endowment of Churches, Church Buildings, Schools, Mission Buildings, and Residences for Incumbents,
- ✦ training of candidates for the Ministry, Clerical and Lay,
- ✦ provision of Readers and other Lay Ministers;
- ✦ provision of Pensions for the Clergy, and Lay Ministers, provision for widows, orphans and dependents of the Clergy, and for necessitous Clergy;
- ✦ assistance towards endowment whether for Incumbencies or Curacies;
- ✦ religious education of the young,
- ✦ provision of expenses of Diocesan and central organisations,
- ✦ provision for Residences for Curates and Lay Ministers, Institutes, Halls, Social Clubs, Refuges and Homes, and the repair and endowment of the same; and
- ✦ such other objects, if any, as it may from time to time be found desirable to promote for strengthening the religious or other charitable work of the Church.

The LDF is governed by its Constitution which may not be altered or varied without resolution of the Diocesan Synod. The Constitution is regularly reviewed and amended from time to time. Having obtained the Charity Commission's consent revisions were adopted by the Annual General Meeting in 2010 and approved by Diocesan Synod. The articles specifically give authority to members of the clergy to participate in decisions where they may have an interest through virtue of the holding of clerical office.

Every member of the Council is a member of the company unless they decline to take membership. Each member undertakes to contribute to the assets of the LDF, in the event of its being wound up, such amount as may be required not exceeding £1.

The members of the LDF are trustees of the charity and also its directors for Companies Acts purposes. The Chairman of the LDF is the Bishop of London. The LDF also acts as custodian trustee and as agent to other boards, committees and trusts within the London Diocese of the Church of England.

### Statutory functions

The LDF has responsibility for management of glebe assets to generate income to support the cost of stipends. It is the Diocesan Authority for parochial and other trusts and incorporates the responsibilities of the Diocesan Parsonages Board. The trustees are custodians of PCC property. The Diocesan Synod has appointed the Council as Diocesan Mission and Pastoral Committee and, as such, it acts principally through the Diocesan Strategic Policy Committee and Area Councils, which have delegated powers. All funds held under the Dioceses, Pastoral and Mission Measure 2007 are included in these accounts.

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The LDF has delegated certain powers to its Finance Committee. The Finance Committee meets at least six times each year. The LDF has delegated certain powers to Area Councils. The committees have power to co-opt members, subject to elected and *ex officio* members being the majority. The London Diocesan Board for Schools (LDBS) is a separate legal entity and oversees the Church of England Schools in the diocese.

### Diocesan Finance Committee (DFC)

The DFC is a sub-committee of the Bishop's Council. Its membership comprises laity and clergy. By a special resolution dated 10th December 1970 its lay membership must be in the majority. The Bishop of London, the archdeacons, the Clerical and Lay Vice Chairmen and the Treasurer (if appointed) of the LDF are *ex officio* members. The DFC makes recommendations to the Council.

#### Members of the Diocesan Finance Committee:

##### (also Members of the Bishop's Council)

The Rt Revd and Rt Hon the Lord Bishop  
of London R J C Chartres KCVO  
The Archdeacon of London, the Ven D Meara  
The Archdeacon of Charing Cross, the Ven Dr W M Jacob (Chair)  
The Archdeacon of Hackney, the Ven R Treweek (from 22/7/11)  
The Archdeacon of Middlesex, the Ven S J Welch  
The Archdeacon of Hampstead, the Ven L J Miller  
The Archdeacon of Northolt, the Ven R Treweek (until 22/7/11)  
The Revd Preb D N C Houlding  
The Revd Preb C G Pope  
The Revd Dr A Emerton  
Mr B O'Donoghue  
Ms J W Munro  
Mr K D Stern

Mr J R Dolling  
Mr D E Loftus  
Mr E D Roberts  
Mr I R M Woolf

##### (not Members of the Bishop's Council)

The Revd Preb A Roberts  
Mr E Wong  
Mr D Barton  
Mr R Dean  
Mr N Manns  
Mr R N Perry  
Dr S Wilmington  
Mr A Garwood-Watkins  
Mr D Hunter

### Audit Committee

The Audit Committee is a sub-committee of the Bishop's Council. Members are appointed by the Bishop's Council for three years. Its membership may be drawn from the Council and the DFC and from outside these bodies. At least two members (in addition to the chair) are to be from the Bishop's Council and current DFC members must be in the minority.

The Committee reviews the systems of internal financial control. Each year it considers the need for internal audit of the LDF's operations and has concluded so far that use of the LDF's charitable funds to establish an internal audit capability would be disproportionate to the risks. It reviews the annual accounts prior to submission to the whole Council.

#### Members of the Audit Committee:

##### (also Members of the Bishop's Council)

The Revd J Blackburn  
Mr J D Freeman (Chair)  
Mr I R M Woolf

##### (not Members of the Bishop's Council)

Mr N Fletcher  
Mr R N Perry

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## THE LONDON DIOCESAN FUND

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### Risk Management

With other organisations, the LDF faces risks to its operations, finances and reputation. The officers consider, evaluate and record the major areas of risk to which the LDF is exposed, assessing both the likelihood and impact of those risks crystallising. The officers explain and record the measures in place to manage and mitigate these risks. The process of identification and assessment of risk, the risks so identified and the measures for mitigation are reviewed at least annually by the Audit Committee. The results are recorded in a risk register, which is available for inspection by all directors and trustees. As part of new directors' and trustees' induction details of the risk management process and risks are provided. A formal report on risk management is considered by the Council annually.

### Trustee Training

The Trustees review the knowledge, skills and experience of the trustees and provide appropriate training sessions to address their needs. New Trustees are provided with a handbook outlining their main responsibilities.

### Related bodies

Under the terms of arrangements made in 1919, the LDF incorporates the functions of the London Diocesan Board of Finance and the Bishop of London's Fund of which brief details are given below.

#### The Bishop of London's Fund (BLF)

Patron	The Most Revd and Rt Hon The Lord Archbishop of Canterbury
President	The Rt Revd and Rt Hon the Lord Bishop of London
Treasurer	Mr I R M Woolf

The president and treasurer are *ex officio* trustees.

Other Trustees	The Ven Dr W M Jacob The Ven D Meara The Ven S J Welch Mr E D Roberts
Secretary	Mr A Brookes
Solicitors	Winckworth Sherwood, Minerva House, 5 Montague Close, London, SE1 9BB
Registered Office	36 Causton Street, London SW1P 4AU

The Bishop of London's Fund was established in 1863 and was incorporated by the Board of Charity Commissioners for England and Wales under the Charitable Trustees Incorporations Act on 7<sup>th</sup> July 1882. The BLF is a registered charity (249021). The Finance Committee of the LDF constitutes its Executive Committee. Certain title and trust deeds are in the name of the BLF and a separate legal seal is kept. For day-to-day purposes and in accordance with a special resolution of 29<sup>th</sup> October 1918, its activities are subsumed into the LDF, with which it shares common objectives. The majority of the BLF's assets were transferred to the LDF in the last century.

#### The London Diocesan Board of Finance

President	The Rt Revd and Rt Hon the Lord Bishop of London
Chairman	The Rt Revd and Rt Hon the Lord Bishop of London
Treasurer	Mr D E Loftus
Trustees	The Trustees of the LDF
Secretary	Mr A Brookes
Solicitors	Winckworth Sherwood, Minerva House, 5 Montague Close, London, SE1 9BB
Office	36 Causton Street, London SW1P 4AU



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The London Diocesan Board of Finance was registered in England as a company limited by guarantee on 30<sup>th</sup> April 1914. The Diocesan Boards of Finance Measure 1925 provided that every Diocese in the Church of England should have a Diocesan Board of Finance. It stipulated however that those Dioceses with existing trust bodies (provided they were incorporated under the Companies Acts) were allowed to use these bodies to carry out the functions of the Boards of Finance. Clause 3(c) of the Memorandum of Association of the LDF (company number 150856) formed in 1918 specifically empowers the LDF to carry out (*inter alia*) all of the functions of the London Diocesan Board of Finance. The Articles of Association of the London Diocesan Board of Finance were amended on 7<sup>th</sup> June 1926 to amalgamate the functions of the Board of Finance into the LDF, except anything which was unable to be amalgamated because of statutory provisions. The LDBF is a registered charity (249022) and company limited by guarantee (135519).

### Principal activities

The principal activity of the LDF is to serve and support the parishes and people within the Diocese in their mission of proclaiming the gospel of Jesus Christ. It does this operationally through the payment and housing of parish clergy and chaplaincies and support to their ministry. The LDF also provides community space and facilities to the wider population of London and to visitors to the city.

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

Grants are received from a number of sources including the Church Commissioners and the Trust for London. Grants are awarded to parishes by the Area Councils and to mission initiatives by the Bishop of London's Mission Fund (BLMF) which is a designated fund within the LDF.

### Public Benefit of activities

The trustees have a statutory duty under the Charities Act 2011 to have regard to the guidance issued from time to time by the Charity Commission. The trustees have read the Charity Commission guidance *Charities and Public Benefit* and the supplementary guidance in *The Advancement of Religion for the Public Benefit* and have had regard to it in making relevant decisions.

The trustees believe that this report taken as a whole provides evidence of the public benefit of the charity's work in 2011.

In particular, the trustees believe that, by promoting the work of the Church of England in the Diocese of London, the LDF helps to promote the whole mission of the Church, including its pastoral, evangelistic, social and ecumenical aspects, more effectively, both in the Diocese as a whole and in its individual parishes and that in doing so it provides a benefit to the public by

- providing facilities for public worship, pastoral care and spiritual, moral and intellectual development, both for its adherents and for anyone who wishes to benefit from what the Church offers, and
- promoting Christian values, and services by members of the Church in and to their communities, to the benefit of individuals and society as a whole.

The principal public benefits of the LDF are the advancement of the Christian religion by supporting ministers of religion and others who lead, encourage and support members of the various and diverse communities of the world city of London by and in

## THE LONDON DIOCESAN FUND

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- the provision of public rituals and ceremonies (see below "sharing the good news of Jesus Christ in 21st century London" as part of The London Challenge 2012),
- the cure of souls and the moral and spiritual improvement of the public (see "sharing the good news of Jesus Christ in 21st century London"),
- the provision of comfort to the bereaved (see "expressing God's love in our World City"),
- contributing towards a better society, by promoting social cohesion and social capital, for example by supporting matrimony (see "sharing the good news of Jesus Christ in 21st century London"),
- contributing to the spiritual and moral education of children (see for example "telling the story of Jesus Christ afresh for this generation and especially for the young"),
- carrying out, as a practical expression of religious beliefs, other activities (such as advancing education or conflict resolution, or relieving poverty), which may also be charitable (see for example "serving London and all her people"),
- contributing to good mental and physical health, aiding the prevention of ill health, speeding recovery in ill health (see "sharing the good news of Jesus Christ in 21st century London"),
- the provision and maintenance of sacred spaces, principally churches and churchyards, open to the public and many of which are listed buildings (see "serving London and all her people");
- the provision of public spaces such as church halls as an expression of faith (see "serving London and all her people").

### The Five Year Strategic Plan - The London Challenge 2012

The London Challenge (LC), which was first launched in January 2002, focused the London Diocese on some common strategic objectives for the five years finishing in December 2006. The London Challenge was refreshed with clear objectives for the period 2007-2012. During 2012 as a Diocese we will be developing the next London Challenge.

The London Challenge 2012 sets out seven commitments. It is based on Revelation 21, creating a "holy city, the new Jerusalem". Each commitment has greater detail, which is available on the Diocesan web site at [www.london.anglican.org](http://www.london.anglican.org)

#### The Seven London Challenge 2012 Commitments are:

- 1 We are committed to sharing the good news of Jesus Christ in 21<sup>st</sup> century London
- 2 We are committed to equipping the servants of Jesus Christ
- 3 We are committed to telling the story of Jesus Christ afresh for this generation and especially for the young
- 4 We are committed to serving London and all her people
- 5 We are committed to expressing God's love in our World City
- 6 We are committed to making four Capital Investments
  - recruit and train 2,012 Ambassadors for Jesus Christ under the age of 35 by 2012
  - increase provision in Church of England Secondary Schools by 2,012 places by 2012
  - raise £2,012,000 for development in Africa by 2012 (ALMA)
  - raise £2,012,000 to support mission in London by 2012.

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- 7      We are committed to generating the resources in finance and property to enable the church to respond adequately to the London Challenge

### Performance

**1.      We are committed to sharing the good news of Jesus Christ in 21<sup>st</sup> century London.**

The Diocese supports over 500 worshipping communities. There are also over 150 chaplaincies in schools, colleges, hospitals, the Metropolitan Police, railways, the Olympics, prisons, theatres, the forces, football clubs, Canary Wharf, livery companies, shops and City institutions.

Electoral Roll numbers in the Diocese of London have been growing year on year and now stand at over 70,000 up from c 63,000 in 2007.

**2.      We are committed to equipping the servants of Jesus Christ.**

The LDF is committed to maintaining and developing high standards in clergy and lay training and development. Over £2m of the Fund's resources is invested in the vocational discernment and training of new clergy (there are currently 120 London Diocesan sponsored ordinands), in the continuing professional development of some 700 stipendiary and self supporting clergy, and in the education, training, support and development of many hundreds of licensed and commissioned lay ministers and congregation members on their journey in Christian faith.

In 2011 the Renewing Vision, Renewing Ministry Residential Programme became an established area of professional development offered to clergy approaching the latter stages of ministerial life, to encourage them to engage with their strengths for fruitful and renewed ministry. This programme is now being shared and developed with other dioceses.

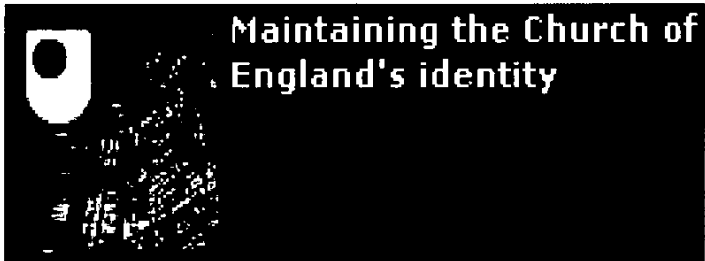
Equipping and training curates and their training incumbents continued to be high on the LDF's agenda with a number of new initiatives developing to enhance the training experience, at a diocesan level over 100 curates attended a successful triennial residential conference, and Area initiatives have included developing specialist knowledge with curates and working with training incumbents on skills-based issues.

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Working with the *Building on History The Church in London* project, we have developed a History Audit toolkit which we are piloting with a number of parishes as a key tool in Mission Action Planning

BUILDING ON HISTORY THE CHURCH IN LONDON



[Watch this video on the Building on History Project on iTunes U](#)

or visit this website to find out more [www.open.ac.uk/Arts/building-on-history-project/](http://www.open.ac.uk/Arts/building-on-history-project/)

In 2011 we published a report called 'Another Capital Idea' to re-examine the themes of the 2003 report *A Capital Idea*, which noted exceptional church growth within the diocese. We have been looking for more ways to use data to help our churches to flourish.



The report updates the progress and patterns of growth up to 2010 and makes further suggestions for the future growth and flourishing of the churches.

The report can be downloaded from our website <http://www.london.anglican.org/CapitalIdea>

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Investment in buildings and support of churches has taken place across London. This has included the re-opening of a church closed for public worship in the 1990s in Kentish Town. See below the before and after photos.



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3. **We are committed to telling the story of Jesus Christ afresh for this generation and especially for the young.**

In 2011 the Diocese launched the London Diocese Children's Charter; a scheme designed to help parishes become more welcoming places to children. Through the year 33 parishes have signed up which compares very favourably with similar schemes in other Dioceses and denominations.



**Children at St John at Hampstead receiving their Children's Charter sign**

For Easter with funding from the LDF, Sam Donoghue (Diocesan Children's Ministry Adviser) in partnership with New Wine Kids and the London Diocesan Board for Schools (LDBS) produced a pack of resources which was given away to every church school and parish church in the Diocese. It contained a range of original media resources and assemblies to help communicate the message of Easter.

## THE LONDON DIOCESAN FUND

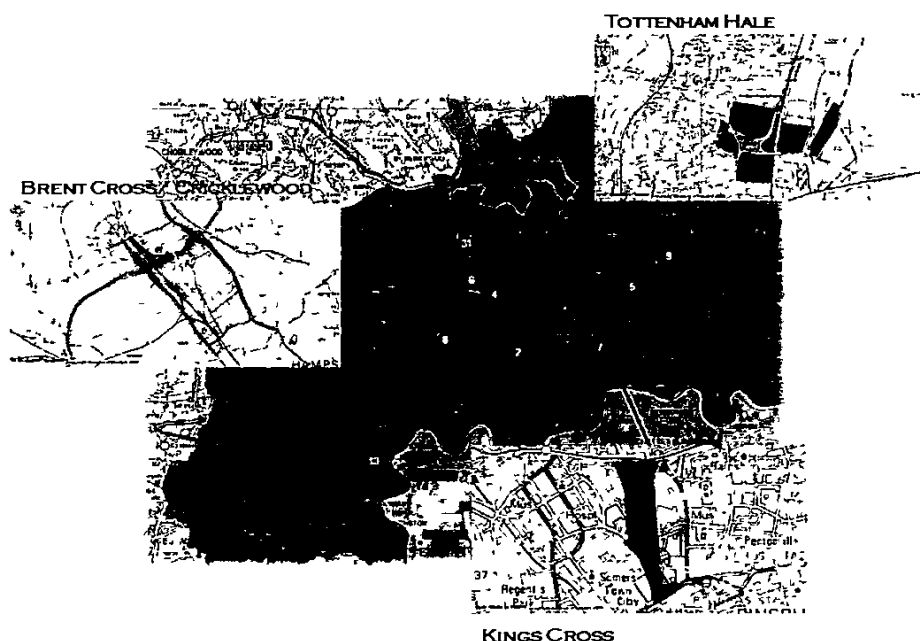
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### 4. **We are committed to serving London and all her people.**

We continue to work to ensure that we remain present in all our communities — particularly amongst the poor. 2011 saw the continuation of support through the work of Community Ministry and the deployment of community development workers to areas of need. The approach taken in 2011 of partnering with other agencies has seen the successful joint funding of community development workers and the drawing in of significant external capital and revenue to pursue the objectives of parishes in some of the most deprived areas of London. Churches that are doing more to meet the local needs are much more likely to grow than churches that see local needs but are not responding. 2011 saw a significant number of developments to ensure that the resources given by past generations and the Common Fund are best used.

In particular the work of Strategic Development has been directed by the Diocesan Strategic Policy Committee to enable both a local and strategic response to the identified areas for investment. The Strategic Development analysis and mapping has been identified by government and General Synod as a method and approach that others should follow. 2011 saw the development of the vision for mission and ministry at Tottenham Hale with local parishes partnering with external mission agencies to create an exciting and vibrant new church at the heart of this large community. Particular success was had at the high profile launch of the Tottenham Hale work at the House of Lords where government and partners' attitudes to the church were re-cast in a positive light. 2011 saw the development not only of the vision, but of a detailed business plan for implementing it which allowed for mission work to begin on site. Work has been undertaken at three other areas of significant development change, Cricklewood, King's Cross, and Earls Court, with support and guidance being given to areas of smaller but still significant development.

The strategic approach has also enabled significant matched funding from external agencies to be secured to enable local mission and ministry initiatives. These have been supported by strategically established partnerships with external agencies which provide skills and staffing not otherwise available to parishes.



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The need for us to serve London and all her people was highlighted in August which saw the worst riots in London since the 1980s with parishes again demonstrating their commitment, love and service to their communities. The parish system and the system of Common Fund which supports ministry in all places was the basis for significant work during and after the riots. By the year end the Emergency4London fund had raised £54,000 to help parishes to reach out to young people at risk of being caught up in gang culture. 14 local youth projects in Tottenham, Ealing and Hackney received the funds.

### **Fr Rob Wickham, Rector, St John at Hackney:**

*"We followed behind the police line and offered a prayer walk and the police said yes to that. Bishop Adnan [the Rt Revd Adrian Newman, Bishop of Stepney] joined me and by 6pm we thought it was all over but we could see billows of black smoke and realised the road behind the rectory was now where the trouble was*

*At 10pm we found out that a woman in her 70s was in one of the flashpoints and had broken her hip. The police had formed a group protecting her. The protestors didn't realise. The police said "tell them what we're doing" so there was this bizarre moment where the Bishop and I wandered up to the rioting protestors and said, "let's get this woman in the ambulance."*

*"We decided to mark exactly one week after the riots so we cleared the road to have a street party and do afternoon tea for 400 people. I asked Jason, the manager of Marks and Spencer, if they could help and he said yes. Lots of the local community were there. We got the tenants and residents to come out in force. Children were standing in the street drawing chalk pictures on to a road that had been strewn with glass. It was deeply profound; absolutely stunning."*



### **On 11 August, Bishop Richard wrote:**

*"I am immensely proud of the response of the church which has played a large part in reclaiming the streets for the overwhelming majority of responsible citizens by prayer vigils and public demonstrations of solidarity with other Christians and community groups."*



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### **5. We are committed to expressing God's love in our World City.**

Work has been undertaken this year to understand better how to support parishes in demonstrating God's love in the communities of this World City. Two particular strands of work stand out.

The first is the survey of what parishes are doing to express that love through service, in short, what we are doing for and with our communities. The last time we did this three years ago we found we had over 650 community focused projects that were actively expressing God's love. Our current work is showing that this commitment has continued through the recession (with over 700 projects at work now), and analysis is being carried out to show us how we can best support local responses through strategic resourcing.

The second strand saw the pilot of 'Project Catalyst', with grants and support being successfully deployed through partnership with external funders. Projects are being enabled to unlock potential in parishes and consequently mission and ministry across the Diocese, and as a result further funding has been set aside by partners to allow a main programme to be developed.

The LDF supports the Diocese in "implementing the Church of England policy on shrinking its environmental footprint and playing its full part in the debate on ecological matters." The previously reported carbon saving of 11.4% from 2005-2008 has reduced to 3.5% from 2005 to 2009, whilst there was exceptional cold weather during 2009 (counter to the global trend).

Sixty one churches are taking part in Energy-saving Benchmarking. There is also a drive to install solar panels and take advantage of the new feed-in tariff (solar panels are now operating at five churches). Home energy surveys have been carried out for 289 residential properties (60%). Environmental work was presented to a Diocesan Synod meeting where a new Diocesan Environmental Policy was adopted.

### **6. We are committed to making four Capital Investments: recruit and train 2,012 Ambassadors for Jesus Christ under the age of 35 by 2012; increase provision in Church of England Secondary Schools by 2,012 places by 2012; raise £2,012,000 for development in Africa by 2012 (ALMA); and raise £2,012,000 to support mission in London by 2012.**

#### **Recruit and train 2,012 Ambassadors for Jesus Christ under the age of 35 by 2012:**

The 2012 is an initiative of the Diocese of London to train, encourage, and release over two thousand Christians in the 13-35 age range, as they seek to live and share the Gospel at this defining moment for our capital city. We already have over 2,500 signed up and taking part.



[www.the2012.org.uk](http://www.the2012.org.uk)

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### **Increase provision in Church of England Secondary Schools by 2,012 places by 2012:**

We substantially exceeded the London Challenge target to increase places by 2012. Within our Church of England schools within the Diocese, places have increased by a total of 4,649 over the last four years. The London Diocesan Board for Schools (LDBS), a separate company and charity, supports not only the 148 schools which the Diocese sponsors but also a number of community schools.

LDBS continues to work with Local Authorities and parishes in providing additional school places to meet the growing population of London, in particular two parishes, St George's, Freezywater and St John's, Dysons Road in Enfield made space available in December 2011 to accommodate children who were without school places. The LDBS has also supported St Luke's Church in Hampstead to open the first Church of England School under the Government's Free Schools programme and has recently been successful in winning a bid to open a new secondary school in Greenford in September 2013.

Diocese of London	2007	2008	2009	2010	2011
Pupils in C of E schools	<b>46,723</b>	<b>47,157</b>	<b>47,873</b>	<b>50,014</b>	<b>51,372</b>

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### **Raise £2,012,000 for development in Africa by 2012 (ALMA):**

Churches in the London Diocese have consistently given over £5m per year to charity (since 2007). Many of them choose to split these donations between local, national and international charities. Many have special links with communities in Africa. In 2010 total donations to charities from London Diocese churches were £5.1m.

ALMA is the partnership between the Anglican Church in Angola, London and Mozambique. ALMA's Lent appeal 2011 raised £50,516 (2010 £61,077).



**Clergy of Cobue district Padres Samuel, Jonathan, Archdeacon Nselela, and Chimunji**

### **Raise £2,012,000 to support mission in London by 2012:**

This objective has not been achieved. In order to accelerate our progress in raising money for the Bishop of London's Mission Fund a fundraiser has now been appointed to initiate a patrons programme for this fund.

### **7. We are committed to generating the resources in finance and property to enable the church to respond adequately to the London Challenge.**

The London Challenge includes a commitment to maintaining a balanced General Fund budget and high standards of maintenance for the LDF's buildings, many of which are of architectural and historical importance. In 2011 the LDF generated a surplus on its General Fund of £0.7m (before exceptional items) which is above the definition of a balanced budget (exceptional items including pension fund deficit costs resulted in a deficit overall). A balanced budget is planned for 2012 though current economic conditions are likely to make its delivery challenging.

In 2011 a short film was made to explain how the Common Fund system supports the work of the whole diocese. A short version of the film (which is available on DVD) can be found on our website <http://www.london.anglican.org/Common-Fund>. Feedback on the film has been extremely positive and it

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has been a key form of communication for anyone new to the diocese, whether trustee, volunteer, congregation members, new clergy or visitors

### **Priorities for the final year of the current London Challenge 2012**

To focus our effort over the final months of the LC, senior staff have reset priority work areas, as follows

**1. We are committed to sharing the good news of Jesus Christ in 21<sup>st</sup> century London.**

We will increase momentum in Church planting and learn from experience to date

**2. We are committed to equipping the servants of Jesus Christ.**

2012 will see a number of exciting new developments coming to fruition, culminating in a first Study Summit, bringing together all the Diocese's licensed clergy (around 700) exploring the theology underpinning ministering in a World City, with key note speakers including the Archbishop of Canterbury and Dr Tim Keller.

In 2012 we will be seeking to develop further initiatives in Christian Leadership, developing the pilot work of the *Riverside Leadership Forum* and working with St Mellitus College

2011 saw pilot work on initiatives to explore interim ministry in parishes in vacancy, this pilot work is being extended in 2012 to equip experienced clergy to work with parishes during a vacancy in addressing issues affecting mission and ministry

We will also be developing extensively the Diocesan on-line resources for training and development. Building on the new Licensed Lay Ministry training scheme developed in partnership with St Mellitus College we are reviewing the ways in which we support and develop Licensed and Commissioned Lay Ministers in the Diocese, and will be introducing a new Ministerial Development Review schema for Lay Ministers

Overall, 2012 will see more work to develop the support, training, education and equipping of the servants of Jesus Christ in the Diocese of this World City

**3. We are committed to telling the story of Jesus Christ afresh for this generation and especially for the young**

We will work to further exploit mission opportunity for growth of church schools and improve church/school links

**4. We are committed to serving London and all her people.**

We will continue and develop our mission planning in areas of major change – identified as Tottenham Hale, Earls Court, King's Cross and Cricklewood

**5. We are committed to expressing God's love in our World City.**

Efforts will be redoubled to achieve the target of 2012% carbon savings by 2012

**6. We are committed to making four Capital Investments:**

- Recruit and train 2,012 Ambassadors for Jesus Christ under the age of 35 by 2012

London Calling held on 24 April 2012 was the worship and commissioning event for the 2012, hosted by the Bishop of London at St Paul's Cathedral

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Members of the 2012 will have the opportunity (if they wish) to serve on a variety of mission and service projects surrounding the Olympics, Paralympics and beyond. These mission opportunities will be coordinated with More Than Gold and the Diocesan Olympic Mobiliser. Examples range from simple acts of service such as giving out free cups of water to spectators; to week-long commitments serving in parish holiday clubs for sports outreach to children.

- Raise £2,012,000 to support mission in London by 2012

As noted earlier, a fundraiser has been appointed to initiate a patrons programme for this fund

### **7. We are committed to generating the resources in finance and property to enable the church to respond adequately to the London Challenge**

We will review our financial strategy, including the pattern of support to struggling parishes. A review is taking place of the work of the property team building on the successful increase in net property income from investments from £2.3m in 2006 to £3.6m in 2011.

### **Financial performance – 'The Business Review'**

Section 417 of the Companies Act 2006 requires every company to prepare a 'business review'. The purpose of the business review is to inform members of the company and help them assess how the directors have performed their duty under section 172 (duty to promote the success of the company).

In the case of the LDF the members and directors are the same individuals. This section is intended, when taken with the other sections of this report, to satisfy the requirements of the law and to provide useful information for readers of these accounts. It also takes account of the statement of best practice *Reporting Statement: Operating and Financial Review* issued by the Accounting Standards Board in January 2006 and various regulations made through statutory instrument.

### **General Fund**

The LDF recorded an operating surplus on the General Fund of £0.7m. This compares to the deficit of around £0.2m in 2010.

Compared to 2010

- Incoming resources increased by £1.9m to £31.6m (2010: £29.7m)
- Resources expended increased by £1.0m to £30.9m (2010: £29.9m)

Donations from parishes through Common Fund increased by 4.6% or £0.9m to £20.3m. Incoming resources from other donations and from property remained approximately the same as in 2010. The trustees are very grateful to all the donors.

Returns on cash in the banks and from shares increased by £0.3m primarily due to the transfer of around £6m of cash into higher income-generating equities and bonds at the beginning of the year, although bank interest rates continued at historically low levels of around 0.5%-0.7%.

There was an increase in the number of clergy sponsored directly by parishes and others and their financial contributions are shown as income, 'stipend refunds', in these accounts. These increased to £3.0m.

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Resources expended rose with increases in total clergy stipend costs and pension contributions combining with increases in funds spent on clergy housing and grants made to parishes

Contributions to the Archbishops' Council (part of the NCIs) remained steady at £2.0m. The major part of these donations funds the training of new clergy

Other general fund expenditure was very tightly controlled throughout the year and economies were achieved against budget in many departments

Overall, the careful control of expenditure enabled the LDF to achieve an operating surplus on the General Fund of £0.7m in 2011 despite high inflationary pressures

Taking the surplus of £0.7m, a pension deficit provision of (£1.2m), some transfers out of (£0.1m) and the (£0.4m) unrealised loss on investments all into account, the overall deficit on the LDF's General Fund for 2011 is (£1.0m)

Our current London Challenge commitment is to balance the General Fund to within 0.5% of the LDF's General Fund income. In 2011 the operating surplus of £0.7m, before the exceptional items noted above, is marginally above the definition normally used to indicate a 'balanced budget'

### **Total Funds (General Fund, Designated, Restricted and Endowment Funds together)**

An aggregate 'operating' deficit across all funds of £2.9m (£4.3m in 2010) was recorded during the year

Overall incoming resources increased by £1.6m or 5% from £31.4m in 2010 to £33.0m in 2011 mainly because of the continuing generosity of the thousands of people in the parishes who support the LDF's work. Overall resources expended increased by £0.2m or 0.6% from £35.7m in 2010 to £35.9m in 2011

During the year, the property team continued to manage the LDF's properties to provide the best possible service to clergy and maximise the revenue from investment property and from functional property that was temporarily not in operational use.

For some designated and restricted funds, expenditure exceeded income as these funds were spent for the furtherance of the ministry and mission of the church in London and providing benefit to the people of the city.

Some of the support was given to individual projects and individual clergy, notably via the Bishop of London's Mission Fund, other support took the form of provision of housing and other facilities for clergy, and some took the form of loans and grants to parochial church councils and church schools. More details of these activities are in the notes to the accounts and further information is available in the annual report to parishes and on the website

There were net other recognised gains of £14.9m (2010 £11.7m), principally due to increases in property valuations and realised gains on property of £16.2m (2010 £10.6m), though this was offset by a decrease in investment valuations of £1.3m (2010 increase of £1.1m) due to capital value deterioration on the stock market

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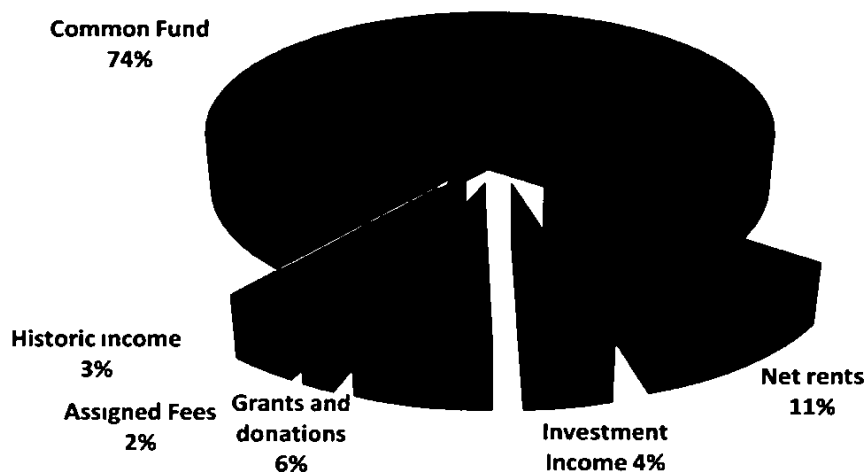
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There was a significant net cash outflow mainly because a decision was implemented in 2011 to transfer in excess of £6m of cash into listed equities and bonds. Gains of £2.6m (2010: £1.7m) were realised on disposal of property. Depreciation of £2.9m (2010: £2.6m) was charged in the year.

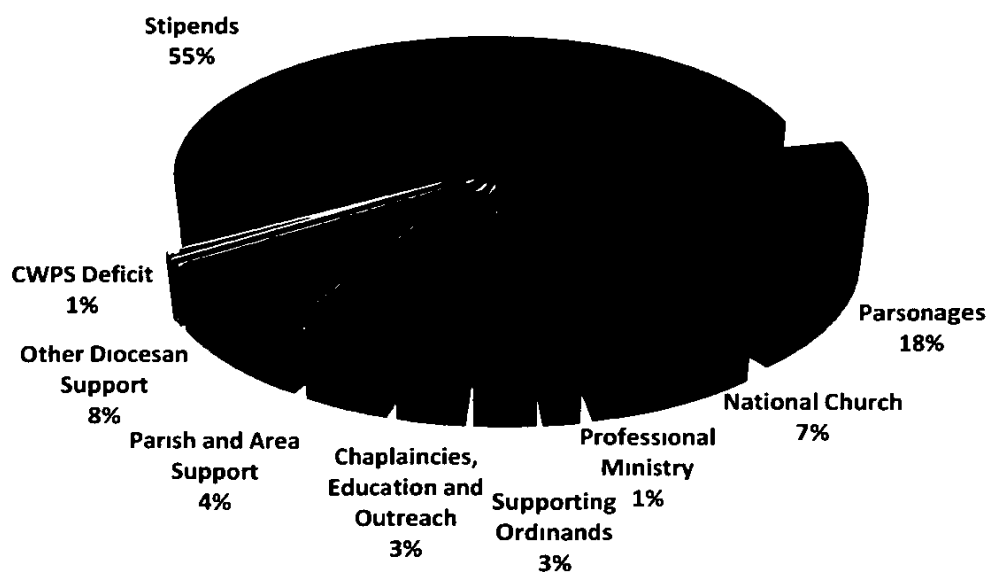
There was, therefore, an increase in assets of £10.8m (2010: £7.4m) for the year to £363.9m (£353.1m in 2010). The substantial majority of this is represented by property used in the LDF's charitable operations.

**The budget and outlook for 2012** - The budget for 2012 was approved by the Bishop's Council and received by the Diocesan Synod in November 2011. It budgets for General Fund income to increase by £0.9m and Common Fund up to £20.5m. General Fund expenditure is forecast to increase by £1.1m; with a 2.5% increase in stipends in 2012, and more funds available to help struggling parishes and individuals.

### Income Budget 2012



### Expenditure Budget 2012



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### Principal Risks and Uncertainties

The Companies Act 2006 requires the directors to disclose the principal risks and uncertainties facing the company. The LDF's process for managing these risks and uncertainties is described in an earlier section. Active programmes are in place to mitigate each identified principal risk.

The main risks to the LDF's income are that parishes will not be able to donate as generously as they have pledged or would wish. A one percent decrease in Common Fund contributions would mean a reduction in income of about £0.2m. The general economic environment makes this more likely than was the case through much of the last decade.

The principal risks on expenditure are that there may be additional pension deficits to be funded, the costs of training ordinands may rise further, there may be unanticipated property maintenance expenditure, council or other taxes may rise more than expected; or there may be unanticipated expenditure.

Under the Ecclesiastical Offices (Terms of Service) Measure the Fund is legally liable for the payment of clergy stipends not less than the National Minimum Stipend (or pro rata if part time) for those posts under Common Tenure. In contrast the LDF's principal income stream, contributions from parishes, is a matter of generosity and shared goals for ministry but is not legally enforceable.

Other identified major risks include that it may be not possible to insure adequately churches no longer used for regular public worship, the risk of flooding may increase significantly due to climate change and insurance premia will rise in response, hostile news media reports may adversely impact the work of the LDF; and safeguarding procedures for children and vulnerable adults may prove inadequate.

The LDF's management will keep the risks under review and ensure that proportionate mitigation strategies are in place.

### Plans for Future Periods

We aim to keep the day by day income and expenditure of the LDF in balance while using designated and restricted funds for the purposes for which they are held. 2012 is the ninth year in a row when we have set a balanced budget for General Funds.

The challenge for the future is to

- Deliver ministry and services in more effective ways, being at all times innovative,
- Grow and steward our resources.

During 2012 we will continue to fulfil the commitments of the London Challenge 2007-2012. We will also begin to develop a new strategic framework for use in the Diocese of London for the period 2013-2020.



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### Policies and other matters

#### Investment Policy

The LDF holds investments on its own behalf and as Ecclesiastical Custodian Trustee for parishes under the Parochial Church Councils (Powers) Measure 1956

The LDF keeps investments under its control under regular review and receives periodic guidance from an Investment Advisory Group which comprises investment expertise and from the Property Advisory Group. The main investment objective is to seek the maximum return over the long term, taking into account both income and capital appreciation, with minimum risk to the real value of the assets. Targets set for the strategic allocation of assets between different classes of investment reflect the Trustees' views on the appropriate balance to be struck between returns and risks.

The LDF currently operates asset allocation objectives that differ between types of fund. Broadly, they are based upon bands for property and equity that encompass around 80% of assets with cash and bonds forming around 20%. Redistribution between asset types to meet these objectives took place in the first half of 2011 with a further £6.5m placed with listed equities and bonds from cash.

#### Reserves Policy and Designated Funds

A review of designated reserves was again undertaken during the year. The policy will be kept under regular review in the light of changing financial market conditions, which affect both the resources available and the calls upon them.

General reserves are held specifically to finance working capital requirements to the extent that expenditure (principally stipends, salaries and property costs) is not matched by simultaneous receipt of Common Fund and investment income. Funds are held in liquid deposits paying commercial rates of interest. The policy is that general reserves equivalent to approximately one month's expenditure should be held in cash or near cash form for this purpose. General reserves at 31st December 2011 were £1.3m (2010 £2.3m). These equate to about 15 days of general fund expenditure (2010 29 days). The sharp reduction is primarily due to the £1.2m of pension deficit costs provided for in 2011. The trustees intend to replenish these general reserves over the next 5 years through the careful setting of annual budgets.

Funds with a value of £86.8m (2010 £82.8m) have been designated for particular purposes as described more fully in Note 12a to the financial statements.

Over half of this value, £48.2m (2010 £44.5m), is represented by functional property and the associated parsonage and fund property reserves, which are used to house clergy in support of one of the principal charitable objectives of the LDF. As described in the notes to the financial statements, most clergy housing is not owned by the LDF but is nevertheless recognised in the accounts in accordance with Financial Reporting Standard no 5.

About one third of these funds, £27.2m (2010 £26.6m) is represented by investment property which is discussed below.

Some of these funds have been designated to enable loans to be made to further the charitable aims of the LDF. The value of the funds will continue without material change as loans are made and repaid. The

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Diocesan Loan Capital designated fund of £4.4m (2010 £4.2m) is the major example. It is used mainly to provide loans to parishes, often to enable them to undertake major capital projects that would otherwise not be able to proceed

The remainder of the designated funds, with a value of £7.0m (2010 £7.5m), is designated for various particular purposes, especially enabling the LDF to evolve and take advantage of strategic development opportunities. Many of these funds are gradually being exhausted as they are spent for the purposes for which they were designated. Some of these funds may be expected to be replenished over time by further donations and designations.

### **Policy on Property Investments of Unrestricted but Designated Funds**

Unrestricted but designated property investments, amounting to £27.2m (2010: £26.6m) of the amounts discussed above, are held for two principal reasons:

One reason is to reduce the risks posed by large changes in the environment in which the LDF operates and to protect the LDF from insolvency or serious disruption to its work. The LDF needs to balance the risk between the short term nature of income and the long term continuing needs of clergy.

Clergy are office holders and are not employed by the LDF. Stipends are paid by the National Church Institutions, which look to the LDF to recompense them for the clergy in the Diocese. Clergy are entitled to receive a basic stipend and, in practice, receive an enhanced stipend. This entitlement for many incumbents continues until they reach the age of seventy. For some, it is a lifetime entitlement. Some clergy have an expectation that they will continue to receive the enhanced stipend for as long as their entitlement to stipend continues. This represents a long term moral, but not legal, obligation for the LDF. On the other hand, the LDF's income consists mainly of voluntary donations by parishioners through their PCCs.

If there was, for any reason, a major decline in parishioners' giving to the Church, the LDF might be left with a major imbalance between income and expenditure. If Common Fund income were to fall by a half, selling the unrestricted investments would make up the shortfall for between two and three years.

With the implementation of the Ecclesiastical Offices (Terms of Service) Measure 2009 (2009 no 1) and regulations made under section 2 of that measure, office holders holding a stipendiary post are now entitled to receive a stipend not less than the National Minimum Stipend. The Measure and Regulations were implemented on 31 January 2011.

The second reason for holding the designated investments is to ensure an equitable balance of expenditure between generations. Many of the assets used by the LDF today were provided by past generations and there is a need to provide assets for future generations.

All assets, except operational properties used mainly for housing parish clergy, are invested with the aim of producing income to support the LDF's charitable work.

### **Restricted Funds**

Funds with a value of £20.0m (2010: £20.5m) were restricted in their application in accordance with conditions specified by the donors. They are described more fully in Note 12b to the financial statements. Glebe assets are regarded as restricted expendable endowment funds.

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### **Investment returns**

Investment property with a net book value of £81.5m (2010 £79.9m) generated income of £4.0m (2010. £3.6m)

Investments in equities, fixed interest securities and other quoted securities amounted to £21.3m (2010. £16.0m) These include sole trusts, and details are in Note 7 to the financial statements. Losses in value of £1.2m (2010 Gains of £1.1m) were recorded and dividends of £1.0m (2010 £0.8m) were received The loss in value of investments in shares, which are held through investment funds, was broadly in line with the movement in the value of FTSE all-share index

### **Valuation of real property assets**

The majority of the real property assets are held for the long term use of the LDF, rather than for re-sale, and are valued in the accounts at 'insurance value' which reflects the replacement cost The market value of the property might differ substantially from its insurance value In the directors' and trustees' opinion, given the intention to hold the properties in the long term and taking account of paragraph 2(1) of Schedule 7 to The Large and Medium Sized Companies and Groups (Accounts and Reports) Regulations 2008, the difference is not of such significance as to require the attention of the members of the company to be drawn to it and this report therefore does not indicate the difference with such degree of precision

### **Pension Schemes**

From 1 January 2011 the Church of England Clergy Pension Scheme changed to being contracted into the Second State Pension This change means that both the LDF and clergy will pay greater National Insurance contributions, at the same time, this change helps the Pensions Board to reduce the contribution rate

The Pensions Board, taking into account the revised legislation and scheme, reduced the contribution rate to 38.2% from 45% on 1st January 2011

During 2011 the LDF were notified of their share of the deficit on the Church Workers Pension Scheme (for lay staff), together with the expected future service contributions required if no changes are made to the scheme going forward A provision for the LDF's share of the deficit, of £1.2m, was included in the accounts for 2011

### **Other Matters**

Attention is drawn to Note 9b of the financial statements which details the LDF's support of connected charities, for example in the form of grant funding given of £160k (2010. £150k) to the London Diocesan Board for Schools and with reference to other support in respect of accommodation and office support This is to ensure that the Diocese of London both fulfils its statutory education responsibilities and its desire that the Gospel of Christ is also spread through educational ministry

One of the main ways in which the LDF supports the ministry of parishes is through the provision of grants and loans In 2011, grants to London parishes totalled £1,781k (2010. £1,593k)

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## **THE LONDON DIOCESAN FUND**

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### **Members and Members' Interests**

The LDF is a charitable company limited by guarantee and its directors and trustees may derive no benefit, income or capital interest in the LDF's financial affairs other than reimbursement of out of pocket expenses. Note 9b to the financial statements shows expenses reimbursed to Council members. For information this note also shows the amounts paid to the clerical members of Council for their stipend. This is paid to them as Ministers of Religion in the Diocese rather than as Directors or Trustees.

The Synodical Secretary maintains a register of declarations of interest. All trustees have access to it.

### **Disclosure of information to auditors**

Each Trustee who held office at the date of approval of this trustees' report confirms that, so far as he or she is each aware, there is no relevant audit information of which the LDF's auditors are unaware, and that he or she has taken all the steps that he or she ought to have taken as a director in order to make himself or herself aware of any relevant audit information and to establish that the LDF's auditors are aware of that information. 'Relevant audit information' means information needed by the LDF's auditors in connection with preparing their report. In doing so, the trustees have made enquiries of their fellow directors and of the LDF's auditors, and have taken such other steps (if any) for that purpose, as are required by their duty as a director of the LDF to exercise reasonable care, skill and diligence.

### **Trusts**

The Council has adopted a programme of work encompassing risk and investment management reviews of all trust holdings. Trusts with small balances, typically less than £10,000, are gradually being closed as permitted under Charity Commission guidelines and following consultation with beneficiaries. The capital funds are remitted to the designated beneficiaries to be used in accordance with the terms of the trust.

### **Funds Held as Custodian Trustee on Behalf of Others**

As noted on page 52 the LDF is custodian trustee for trust assets of £15.8m (2010 £18.9m). Detailed certificates of holdings were sent to parishes and other managing trustees as at 31 December 2011.

Most of these trusts are held on behalf of parishes whose charitable purposes are parallel to those of the LDF. Assets held under these trusts are held separately from those of the LDF.

A statement of the custodian trustees' responsibilities is also found on page 52 together with non-statutory financial statements, notes thereto and a non-statutory independent auditors' report to the custodian trustees between pages 52 and 56. Because of the large number of such trusts they are not listed separately.

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for the year ended 31 December 2011

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

The trustees are responsible for preparing the Trustees' Annual Report and the financial statements in accordance with applicable law and regulations. Company law requires the trustees to prepare financial statements for each financial year in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice). The financial statements are required by law to give a true and fair view of the state of affairs of the charitable company and of any excess of expenditure over income for that period.

In preparing these financial statements, the trustees are required to

- \* select suitable accounting policies and then apply them consistently,
- \* make judgements and estimates that are reasonable and prudent,
- \* state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- \* prepare the financial statements on the 'going concern' basis unless it is inappropriate to presume that the group and the charity will continue in its activities.

The trustees are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the charitable company and enable them to ensure that its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the charitable company and to prevent and detect fraud and other irregularities.

The trustees are responsible for the maintenance and integrity of the corporate and financial information included on the charitable company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

  
The Ven Dr W M Jacob  
Member of Bishop's Council and Finance Committee Chairman

14 May 2012

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## THE LONDON DIOCESAN FUND

Directors' and Trustees' Report and Financial Statements  
for the year ended 31 December 2011

### **Independent auditor's report to the members of the London Diocesan Fund**

We have audited the financial statements of the London Diocesan Fund for the year ended 31 December 2011 which comprise the Statement of Financial Activities, the Summary Income and Expenditure account, the Balance Sheet, the note of Historical Cost Profits and Losses, the Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

#### **Respective responsibilities of trustees and auditors**

As explained more fully in the Trustees' Responsibilities Statement set out on page 29, the trustees (who are also the directors of the charity 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.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors. This report is made solely to the charity's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the charity's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charity and the charity's members as a body for our audit work, for this report, or for the opinions we have formed.

#### **Scope of the audit of the financial statements**

A description of the scope of an audit of financial statements is provided on the APB's web-site at [www.frc.org.uk/apb/scope/private.cfm](http://www.frc.org.uk/apb/scope/private.cfm)

#### **Opinion on the financial statements**

In our opinion the financial statements

- give a true and fair view of the state of the charity's affairs as at 31 December 2011 and of its incoming resources and application of resources, including its income and expenditure, for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

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**THE LONDON DIOCESAN FUND**

Directors' and Trustees' Report and Financial Statements  
for the year ended 31 December 2011

**Opinion on the other matter prescribed by the Companies Act 2006**

In our opinion the information given in the Directors' and Trustees' Report for the financial year for which the financial statements are prepared is consistent with the financial statements

**Matters on which we are required to report by exception**

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the 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.



**Alistair Fraser (Senior Statutory Auditor)**

**for and on behalf of Mazars LLP**

Chartered Accountants and Statutory Auditor

Times House, Throwley Way, Sutton, Surrey SM1 4JQ

14 May 2012

# THE LONDON DIOCESAN FUND

## Statement of Financial Activities - for the year to 31 December 2011

		Unrestricted funds	Restricted	Endowment	Total	Total
		General	Designated	Funds	Funds	
		£m	£m	£m	£m	£m
<b>Incoming Resources</b>	<b>Notes</b>					
<b>Incoming Resources from generated funds</b>						
<i>Voluntary income</i>						
Common Fund		203	-	-	203	194
Donations		05	-	03	08	12
Church Commissioners		-	03	02	05	07
Trust for London		12	-	-	12	12
Stipend refunds		30	-	-	30	28
<i>Activities for generating funds</i>						
Functional Property Rentals		12	01	-	13	11
Assigned Fees		05	-	-	05	04
<i>Investment Income</i>						
Dividends and Interest Receivable	10b	10	-	02	12	09
Investment Property Rentals		39	-	01	40	36
<b>Other Incoming Resources</b>		-	02	-	02	01
<b>Total Incoming Resources</b>		<b>316</b>	<b>06</b>	<b>08</b>	<b>330</b>	<b>314</b>
<b>Resources Expended</b>						
<b>Cost of generating funds</b>						
<i>Investment management costs</i>						
Rental portfolio costs - agent fees		04	-	-	04	03
Investment Property repairs & maintenance		10	-	02	12	10
<b>Charitable activities</b>						
Ministry		197	01	01	199	198
Education & Outreach		06	-	-	06	06
Parish and Area Support Services		11	-	02	13	14
Clergy Housing & Care of Churches		56	09	-	83	84
National Church		20	-	-	20	21
Grants to Parishes & Overseas	5	03	08	09	20	17
Governance		02	-	-	02	03
<b>Other resources expended</b>		-	-	-	-	01
<b>Total Resources Expended</b>	4	<b>309</b>	<b>18</b>	<b>14</b>	<b>359</b>	<b>357</b>
<b>Net (outgoing) resources for year before transfers and pension deficit costs</b>		<b>07</b>	<b>(12)</b>	<b>(06)</b>	<b>(18)</b>	<b>(43)</b>
<b>Pension Deficit costs</b>		<b>(12)</b>	<b>-</b>	<b>-</b>	<b>(12)</b>	<b>-</b>
<b>Net (outgoing) resources for year after pension deficit costs and before transfers</b>		<b>(05)</b>	<b>(12)</b>	<b>(06)</b>	<b>(18)</b>	<b>(43)</b>
<b>Transfers between funds</b>	12d	<b>(01)</b>	<b>09</b>	<b>(01)</b>	<b>(07)</b>	<b>-</b>
<b>Net (outgoing) resources for year after transfers</b>		<b>(06)</b>	<b>(03)</b>	<b>(07)</b>	<b>(41)</b>	<b>(43)</b>
<b>Other recognised gains and losses</b>						
Unrealised (losses) / gains on investment assets	7	(04)	(02)	(02)	(13)	11
Unrealised gains on property assets	6	-	25	03	136	89
Realised gains on property assets		-	20	01	26	17
<b>Net Gains</b>		<b>(04)</b>	<b>43</b>	<b>02</b>	<b>149</b>	<b>117</b>
<b>Net movement in funds for the year</b>		<b>(10)</b>	<b>40</b>	<b>(05)</b>	<b>108</b>	<b>74</b>
<b>Balances at 1 January 2011</b>		<b>23</b>	<b>828</b>	<b>205</b>	<b>3531</b>	<b>3457</b>
<b>Balances at 31 December 2011</b>		<b>13</b>	<b>868</b>	<b>200</b>	<b>3639</b>	<b>3531</b>

All incoming and expended resources relate to continuing operations

There is no difference between the net incoming resources for the financial year and their historical cost equivalent.

The notes on pages 36 to 50 form part of these financial statements



# THE LONDON DIOCESAN FUND

## Balance Sheet - as at 31 December 2011

	Notes	Unrestricted General Fund £m	Unrestricted Designated Funds £m	Restricted Funds £m	Endowment Funds £m	Total 2011 £m	Total 2010 £m
<b>Fixed Assets</b>							
Functional Property	6	-	46.6	1.7	205.3	253.6	243.2
Investment Property	6	-	27.2	12.2	42.1	81.5	79.9
Fixtures, Fittings and Equipment		0.1	-	-	-	0.1	0.1
Investments	7	2.6	5.9	3.9	8.9	21.3	16.0
		<b>2.7</b>	<b>79.7</b>	<b>17.8</b>	<b>256.3</b>	<b>356.5</b>	<b>339.2</b>
<b>Current Assets</b>							
Debtors	9	1.4	4.2	0.5	-	6.1	6.1
Cash and short term deposits	10a	3.0	9.1	2.8	(0.5)	14.4	20.7
		<b>4.4</b>	<b>13.3</b>	<b>3.3</b>	<b>(0.5)</b>	<b>20.5</b>	<b>26.8</b>
<b>Creditors:</b>							
Amounts falling due within one year	11	2.0	3.0	0.3	-	5.3	6.1
<b>Net Current Assets</b>		<b>2.4</b>	<b>10.3</b>	<b>3.0</b>	<b>(0.5)</b>	<b>15.2</b>	<b>20.7</b>
<b>Total assets less current liabilities</b>		<b>5.1</b>	<b>90.0</b>	<b>20.8</b>	<b>255.8</b>	<b>371.7</b>	<b>359.9</b>
<b>Creditors</b>							
Amounts falling due after one year	11	3.8	3.2	0.8	-	7.8	6.8
<b>Net Assets</b>		<b>1.3</b>	<b>86.8</b>	<b>20.0</b>	<b>255.8</b>	<b>363.9</b>	<b>353.1</b>
<b>Funds</b>							
General		1.3	-	-	-	1.3	2.3
Designated	12a	-	86.8	-	-	86.8	82.8
Restricted	12b	-	-	20.0	-	20.0	20.5
Endowment	12c	-	-	-	255.8	255.8	247.5
<b>Total Funds</b>		<b>1.3</b>	<b>86.8</b>	<b>20.0</b>	<b>255.8</b>	<b>363.9</b>	<b>353.1</b>

The notes on pages 36 to 50 form part of these financial statements

The financial statements on pages 32 to 50 were approved, and authorised for issue, by the Diocesan Bishop's Council on 14 May 2012



The Ven Dr W M Jacob  
Member of Bishop's Council and  
Finance Committee Chairman



Mr I R M Woolf  
Member of Bishop's Council

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## THE LONDON DIOCESAN FUND

### Summary Income and Expenditure Account - for the year to 31 December 2011

	2011 £m	2010 £m
<b>Non-endowment movements</b>		
Gross income	33.0	31.4
Realised gains	2.1	1.6
<b>Total income</b>	<u>35.1</u>	<u>33.0</u>
<b>Total expenditure</b>	(34.1)	(34.0)
<b>Net income on non-endowment funds before unrealised gains/(losses) and transfers</b>	<u>1.0</u>	<u>(1.0)</u>

There was no income from non-charitable trading activity in the year

All incoming and expended resources relate to continuing operations

The Summary Income and Expenditure Account is derived from the Statement of Financial Activities on page 32, which together with the notes to the financial statements on pages 36 to 50 provides full information on the movement during the year on all the funds of the LDF

<b>Note of historical cost profits and losses - for the year to 31 December 2011</b>	2011 £m	2010 £m
(Deficit) for the financial year	(4.1)	(4.3)
Realisation of revaluation gains of previous years	2.6	1.7
<b>Historical Cost (loss) / profit for the year</b>	<u>(1.5)</u>	<u>(2.6)</u>

The notes on pages 36 to 50 form part of these financial statements

# THE LONDON DIOCESAN FUND

## Cash Flow Statement - for the year to 31 December 2011

	Notes	2011 £m	2010 £m
<b>Net cash outflow from operating activities</b>	13a	(7.9)	(3.9)
<b>Returns on investments and servicing of finance</b>	13b	6.6 (1.3)	5.7 1.8
<b>Capital flows and financial investment</b>	13b	(4.9)	0.9
<b>(Decrease) / Increase in cash in the year</b>		<b>(6.2)</b>	<b>2.7</b>
<b>Reconciliation of net cash flow to movement in net funds (see note 13)</b>			
<b>(Decrease) / Increase in cash in the year</b>		(6.2)	2.7
<b>Non cash (increase) / decrease in funds</b>		(0.1)	0.8
<b>Movement in net funds in the year</b>		<b>(6.3)</b>	<b>3.5</b>
<b>Net funds at 1 January</b>		17.6	14.1
<b>Net funds at 31 December</b>	13c	<b>11.3</b>	<b>17.6</b>

The notes on pages 36 to 50 form part of these financial statements

**Notes to the financial statements - for the year ended 31 December 2011**

**I Principal accounting policies**

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom, the Statement of Recommended Practice, Accounting and Reporting by Charities (2005) and the Diocesan Annual Report and Financial Statements Guide (v4 2009)

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

**I.1 Basis of preparation**

The LDF prepares its annual financial statements on the historical cost basis of accounting as adjusted for the revaluation of investments, investment properties and functional properties

**I.2 Funds**

The LDF has various types of fund for which it is responsible and which require separate disclosure. Note 12 shows the balances and movements on each fund together with details of their uses. The trustees' report gives an overview of the LDF's Reserves Policy

Unrestricted Funds

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

(a) General Funds

(b) Designated Funds (note 12a)

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

Restricted Funds (note 12b)

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

Endowment Funds (note 12c)

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

**I.3 Taxation status**

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

## Notes to the financial statements - for the year ended 31 December 2011 (continued)

## 14 Statement of Financial Activities

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

Income	Explanation
<b>Voluntary Income</b>	
Common Fund	Contributions paid by the parishes in the Diocese of London to the LDF
Donations	Gifts from external organisations and individuals
Church Commissioners	Grant income from the Church Commissioners
Trust for London	Grant income from Trust for London (formerly City Parochial Foundation)
Stipend refunds	Stipend refunds are amounts received in respect of clergy involved in largely local initiatives financed directly by parishes or other institutions
<b>Activities for generating funds</b>	
Functional Property rental income	Functional property is usually held to house clergy. Where property is not used for this purpose in the short-term it is let out at market rates to generate additional income. Designated and Glebe functional rental income is receivable within general funds. Rental income from closed church buildings is accounted for within restricted funds.
Assigned fees	Assigned fees are statutory charges for weddings and funerals. They are initially paid to the incumbent and then legally transferred by the incumbent to the LDF to be set against the overall stipends bill. They are not additional income to the basic stipend.
<b>Investment Income</b>	
Dividends and Interest receivable	Income arising is credited to the relevant funds on a receipts basis for dividends, and on an accruals basis for interest income.
Investment Property rental income	Investment property is let out at market rate. Designated and Glebe investment rental income is receivable within general funds.
<b>Expenditure</b>	
<b>Cost of generating funds – investment management costs</b>	
Rental portfolio costs agent fees	Agent fees paid in relation to the management of the property portfolio.
Investment property repairs and maintenance	Repairs and maintenance relating to the investment property portfolio.
<b>Charitable activities</b>	
Ministry	Ministry primarily includes the payment of clergy stipends, national insurance and pension contributions.
Education & Outreach	Annual grant to the Board for Schools in London plus direct costs related to children's ministry, community ministry and social justice.
Parish and Area Support Services	Costs associated with the Areas including office costs, senior clergy expenses and the costs of advisers.
Clergy Housing & Care of Churches	Clergy Housing & Care of Churches represents the repairs, maintenance, depreciation and other property costs associated with the functional property portfolio, and the relevant costs of the Diocesan Advisory Committee and property department.
National Church	The LDF's contribution to the National Church's costs.
Grants to Parishes & Overseas	Grants made to London parishes and overseas Dioceses.
<b>Governance</b>	
Governance Costs	Governance costs include the costs of governance arrangements which relate to the general running of the charity as opposed to those costs associated with charitable activities and fund raising. Governance costs include the costs of Diocesan Synod and the cost of legal advice provided to the trustees in their capacity as the LDF's trustees.

Notes to the financial statements - for the year ended 31 December 2011 (continued)

1.5 Tangible Fixed Assets

Property

All functional property is held at depreciated replacement cost and investment property at market value. Assets in the course of construction are held at cost.

(a) Benefice Houses

The LDF is formally responsible for the maintenance and repair of parsonages and has some jurisdiction over their future use or potential sale, but legal title is vested in the incumbent.

FRS 5 requires the accounting treatment to follow the substance of arrangements rather than their strict legal form. Accordingly the trustees consider it appropriate to treat such properties as expendable endowment fund assets valued at insurance value. It is considered that this approximates, once depreciated, to depreciated replacement cost.

(b) Burial Grounds

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

(c) Closed Church Buildings

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

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

Property costs over £10k are capitalised where there has been significant enhancement to the underlying assets. In practice all major capital projects are capitalised.

(e) Fixtures, fittings and equipment

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

Depreciation

Fixed assets are depreciated over their useful economic life. Depreciation is charged on the following types of assets, over their expected lives as follows:

Benefice Houses	150 years
Freehold properties	50 years
Leasehold properties	Lease Term
Fixtures, fittings and equipment	4 years

1.6 Investments

Investment Property

The trustees' policy is that freehold properties held for investment purposes have been included at the trustees' best estimate of market value. Only major items of glebe and designated fund property held for investment purposes are valued. Other properties are included at a capital multiple of 20 years' rental (2010: 20 years' rental). This is kept under review in light of changing market conditions of both property values and rental incomes. Investment Property is not depreciated.

Other Investments

Investments are stated at market value calculated by reference to the mid market value at 31 December. Realised gains or losses on disposal are calculated as the difference between disposal proceeds and carrying value.

1.7 Custodian Trusts

Trusts where the LDF acts as Custodian Trustee with no control over the management or use of the funds are not included in the Balance sheet or Statement of Financial Activities of the LDF.

A separate Balance sheet and Statement of Financial Activities is set out on page 53 with supporting notes on pages 54 and 55. The custodian trustee funds have been subject to a non-statutory audit and the audit report thereon covering pages 51 to 55 is found on page 56.

## THE LONDON DIOCESAN FUND

### Notes to the financial statements - for the year ended 31 December 2011 (continued)

#### 2 (Deficit) on Income and Expenditure for the financial year

The (deficit) for the financial year is stated after charging	2011 £'000	2010 £'000
Depreciation - Functional and Investment Property	2,848	2,606
Depreciation - Fixtures Fittings and Equipment	34	25
	<u>2,882</u>	<u>2,631</u>
Auditors' Remuneration (including VAT)		
Statutory audit	31	31
Non-Audit Services		
- Tax advice	1	-
- Non-statutory review of Custodian Trusts	3	3
	<u>35</u>	<u>34</u>

#### 3 Staff and Clergy Costs

<u>Costs of lay staff</u>	2011 £'000	2010 £'000
Wages and Salaries	2,002	2,024
Employer's National Insurance	186	182
Employer's Pension Contributions (note 14(a))	404	414
	<u>2,592</u>	<u>2,620</u>

The number of lay employees employed on diocesan business was 62 (2010: 57). During 2011, 3 extra people (2010: 3) had employment contracts with the LDF but were funded externally and seconded elsewhere. The total number of lay employees for statutory purposes was therefore 65 (2010: 60).

The Full Time Equivalent average number of people employed on diocesan business was 56 (2010: 52). During 2011, 3 extra people (2010: 3) had employment contracts with the LDF but were funded externally and seconded elsewhere. The total Full Time Equivalent for statutory purposes was therefore, 59 (2010: 55).

The number of employees whose emoluments for the year exceeded £60,000 are as follows	2011 No.	2010 No.
£110,001-£120,000	1	-
£100,001-£110,000	-	1
£80,001-£90,000	1	-
£70,001-£80,000	1	1
£60,001-£70,000	1	1

Aggregate employer normal pension contributions for the employees above were £58,209 (2010: £39,004) payable to various pension schemes.

Following the implementation of ecclesiastical legislation on 1 February 2011, there were 22 individuals (mainly chaplains) who legally became employees of the LDF. Where their costs fall to the LDF, they are included in the Clergy disclosure note below. In total for 2011, their costs included Gross Stipends (£425,987), Employer's NI (£38,420) and Employer's pension contributions (£137,409).

#### Clergy holding parochial or archidiaconal posts

	2011 £'000	2010 £'000
Gross stipends	11,923	11,715
Employer's National Insurance	971	683
Employer's Pension Contributions (note 14(b))	4,058	4,760
	<u>16,952</u>	<u>17,158</u>
Average number of total stipendiary clergy posts	526	517
Number of total stipendiary clergy posts at 31 December	528	525

Clergy posts above include Common Fund clergy, off-Common Fund clergy and chaplains.

## THE LONDON DIOCESAN FUND

### Notes to the financial statements - for the year ended 31 December 2011 (continued)

#### 4 Governance Costs and the allocation of Support Costs between Charitable Activities

	2011 £'000	2010 £'000			
<u>Indirect support costs</u> (allocated below)					
Salary and employment costs	1,248	1,158			
Office costs	312	282			
	<u>1,560</u>	<u>1,440</u>			
<b>Resources Expended</b>	<b>Before allocation of support costs</b>	<b>Direct support costs</b>	<b>Indirect support costs</b>	<b>Total 2011</b>	<b>Total 2010</b>
	£'000	£'000	£'000	£'000	£'000
<b>Cost of generating funds</b>					
<i>Investment management costs</i>					
Rental portfolio costs - agent fees	425	-	-	425	347
Investment Property repairs & maintenance	1,152	-	42	1,194	1,041
Fundraising	7	-	-	7	2
	<u>1,584</u>	<u>-</u>	<u>42</u>	<u>1,626</u>	<u>1,390</u>
<b>Charitable activities</b>					
Ministry	19,271	3	605	19,879	19,797
Education & Outreach	436	4	146	586	555
Parish & Area Support services	684	264	350	1,298	1,371
Clergy Housing Property and Care of Churches Costs	5,098	165	242	5,505	5,794
Clergy Housing Depreciation	2,848	-	-	2,848	2,606
<i>Clergy Housing &amp; Care of Churches</i>	<u>7,946</u>	<u>165</u>	<u>242</u>	<u>8,353</u>	<u>8,400</u>
National Church	1,961	-	-	1,961	2,100
Grants to Parishes & Overseas	1,917	-	53	1,970	1,742
<b>Governance Costs</b>	-	122	122	244	242
<b>Other resources expended</b>	16	-	-	16	105
	<u>33,815</u>	<u>558</u>	<u>1,560</u>	<u>35,933</u>	<u>35,702</u>

Indirect support costs are allocated based on Full Time Equivalent (FTE) staff numbers as administrative costs primarily consist of salary and employment costs, subject to a de minimis threshold. Office costs that are incurred are directly attributable to the staff employed and are also analysed on this basis. Finally, residual administration costs are apportioned in proportion to expenditure.

#### 5 Grants to Parishes & Overseas

Funding source	General funds £'000	Designated funds £'000	Restricted funds £'000	Endowment funds £'000	Total 2011 £'000	Total 2010 £'000
<u>Grants to Parishes from:</u>						
Diocesan Bishop's Council	-	34	-	-	34	-
Trust for London / Other	180	-	54	-	234	201
Area Pastoral and UPA Funds	-	290	-	-	290	86
Bishop of London's Mission Fund	-	266	-	-	266	867
Funds held for Parish Benefit	-	227	721	9	957	439
	<u>180</u>	<u>817</u>	<u>775</u>	<u>9</u>	<u>1,781</u>	<u>1,593</u>
<u>Overseas:</u>						
Angola and Mozambique (ALMA) and Lent Projects	-	-	136	-	136	101
Grant administration allocation	53	-	-	-	53	48
<b>Total</b>	<u>233</u>	<u>817</u>	<u>911</u>	<u>9</u>	<u>1,970</u>	<u>1,742</u>



## Notes to the financial statements - for the year ended 31 December 2011 (continued)

## 6 Tangible Fixed Assets - Functional and Investment Property

	Unrestricted - Designated Funds			Restricted Funds	Expendable Endowment Funds				
	Freehold Property £'000	Long Leasehold Property £'000	Total £'000	Closed Church Property £'000	Leasehold Benefice Houses £'000	Freehold Benefice Houses £'000	Glebe Property £'000	Total £'000	Combined Total £'000
<b>At cost or valuation</b>									
At 1 January 2011	74,795	2,345	77,140	13,621	1,981	199,591	51,472	253,044	343,805
Additions	533	653	1,186	-	-	570	96	666	1,852
Transfers	1,218	-	1,218	-	-	(1,218)	-	(1,218)	-
Disposals	(922)	-	(922)	(4)	-	-	(24)	(24)	(950)
Revaluation	2,514	43	2,557	308	29	9,491	1,338	10,858	13,723
At 31 December 2011	78,138	3,041	81,179	13,925	2,010	208,434	52,882	263,326	358,430
<b>Depreciation</b>									
At 1 January 2011	6,306	174	6,480	-	262	12,383	1,560	14,205	20,685
Charge for the year	974	46	1,020	-	40	1,537	251	1,828	2,848
Transfers	70	-	70	-	-	(70)	-	(70)	-
Disposals	(181)	-	(181)	-	-	-	-	-	(181)
Revaluation	-	-	-	-	-	-	-	-	-
At 31 December 2011	7,169	220	7,389	-	302	13,850	1,811	15,963	23,352
<b>Net Book Value</b>									
At 31 December 2011	70,969	2,821	73,790	13,925	1,708	194,584	51,071	247,363	335,078
<b>Split by</b>									
NBV Functional Property	43,970	2,653	46,623	1,708	1,708	194,584	8,985	205,277	253,608
NBV Investment Property	26,999	168	27,167	12,217	-	-	42,086	42,086	81,470
	70,969	2,821	73,790	13,925	1,708	194,584	51,071	247,363	335,078
<b>Net Book Value</b>									
At 31 December 2010	68,489	2,171	70,660	13,621	1,719	187,208	49,912	238,839	323,120

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

Net revaluation gains above of £13,723k do not include the impact of the net revaluation in 2011 of the value-linked loans creditor of £104k.

The LDF's major glebe and designated fund investment property were formally revalued on 31 December 2010 by Kemsley Property Consultants

The next formal valuation is due by 31 December 2015 with interim year-end valuations being performed in the intervening years by a suitably qualified officer of the LDF

Benefice and all functional houses are carried at depreciated insurance value which is a reasonable equivalent of depreciated replacement cost.

# THE LONDON DIOCESAN FUND

## Notes to the financial statements - for the year ended 31 December 2011 (continued)

### 7 Investments

	At 1 January 2011 £'000	Additions £'000	Disposals £'000	Unrealised Gains / (Losses) £'000	Transfers £'000	At 31 December 2011 £'000
<b>General Fund</b>						
CCLA Global Equities	-	2,900	-	(340)	-	2,560
<b>Designated Funds</b>						
CCLA Global Equities	-	1,100	-	(129)	-	971
OLIM Charity Value and Inc Equities	-	200	-	(11)	-	189
CCLA Fixed Interest Securities Bond	-	750	-	51	-	801
M&G Charbond	-	750	-	43	-	793
M&G Investments	2,962	-	-	(156)	-	2,806
<b>Designated Trusts</b>						
M&G Investments	270	119	-	(21)	-	368
<b>TOTAL - Designated</b>	<b>3,232</b>	<b>2,919</b>	<b>-</b>	<b>(223)</b>	<b>-</b>	<b>5,928</b>
<b>Restricted Funds</b>						
OLIM Charity Value and Inc Equities	-	800	-	(42)	-	758
<b>Sole Trusts</b>						
Listed Investments	20	-	-	-	-	20
M&G Investments	2,667	-	(50)	(138)	31	2,510
CBF Investment Fund	720	127	(322)	(9)	110	626
CBF Fixed Interest Securities Fund	8	-	(8)	-	-	-
<b>TOTAL - Restricted</b>	<b>3,415</b>	<b>927</b>	<b>(380)</b>	<b>(189)</b>	<b>141</b>	<b>3,914</b>
<b>Expendable Endowment Funds</b>						
<b>Glebe</b>						
M&G Investments	5,564	-	-	(294)	-	5,270
<b>Permanent Endowment Funds</b>						
<b>Sole Trusts</b>						
Listed Investments	3	-	-	-	-	3
M&G Investments	2,928	-	-	(133)	(31)	2,764
CBF Investment Fund	909	11	(11)	(54)	30	885
CBF Fixed Interest Securities Fund	23	-	-	1	-	24
CBF Property Fund	3	-	-	-	(3)	-
<b>TOTAL - Endowment</b>	<b>9,430</b>	<b>11</b>	<b>(11)</b>	<b>(480)</b>	<b>(4)</b>	<b>8,946</b>
<b>Total Fixed Asset Investments</b>	<b>16,077</b>	<b>6,757</b>	<b>(391)</b>	<b>(1,232)</b>	<b>137</b>	<b>21,348</b>

#### Cost or valuation

Additions represent the cost or market value at the date of gift or transfer to the LDF

CBF investments are valued by the CCLA.

The historic cost of the investments held at 31 December 2011 is £20,735k (2010: £14,369k)

## THE LONDON DIOCESAN FUND

### Notes to the financial statements - for the year ended 31 December 2011 (continued)

#### 8 Investments in subsidiary undertakings

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

#### 9 Debtors

	General £'000	Designated £'000	Restricted £'000	2011 £'000	2010 £'000
Contributions to the Common Fund	448	-	-	448	502
Rent Receivable	329	75	373	777	746
Prepayments and accrued income	541	80	113	734	631
	<u>1,318</u>	<u>155</u>	<u>486</u>	<u>1,959</u>	<u>1,879</u>
Loans to Parishes					
- Diocesan Bishop's Council awarded	-	3,007	-	3,007	2,898
- Area Council awarded	-	595	-	595	654
	<u>-</u>	<u>3,602</u>	<u>-</u>	<u>3,602</u>	<u>3,552</u>
Loans to individuals	31	409	-	440	179
Other Debtors	121	-	-	121	425
	<u>1,470</u>	<u>4,166</u>	<u>486</u>	<u>6,122</u>	<u>6,035</u>

	2011 £'000	2010 £'000
<u>Movements in Loans to Parishes</u>		
At 1 January	3,552	2,418
Additions (new loans and interest)	1,409	2,127
Repayments	(1,359)	(993)
At 31 December	<u>3,602</u>	<u>3,552</u>

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

Certain loans to parishes and individuals fall due after more than one year and the total of these as at 31 December 2011 was £1,936k (2010 £1,400k).

## THE LONDON DIOCESAN FUND

### Notes to the financial statements - for the year ended 31 December 2011 (continued)

#### 9b Related Parties

##### Payroll Services

These are undertaken on behalf of a number of local church-based projects whereby the LDF acts as a payroll agent. At 31 December 2011 other debtors included £13k (2010 £9k) and other creditors included £13k (2010 £3k) in respect of gross salary and employer's National Insurance

##### London Diocesan Board for Schools (LDBS)

The LDF and the LDBS are separate charities but various Diocesan bodies appoint the majority of the trustees/directors of the two organisations. A number of members are trustees/directors of both charities

The Rt Revd and Rt Hon the Lord Bishop of London, Dr R J C Chartres KCVO is President and Chairman of the LDF and President of the LDBS

The Archdeacon of Middlesex, trustee of the LDF, served as Chairman of the LDBS during the year

The Revd Preb G Pope was also a trustee of both the LDF and the LDBS during the year

Mr I R M Woolf, a trustee of the LDF is employed by the LDBS

The LDF makes an annual grant to the work of the LDBS amounting to £160k (2010 £150k). The LDBS is a charitable company (reg no 198131). At 31 December 2011 other debtors included £10k for salary and office cost recharges (2010 £7k)

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

	2011	2010
	£'000	£'000
Accommodation	87	104
House services and meeting rooms	173	175
	<u>260</u>	<u>279</u>

The accommodation cost relates to rent. A rent review is scheduled every five years. The next review is due in 2014.

##### Trustees' Expenses/Remuneration

In 2011 the LDF reimbursed a total of £41k to 12 members of the Bishop's Council (2010 £30k to 12 members). The expenses related mostly to working expenses, for example as Archdeacon, Area Dean or other official. By virtue of their clerical office the LDF is responsible for a substantial part (if not all) of the stipend of the clerical members of the Bishop's Council along with national insurance and costs associated with housing. The stipends, national insurance and pension of Bishops is borne and funded by the Church Commissioners. The following was paid to 13 other members of the clergy in 2011 (Full Time Equivalent: 13) who were members of the Bishop's Council (2010 16 members Full Time Equivalent: 16)

	2011	2010
	£'000	£'000
Gross Stipends	314	356
Employer's National Insurance	28	26
Employer's Pension Contribution	105	134
	<u>447</u>	<u>516</u>

Under the Repair of Benefice Buildings Measure 1972 the Diocese is responsible for the upkeep of parsonages. 13 members of Bishop's Council during the year (2010 10) were housed in parsonages by virtue of their clerical office. Two employees (2010 two) were housed in a parsonage though not by virtue of their employment.

A further 8 members of Council (and Finance Committee) (2010 8) and two employees in holy orders (2010 nil) were housed in properties owned by the London Diocesan Fund.

No members (2010 one) of the Council were contracted by the LDF during the year to carry out management accounting services. These services were carried out on an arms-length basis. The value of these services was £Nil (2010 £6k).

##### Declarations of Interest

The Synodical Secretary maintains a register of declarations of interest. All trustees and Senior Officers have access to these records.

# THE LONDON DIOCESAN FUND

## Notes to the financial statements - for the year ended 31 December 2011 (continued)

### 10a Cash and short term investments

	General funds £'000	Designated funds £'000	Restricted funds £'000	Endowment funds £'000	2011 £'000	2010 £'000
Bank Deposits	1 171	8,939	2,829	(542)	12,397	19 357
Cash at Bank and in hand	1,882	143	-	-	2 025	1 307
	<u>3,053</u>	<u>9,082</u>	<u>2,829</u>	<u>(542)</u>	<u>14,422</u>	<u>20,664</u>

### 10b Investment Income

	General funds £'000	Designated funds £'000	Restricted funds £'000	Endowment funds £'000	2011 £'000	2010 £'000
Dividends	839	17	185	-	1 041	800
Cash and Deposit interest	100	24	13	-	137	136
Fixed interest investments	-	-	3	-	3	3
Loan interest	50	-	-	-	50	34
	<u>989</u>	<u>41</u>	<u>201</u>	<u>-</u>	<u>1,231</u>	<u>973</u>

### 11 Creditors

	General funds £'000	Designated funds £'000	Restricted funds £'000	Endowment funds £'000	2011 £'000	2010 £'000
<b>Amounts falling due within one year</b>						
Parish Loans Payable	-	1 253	-	-	1 253	1 802
Grants Payable	-	1 535	-	-	1 535	1 764
Other Creditors	864	44	134	17	1 059	1 206
Accruals and deferred income	1 071	178	185	-	1,434	1 382
	<u>1,935</u>	<u>3,010</u>	<u>319</u>	<u>17</u>	<u>5,281</u>	<u>6,154</u>

### Amounts falling due after one year

	General funds £'000	Designated funds £'000	Restricted funds £'000	Endowment funds £'000	2011 £'000	2010 £'000
Other Creditors	1 000	-	-	-	1,000	-
Accruals and deferred income	2,887	-	782	-	3 669	3 703
Church Commissioners re Value Linked Loans	-	3 155	-	-	3,155	3 051
	<u>3,887</u>	<u>3,155</u>	<u>782</u>	<u>-</u>	<u>7,824</u>	<u>6,754</u>

£782k of the Restricted Accruals and deferred income above (2010 £789k) relates to the residual lease premium for the lease of St Mark's Church in North Audley Street, Westminster. In accordance with United Kingdom Generally Accepted Accounting Practice this balance is being released as income to the Statement of Financial Activities evenly over the 112 year period of the lease term.

£2 887k of the General fund Accruals and deferred income above (2010 £2,914k) relates to the residual lease premium for the lease of 13 & 13a North Audley Street, Westminster.

Value Linked Loans due to the Church Commissioners become repayable when the house on which they are secured is sold. They are concessionary loans made by the Church Commissioners for onward lending to parishes usually for housing of assistant clergy. The properties purchased with Value Linked Loans are held within Designated Functional Property.

Value Linked Loans are shown in the accounts at the depreciated insurance value of the property bought with the loan.

## THE LONDON DIOCESAN FUND

### Notes to the financial statements - for the year ended 31 December 2011 (continued)

#### 12a Designated Funds

	At 1 January 2011 £ 000	Incoming Resources £ 000	Resources Expended £ 000	Unrealised Gains/(Losses) £ 000	Transfers £'000	At 31 December 2011 £ 000
Functional Property	40,997		(1,020)	1,944	1,547	43,468
Investment Property	26,612		-	508	46	27,166
Parsonage Reserve	2,403	51	48	19	(570)	1,951
Fund Property Reserve	1,126	2,109	22	(107)	(375)	2,775
Inspection and Maintenance Fund	391		55	15		461
Designated Trusts	2,823	34	(228)	(23)	(43)	2,563
Mission Opportunity	1,436	-	(88)	(91)	43	1,300
Bishop of London's Mission Fund	357	293	(283)		(5)	362
Clergy Training and Support	868	9	(59)	(19)	-	799
Area Pastoral Funds	1,334	7	(290)		63	1,114
Area Bank Accounts	104	59	(20)		-	143
Diocesan Loan Capital	4,229	103	(34)	(17)	150	4,431
Tottenham Hale Reserve	-	-	-		100	100
Strategic Development Reserve	145	7	-		16	168
<b>Total Designated Funds</b>	<b>82,825</b>	<b>2,672</b>	<b>(1,897)</b>	<b>2,229</b>	<b>972</b>	<b>86,801</b>

Note 12d

\* - Incoming resources, includes realised gains.

#### Designated Fund Descriptions (refer to the trustees' report for information regarding the LDF's reserves policy)

Functional Property	As well as incorporating the Diocesan offices, Functional Property comprises over 90 units of residential accommodation used to house clergy who are not housed in parsonages. These include area bishops, archdeacons, chaplains, team vicars and many others. Of the fund value at the year-end of £43.4m, £46.6m is represented by actual properties which are partially offset by (£3.2m) of Value Linked Loans creditors (as described in note 11).
Investment Property	Investment property comprises over 40 freehold and leasehold properties (£27.2m) held to generate income and capital growth which helps fund stipends and other charitable activities.
Parsonage and Fund Property Reserves	The Parsonage and Fund Property reserves are used for the purchase and refurbishment of Parsonage House Capital (Endowment) and Functional and Investment Property (Designated) respectively. When a property is sold, the sale proceeds are credited to the relevant fund.
Inspection and Maintenance Fund (formerly Quinquennial Fund)	We carry out planned maintenance on an average of one sixth of our functional properties each year (83 of approximately 500) but the actual numbers vary from year to year. Since inspection and maintenance works were carried out on 80 parsonages in 2011, the cost of 3 sets of works at an average of £18.4k (£55k) - has been credited to this fund. All necessary works in accordance with the relevant Measure are undertaken.
Designated Trusts	This fund represents proceeds arising from the sale of parish based properties that were in use by those parishes but were legally owned by the Diocese. Each sale of such property is assessed on a case-by-case basis and where there is a compelling reason the sale proceeds may be designated for parish purposes, usually to fund a parish based development or replacement facility.
Mission Opportunity	This fund was established to meet specific clergy and related costs that are necessary in implementing Diocesan mission and ministry policy. In 2010, £900k was transferred into this fund from the net proceeds of operational properties no longer required.
Bishop of London's Mission Fund (BLMF)	This fund is used for new local mission initiatives (not capital projects) throughout the diocese. Each application is assessed on a case-by-case basis by the BLMF board, an internal committee chaired by the Bishop of London.
Clergy Training and Support	This fund is for providing general clergy training and support. The designated budget holder for the fund is the Bishop of Kensington, assisted by the Director of Ministry.
Area Pastoral Funds	This represents funds for each of the five episcopal areas which can be used for specific projects in each area. Decisions on the use of the funds are taken by Area Councils. The fund was broadened in 2010 to incorporate the Area Loan Capital Fund and the Urban Priority Area Funds.
Area Bank Accounts	These are the Kensington and Willesden Area bank accounts which are used to directly support each of these Areas.
Diocesan Loan Capital	This fund provides loans to parishes, with individual loans not normally exceeding £200k. Requests from parishes are first considered by the Loans Monitoring Group (LMG), a sub-committee of the Finance Committee, and the decisions made by the Finance Committee.
Tottenham Hale Reserve	This fund is set aside to support the strategic initiatives in Tottenham Hale to further the mission and ministry of the church in that location.
Strategic Development Reserve	This fund is to finance work to inform and assist in the strategic deployment of the LDF's resources to further the mission and ministry of the church in London.

## THE LONDON DIOCESAN FUND

### Notes to the financial statements - for the year ended 31 December 2011 (continued)

#### 12b Restricted Funds

	At 1 January 2011 £'000	Incoming Resources £'000	Resources Expended £'000	Unrealised Gains/(Losses) £'000	Transfers £'000	At 31 December 2011 £'000
Sole Trust Expendable Funds	5 667	300	(847)	(148)	(67)	4,905
Closed Church Buildings Fund	1 100	222	(194)	(42)	3	1,089
Closed Church Buildings Property	13 621	-	-	308	(4)	13,925
BLMF restricted fund	11	51	(41)	-	(3)	18
Projects restricted funds	112	90	(95)	-	8	115
Bishops' secretaries	1	182	(182)	-	-	1
Environmental fund	13	6	(20)	-	1	-
<b>Total Restricted Funds</b>	<b>20,525</b>	<b>851</b>	<b>(1,379)</b>	<b>118</b>	<b>(62)</b>	<b>20 053</b>

Note 12d

\* Incoming resources, includes realised gains.

#### Restricted Funds

Sole Trust Expendable Funds	This fund comprises some 90 restrictive Trusts which are held for specific parish or diocesan purposes. These Trusts are consolidated with the main LDF accounts as the LDF acts as Sole Trustee and therefore has control. The permanent endowment element is disclosed in note 12c. Each Trust is governed by its own trust instrument which may be in the form of a Charity Commission scheme for example. The activity of the Angola, London and Mozambique Association (ALMA) is consolidated under this heading
Closed Church Buildings Fund	This fund represents the Diocesan Pastoral Account (DPA) and is primarily used for Closed Church Buildings rental income and maintenance expenses. Income from the rental of churches no longer used for public worship, that is not required for the maintenance of those buildings, may be used for the payment of stipends and maintenance of property for the housing of clergy. The DPA is governed by the Pastoral Measure 1983 as amended by subsequent legislation.
Closed Church Buildings Property	This fund represents the net book value of Closed Church Buildings property (see note 6)
BLMF restricted Fund	This fund deals with donations to the Bishop of London's Mission Fund (see note 12a) which are held under the terms of reference of the BLMF only or indicate other specific restrictions.
Projects restricted funds	This fund comprises a small number of projects including the Church Urban Fund (CUF) for which the LDF receives restricted funding. Income sometimes relates to the aggregate match funding received in relation to a number of BLMF and other projects. In 2011 it includes the Emergency London appeal in response to the London Riots, which raised £54 000
Bishops' secretaries	This shows the restricted funding from the Church Commissioners received as a contribution towards the cost of the Bishops' secretaries.
Environmental fund	This shows the restricted funding towards various environment projects carried out by the LDF

#### 12c Endowment Funds

	At 1 January 2011 £'000	Incoming Resources £'000	Resources Expended £'000	Unrealised Gains/(Losses) £'000	Transfers £'000	At 31 December 2011 £'000
<b>Expendable Endowment</b>						
Glebe Property Fund	49 912	-	(251)	1 338	72	51 071
Glebe Investment Fund	4 472	538	2	(294)	(142)	4 576
Parsonage House Capital	188 927	-	(1,577)	9,521	(578)	196,293
<b>Permanent Endowment</b>						
Sole Trust Permanent Endowment	4 101	-	(8)	(186)	(95)	3,812
<b>Total Endowment Funds</b>	<b>247,412</b>	<b>538</b>	<b>(1,834)</b>	<b>10,379</b>	<b>(743)</b>	<b>255 752</b>

Note 12d

\* Incoming resources, includes realised gains.

Glebe Property Fund	This represents the net book value of glebe property with movements shown in note 6. Rental income from glebe property is credited to general funds where it is used to fund clergy stipend payments. As with Designated Fund Property the fund is split between functional (£9 0m) and investment (£42 1m) property
Glebe Investment Fund	This represents the carrying value of glebe investments and cash. Investment income from glebe property is credited to general funds where it is only used to fund clergy stipend payments. The use of Glebe assets detailed above is governed by the Diocesan Stipends Fund Measure (1953) and the Endowments and Glebe Measure 1976
Parsonage House Capital	This fund represents the net book value of Freehold and Leasehold Benefice Houses (see note 6)
Sole Trust Permanent Endowment	This fund represents those amounts held under the LDF's Sole Trusteeship where the capital is not expendable (see note 12b). Part of the transfers represent the winding up of small trusts.

## THE LONDON DIOCESAN FUND

### Notes to the financial statements - for the year ended 31 December 2011 (continued)

#### 12d Transfer Between Funds - Detailed Breakdown of Movements

Statement of Financial Activities transfers analysed.

	General £'000	Designated £'000	Restricted £'000	Endowment £'000	Total £'000	Reference
Parsonage additions	-	(570)		570	-	i
Parsonage reclassifications	-	1 218		(1 218)	-	ii
Trust reclassifications	-	-	95	(95)	-	iii
Transfer of budgeted items in the General Fund to the designated Area Pastoral Funds	(213)	213			-	iv
Transfers to designated funds at year end	(116)	116	-		-	v
Release of funds from various Sole Trusts	162		(162)		-	vi
Miscellaneous transfers	-	(5)	5	-	-	
	<b>(167)</b>	<b>972</b>	<b>(62)</b>	<b>(743)</b>	<b>-</b>	
		<i>Note 12a</i>	<i>Note 12b</i>	<i>Note 12c</i>		

i. Transfer from or to the designated Parsonage reserve for the purchase or sale of parsonages respectively

ii. Parsonage reclassifications comprises the transfer of property from parsonage to designated fund functional property

iii. The transfer from endowment to restricted funds (primarily comprised of investments) relates to the winding up of small trusts under Charity Commission rules.

iv. These transfers relate to budgeted items set aside from the General Fund for the designated Area Pastoral Funds

v. These relate to transfers agreed at the year-end from the General Fund to specific designated funds

vi. These transfers relate to the release of funds from various Sole Trusts to be utilised on appropriate general fund purposes

#### 13 Notes to the cash flow statement

	2011 Total £ 000	2010 Total £ 000
<b>a) Reconciliation of operating deficit to operating cash flows</b>		
Operating Deficit	(4 146)	(4 222)
Depreciation charges	2,882	2,631
(Increase) in debtors	(87)	(1 839)
Increase in creditors	70	5 236
Investment and Rental Income	(6 593)	(5 699)
	<b>(7,874)</b>	<b>(3,893)</b>

#### b) Gross Cash Flows

##### Returns on investments and servicing of finance

Dividends and Interest Receivable	1 231	973
Rental Income	5 362	4 726
	<b>6,593</b>	<b>5,699</b>

##### Capital Expenditure and investment

Sale of property	3 418	4 036
Purchase of property	(1 852)	(3 191)
Sale of investments	367	105
Purchase of investments	(6 894)	(20)
	<b>(4 961)</b>	<b>930</b>

#### c) Analysis of Changes in net funds

	At 1 January 2011 £'000	Cash Flows £ 000	Other £ 000	At 31 December 2011 £ 000
<b>Funds</b>				
Cash at bank and in hand	1 307	718		2,025
Short Term Deposits	19 357	(6 960)		12,397
	20,664	(6,242)		14 422
Value-linked loans due after one year	(3 051)		(104)	(3 155)
	<b>17,613</b>	<b>(6,242)</b>	<b>(104)</b>	<b>11,267</b>



## THE LONDON DIOCESAN FUND

### Notes to the financial statements - for the year ended 31 December 2011 (continued)

#### 14 Pensions

##### (a) Lay staff pensions

The LDF participates in the Church of England Defined Benefit Scheme (DBS), part of the Church Workers Pension Fund. The non-contributory scheme provides benefits based on final pensionable salaries. The Church of England Pensions Board is the trustee and administers the Pension Fund. The assets of the Pension Fund are held separately from those of the LDF.

At 31 December 2011 the LDF had 36 active members and 54 deferred pensioner members in the Pension Fund (2010: 42 and 52 members respectively) out of a total of 1,190 active members and 1,517 deferred members (2010: 1,179 and 1,513 members respectively).

It is not possible for an individual employer to determine its share of the underlying assets and liabilities as each employer, through the Life Risk Pool, is exposed to actuarial risks associated with the current and former employees of other entities participating in the DBS. In such cases, FRS 17 requires the employer to account for its contributions to the DBS as if it were a defined contribution scheme but to make certain additional disclosures based on available information. The required disclosures, together with a description of the operation of the DBS, are given below.

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

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

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

A valuation of the DBS is carried out once every three years, the most recent being as at 31st December 2010. In this valuation, the Life Risk Section was shown to be in deficit by £6.7m and some £5.5m was notionally transferred from the employers' sub-pools to the Life Risk Pool.

As noted above, the completed service section of the DBS (active and deferred members) for the London sub-pool was found to be in deficit as at 31st December 2010. The trustees have agreed to close this deficit by making annual payments over the next 5 years totalling £1,223k. This liability has been included in full in the financial statements as at 31 December 2011.

The LDF's contribution rate was changed from 25.8% to 25.4% of gross pensionable salary with effect from 1 January 2009. The contribution rate increased to 31.0% from 1 April 2012.

**Notes to the financial statements - for the year ended 31 December 2011 (continued)**

**14 Pensions (continued)**

**(b) Clergy Pensions**

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

The LDF is the sponsoring employer for 524 members (2010: 531) of the scheme out of a total membership of approximately 9,000 active members. The Church of England Funded Pensions Scheme is a defined benefit scheme but the LDF is unable to identify its share of the underlying assets and liabilities - each employer in that scheme pays a common contribution rate. For schemes such as this, paragraph 9(b) of FRS 17 requires the LDF to account for pension costs on the basis of contributions actually payable to the Scheme in the year.

A valuation of the Scheme was carried out as at 31 December 2009. This revealed a shortfall of £262m, with assets of £605m and a funding target of £867m, assessed using the following assumptions:

An investment strategy of:

- a) for investments backing liabilities for pensions in payment, an allocation to gilts, increasing linearly from nil at 31 December 2009 to 2/3 by 31 December 2029, with the balance in return-seeking assets, and
- b) for investments backing liabilities prior to retirement, a 100% allocation to return-seeking assets
- c) Investment returns of 4.4% pa on gilts and 5.9% pa on equities,
- d) RPI inflation of 3.8% pa (and pension increases consistent with this),
- e) Increase in pensionable stipends of 3.8% pa, and
- f) Post-retirement mortality in accordance with 80% of the SINA tables, with allowance made for improvements in mortality rates from 2003 according to the 'medium cohort' projections, and subject to a minimum annual improvement in mortality rates of 1.5% for males and 1.0% for females.

Following the results of the 2006 valuation, the LDF's contribution rate was set at 39.7% of pensionable stipends with effect from 1 April 2008. The contribution rate was subsequently increased to 45% of pensionable stipends with effect from 1 January 2010, reflecting unfavourable investment experience and changes in financial market conditions. Following the valuation of the Scheme as at 31 December 2009, and some agreed changes to benefits, the contribution rate has been set at 38.2% with effect from 1 January 2011.

Contributions rates will be reviewed at the next valuation of the Scheme, due no later than as at 31 December 2012.

**15 Members' Liability**

The London Diocesan Fund is a company registered in England as a company limited by guarantee, having no share capital. At 31 December 2011 there were 45 members (2010: 45) who are liable to contribute £1 each in the event of the company being wound up. The maximum number of members permitted by the Memorandum and Articles of Association is 54.

**The following pages do not form part of the statutory financial statements  
of the London Diocesan Fund for the year ended 31 December 2011**

<b>Contents</b>	<b>Page</b>
Report of the Custodian Trustees	52
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Notes to the Custodian Trusts Financial Statements	54 - 55
Independent Auditor's Report to the Custodian Trustees of the Funds	56

## THE LONDON DIOCESAN FUND

### Report of the Custodian Trustees

The Council of the London Diocesan Fund, usually acting as Custodian Trustee under ecclesiastical law presents the report and non-statutory financial statements for the year ended 31 December 2011

### Legal Status

Under the Parochial Church Council (PCC) Powers Measure 1956, the London Diocesan Fund acts as custodian trustee of parish buildings and land. It also acts as custodian trustee for monies held on specific trust. These pages report the specific trust holdings only and provide an aggregation of the financial assets of approximately 300 separate trusts. Land and building assets held as custodian trustee are not shown.

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

### Review of the Year

During the year there were transfers of £0.6m from the endowment fund to expendable capital. This represents 'small' (as defined by the Charity Commission) custodian trusts where the managing trustees have resolved to release the permanent endowment, allowing capital to be expended in line with the relevant trust purposes. This is in accordance with the Charities Act 2011.

Total incoming resources remained steady from 2010 to 2011, with no increase or decrease.

The value of custodian trust investments has declined by £0.5m after significant stock market losses during the year.

Funds continue to be expended in line with the purposes for which they were intended, with some £4.0m expended for charitable purposes during the period under review. The £1.2m increase in expenditure is due to an exercise undertaken in 2011 to transfer custodian trusts to managing trustees where there is no legal requirement, or pastoral reason, for the LDF to continue to hold the trust.

Additional new resources of £0.8m were received during the year in the form of new trusts.

The overall value of funds held by the London Diocesan Fund as custodian trustee fell by £3.1m to £15.8m in 2011, with the fall explained by a combination of increased expenditure and a loss of investment value.

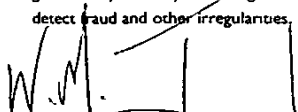
### Statement of Custodian Trustees' responsibilities

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

The Custodian Trustees have chosen to prepare these statements in accordance with the Charities Act 2011. In preparing these non-statutory financial statements in accordance with the Charities Act 2011, the Custodian Trustees are required to

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

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



The Ven Dr W M Jacob  
Member of Bishop's Council and  
Finance Committee Chairman

14 May 2012

## Non-Statutory Financial Statements

## Statement of Financial Activities - for the year ended 31 December 2011

	Permanent Endowment Fund £m	Restricted Capital Fund £m	Restricted Unexpended Income £m	Total 2011 £m	Total 2010 £m
<b>Incoming Resources</b>					
Investment Income	-	-	0.2	0.2	0.2
Income direct to Beneficiaries	-	-	0.4	0.4	0.4
<b>Total Incoming Resources</b>	<b>-</b>	<b>-</b>	<b>0.6</b>	<b>0.6</b>	<b>0.6</b>
<b>Resources Expended</b>					
Income paid to Beneficiaries	-	-	(0.4)	(0.4)	(0.6)
To Objects of the Trusts	(0.3)	(2.3)	(1.0)	(3.6)	(2.2)
<b>Total Resources Expended</b>	<b>(0.3)</b>	<b>(2.3)</b>	<b>(1.4)</b>	<b>(4.0)</b>	<b>(2.8)</b>
<b>Net (Outgoing) Resources before transfers and new resources</b>	<b>(0.3)</b>	<b>(2.3)</b>	<b>(0.8)</b>	<b>(3.4)</b>	<b>(2.2)</b>
Additional New Resources	0.1	0.7	-	0.8	1.2
Transfers between funds	(0.6)	0.7	(0.1)	-	-
<b>Net (Outgoing) Resources for the year</b>	<b>(0.8)</b>	<b>(0.9)</b>	<b>(0.9)</b>	<b>(2.6)</b>	<b>(1.0)</b>
(Losses) / Gains on Investment Assets	(0.4)	(0.1)	-	(0.5)	0.8
<b>Net Movement in Funds for the year</b>	<b>(1.2)</b>	<b>(1.0)</b>	<b>(0.9)</b>	<b>(3.1)</b>	<b>(0.2)</b>
Funds at 1 January 2011	12.1	4.4	2.4	18.9	19.1
<b>Funds at 31 December 2011</b>	<b>10.9</b>	<b>3.4</b>	<b>1.5</b>	<b>15.8</b>	<b>18.9</b>

## Custodian Trusts Balance Sheet - as at 31 December 2011

	Notes	Total 2011 £m	Total 2010 £m
<b>Assets</b>			
Fixed Asset Investments	2	14.3	16.5
Current Asset Investments	3	1.5	2.4
<b>Net Assets</b>		<b>15.8</b>	<b>18.9</b>
<b>Funds</b>			
Permanent Endowment	2	10.9	12.1
Restricted - Capital	2	3.4	4.4
Restricted - Unexpended Income	3	1.5	2.4
		<b>15.8</b>	<b>18.9</b>

The notes on pages 54 and 55 form part of these non-statutory financial statements

The non-statutory financial statements were approved by the Diocesan Bishop's Council acting as custodian trustee on 14 May 2012



The Ven Dr W M Jacob  
Member of Bishop's Council and  
Finance Committee Chairman



Mr I R M Woolf  
Member of Bishop's Council

## Notes to the Custodian Trusts Financial Statements - for the year ended 31 December 2011

### I Accounting Policies

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

#### a. Basis of Preparation

Under the PCC (Powers) Measure 1956, the London Diocesan Fund acts as custodian trustee of parish buildings and land. The London Diocesan Fund also acts as custodian trustee for monies held on specific trust. These pages report the specific trust holdings only and provide an aggregation of the transactions and balances of the financial assets of some 300 trusts.

The Balance Sheet as at 31 December 2011 has been prepared, together with a Statement of Financial Activities, which analyses the movement in funds. Comparative figures for 2010 have been provided.

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

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

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

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

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

#### b. Fund Balances

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

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

#### c. Investment Income

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

#### d. Other Income and Expenditure

Additional capital represents capital introduced to an existing custodian trust, or the creation of a new trust.

Expenditure on objects of the trusts represents the spending of capital and income in line with the terms of the trust deed or other applicable governing document.

#### e. Investments

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

## Notes to the Custodian Trusts Financial Statements - for the year ended 31 December 2011 (continued)

## 2 Fixed Asset Investments represented by Permanent Endowment Capital

	1 January 2011	Additions	Disposals	Unrealised Gains / (Losses)	Other Asset / Liability Movements and Transfers	31 December 2011
	£'000	£'000	£'000	£'000	£'000	£'000
Listed Investments	183	-	-	4	(1)	186
M&G Charfund	2 863	186	(76)	(134)	(48)	2 791
Investments held by CCLA:						
CBF Fixed Interest	239	12	-	13	-	264
CBF Investment Fund	5 726	1	-	(319)	(33)	5 375
CBF Property Fund	22	87	-	(4)	50	155
CBF Deposit Fund	3 101	1	(314)	-	(622)	2 166
Other Assets/(Liabilities)	10	-	-	-	(6)	4
	<b>12,144</b>	<b>287</b>	<b>(390)</b>	<b>(440)</b>	<b>(660)</b>	<b>10,941</b>

## Fixed Asset Investments represented by Expendable Capital

Listed Investments	80	-	(8)	(3)	-	69
M&G Charfund	884	-	(135)	(42)	45	752
Investments held by CCLA:						
CBF Fixed Interest	222	30	(45)	11	-	218
CBF Investment Fund	1 622	25	(372)	(81)	115	1 309
CBF Deposit Fund	1,455	710	(1 745)	-	491	911
Other Assets/(Liabilities)	60	-	-	-	-	60
	<b>4,323</b>	<b>765</b>	<b>(2,305)</b>	<b>(115)</b>	<b>651</b>	<b>3,319</b>
<b>Total Fixed Assets</b>	<b>16,467</b>	<b>1,052</b>	<b>(2,695)</b>	<b>(555)</b>	<b>(9)</b>	<b>14,260</b>

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

M&G Charfund	141	-	(90)	-	1	52
Investments held by CCLA:						
CBF Fixed Interest	94	-	(8)	4	-	90
CBF Investment Fund	154	15	(8)	(9)	(4)	148
CBF Deposit Fund	1 292	138	(531)	-	(2)	897
	<b>1,681</b>	<b>153</b>	<b>(637)</b>	<b>(5)</b>	<b>(5)</b>	<b>1,187</b>

## Current Asset Investments represented by Unexpended Income from Expendable Capital Assets

Investments held by CCLA:						
CBF Fixed Interest	51	-	(3)	3	-	51
CBF Investment Fund	61	1	(17)	(3)	-	42
CBF Deposit Fund	607	25	(403)	-	2	231
	<b>719</b>	<b>26</b>	<b>(423)</b>	<b>-</b>	<b>2</b>	<b>324</b>
Other Assets/(Liabilities)	31	-	-	-	(30)	1
<b>Total Current Assets</b>	<b>2,431</b>	<b>179</b>	<b>(1,060)</b>	<b>(5)</b>	<b>(33)</b>	<b>1,512</b>
<b>TOTAL</b>	<b>18,898</b>	<b>1,231</b>	<b>(3,755)</b>	<b>(560)</b>	<b>(42)</b>	<b>15,772</b>

## THE LONDON DIOCESAN FUND

### Independent auditor's report to the Custodian Trustees of the Funds

We have audited the non-statutory financial statements of Custodian Funds for the year ended 31 December 2011 which comprise the Statement of Financial Activities, the Balance Sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

#### Respective responsibilities of trustees and auditors

As explained more fully in the Statement of Custodian Trustees' Responsibilities set out on page 52, the trustees are responsible for the preparation of the non-statutory financial statements which give a true and fair view.

We have been appointed as auditor under section 144 of the Charities Act 2011 and report in accordance with regulations made under section 154 of that Act. Our responsibility is to audit and express an opinion on the non-statutory financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors. This report, including our opinion, has been prepared for and only for the charity's trustees as a body. Our audit work has been undertaken so that we might state to the charity's trustees those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charity and the charity's trustees as a body for our audit work, for this report, or for the opinions we have formed.

#### Scope of the audit of the non-statutory financial statements

A description of the scope of an audit of non-statutory financial statements is provided on the APB's web-site at [www.frc.org.uk/apb/scope/private.cfm](http://www.frc.org.uk/apb/scope/private.cfm).

#### Opinion on the non-statutory financial statements

In our opinion the non-statutory financial statements:

- give a true and fair view of the state of the charity's affairs as at 31 December 2011 and of its incoming resources and application of resources, 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 Charities Act 2011.

#### Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Charities Act 2011 requires us to report to you if, in our opinion:

- the information given in the Report of the Custodian Trustees is inconsistent in any material respect with the non-statutory financial statements, or
- sufficient accounting records have not been kept, or
- the non-statutory financial statements are not in agreement with the accounting records and returns, or
- we have not received all the information and explanations we require for our audit.



**Mazars LLP, Chartered Accountants and Statutory auditor**

Times House, Throwley Way, Sutton, Surrey, SM1 4JQ

14 May 2012

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