



THE LONDON DIOCESAN FUND

Trustees' report
and financial statements
for the year ended
31 December 2016

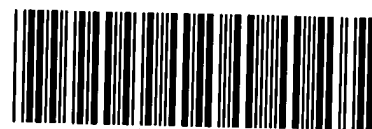
The *purpose* of the London Diocesan Fund is
to do everything that we can to support the mission and growth of the Church in London



*Capital Vision 2020 – a vision of a Church that is Christ-centred
and outward looking.*

Company number: 150856
Charity number: 241083
www.london.anglican.org

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Trustees' report

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Financial statements

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General Fund 2016 – Key Facts

Income increased by £1m to £36.7m from £35.7m (excluding a one-off adjustment of £2.8m in 2015, which took incoming resources to £38.5m).

Donations from parishes through the Common Fund increased by 1.8% to £23.2m (2015: £22.8m), and a further £3.3m (2015: £3.1m) was received in reimbursements from parishes towards direct clergy costs.

Trust and other income in our Statement of Financial Activities included donations generously provided from the City Church Fund (administered by the Trust for London) of £1.3m (2015: £1.4m) and Allchurches Trust who kindly donated the sum of £0.4m in 2016 (2015: £0.4m).

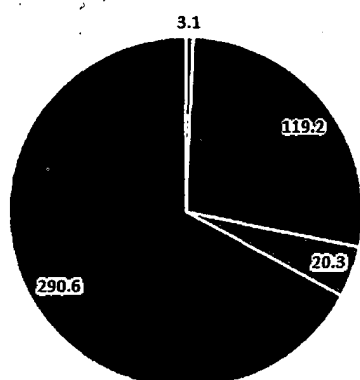
Expenditure increased by £0.7m to £35.3m from £34.6m (excluding a transitional adjustment of £1.7m in 2015, which reduced expenditure to £32.9m).

Significant expenditure streams continue to be ministry costs £22.4m (2015: £20.1m) and clergy housing and property costs £7.1m (2015: £7.1m)

The LDF achieved an operating surplus on the General Fund of £0.2m (2015: £0.1m) after taking account of the adjustments above and transfers to other funds of £1.5m (2015: £5.4m), and excluding other recognised gains and losses.

Total funds at 31 December 2016 were up 3.9% to £433.2m (2015: £416.8m). General funds increased by £0.2m to £3.1m (2015: £2.9m), designated funds increased by £14.1m (13.4%) to £119.2m (2015: £105.1m). Endowment and restricted funds combined increased by £2.1m (0.7%) to £310.9m (2015: £308.8m)

Total Funds £433.2m



■ General ■ Designated ■ Restricted ■ Endowment

Strategic Report

The Church of England in London is vibrant and at the heart of communities within our Diocese.

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. In doing so it provides a benefit to the public throughout the LDF's activities. These activities are set out in more detail in the following report, and Public Benefit is considered in more detail on pages 14 and 15.

Purpose of the London Diocesan Fund (LDF)

The purpose of the LDF is to do everything we can to support the mission and growth of the church in London. This is worked out in four key ways:

- *Providing services to clergy, parishes and chaplaincies;*
- *Helping to deliver Capital Vision 2020;*
- *Supporting the senior clergy;*

All underpinned by:

- *Running an effective organisation.*

1) Services to clergy, parishes and chaplaincies

These are part of the core of what we do, and our services to clergy, parishes and chaplaincies run through all the teams that we operate, including:

- HR support and advice
- Finance-related advice and stewardship
- Parish property projects guidance
- Support in local regeneration and developments.

In addition to the above, in 2016 we sought to extend the range of support provided to our clergy, parishes and chaplaincies including support in fundraising, and through the launch of the Parish Giving Scheme which seeks to maximise parishes' cash flow while

reducing the amount of administration, allowing parishes to focus on other priorities.

2) Capital Vision 2020

Capital Vision 2020 emerged from our listening to almost 2,000 people across the Diocese of London. In more than three years since the launch of the diocesan strategy, 'Capital Vision 2020', many stories have emerged of how parishes are taking forward the key themes and priorities locally.



The key themes of Capital Vision 2020 are:

- We will be more **confident** in speaking and living the Gospel of Jesus Christ.
- We will be more **compassionate** in serving communities with the love of God the Father.
- We will be more **creative** in reaching new people and places with the Good News in the power of the Spirit.

Achievements and Performance

Associated with each theme are a number of key priorities:

Confident in speaking and living the Gospel of Jesus Christ

to enable this we will by 2020:

1) Communicate the Gospel more effectively, using the opportunities offered by new media

During 2016, we published an average of two positive news stories per week on Capital Vision 2020 themes. We also have included specialised content from the Children and Youth Team, some of the ministry training teams, and Fundraising. We have arranged for a number of Diocese of London people to spend a week tweeting as @OurCoffE.

By the end of 2016 our Twitter audience had increased to 6,865 (up 160% since the launch of Capital Vision). Our Facebook audience reached 1,890 (x5 since the launch of Capital Vision). We have just completed a Digital Review and plan to take forward its findings during 2017.

We started a partnership with Christian Vision, to help our churches connect with people trying to find answers about faith online. We also recruited the second cohort of London Witness trainees, focused on young lay people seeking to change the public conversation about God. We filmed two untold stories from parishes, the first of which, from the Memory Café at St Cuthbert's Wembley, increased awareness of memory loss and loneliness and attracted media interest.



Filming at the Memory Café, St Cuthbert's Wembley

2) Equip and commission 100,000 ambassadors representing Jesus Christ in daily life

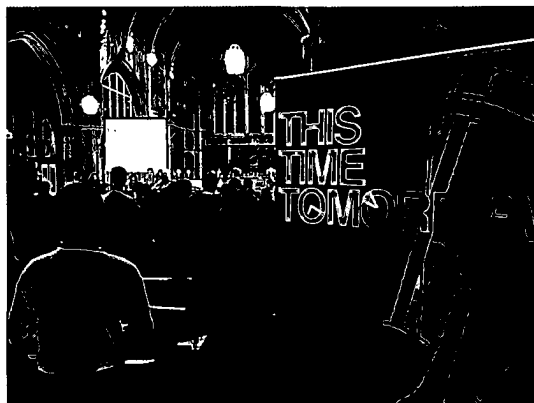
Over 16,000 ambassadors have now been commissioned and a second pilot cohort continued their learning community in 2016. More than 130 churches across the Diocese have now engaged with ambassadors. Edmonton Area has a specific focus on ambassadors planned for 2017 with a team established in 2016 to take this forward.

A new resource *Right Where You Are*, written by Mark Greene, was made available to churches in the autumn to support ambassadors with 8,000 copies ordered so far. A children's version has also been commissioned.

We supported the launch of 'The Character of Fashion', a book written by Simon Ward, MBE, and former COO of the British Fashion Council, exploring the industry and what it means to look at it from God's perspective.

We ran 'Find Your Voice' led by the Bishop of Kensington, a course to help ambassadors seeking to share their faith, and we plan to turn this into a film resource. We also ran an ambassadors' event for mums in west London.

ambassadors2020.org, plus associated social media, continues to provide a hub of resources for churches and individuals seeking to live as ambassadors for Christ, and we share stories and ambassador messages through our free 'Voice of Hope' publication and regular emails in conjunction with Premier.



Commissioning of ambassadors at St James Muswell Hill

3) Invest in leadership and increase the number of ordinands by 50%

An increased focus on mentoring and coaching is part of our investment in leadership and all episcopal areas now have a good number of trained mentors. Mentoring has also been embedded in the training for new worshipping communities. A programme of unconscious bias training commenced and a number of other training courses were reviewed and refreshed.

43 ordinands completed training in 2016, and the rolling three-year average number of ordinands finishing training is 48 (up from 47 in 2013, but down from 50 in 2016). Our target is to increase this to 70, so there is still much to be done. Encouragingly 57 started training in 2016, the highest figure in recent years.



Newly-ordained clergy at St Paul's Cathedral

Young People and Young Women's vocations days were held in 2016 and were well attended. Further resources were shared through the London Callings website. A major study summit on vocations is planned for autumn 2017 and the Latimer Group continue to take forward recommendations on Black, Asian and Minority Ethnic (BAME) vocations.

Compassionate in serving communities with the love of God the Father

to enable this we will by 2020:

4) Enable new initiatives to fight poverty, inequality and injustice in London and worldwide, including our joint venture with the Church Urban Fund

Our Refugee Response Co-ordinator joined in January 2016. 150 people attended a successful Evening with Justshare with a look back at decisions made in response to the refugee crisis. Each Episcopal area held a refugee response event with 300 people attending across the Diocese.

A library of videos on how parishes can engage, or the questions many have on the refugee crisis, was made available including material from a Theology of Migration evening. In the late autumn a clergy hosting scheme was announced.

A Just Living event was held looking at just and ethical purchasing, a round table was held on housing issues and an event hosted on prison ministry.

We started recruiting for a Just Finance development worker, to create a visible, effective and accessible community finance sector across the Diocese building on the work of the credit champions' network.



Capital Mass refugee response event

5) Open up our church buildings to the wider community

In 2016 the focus was on helping churches open up their buildings to the wider community.

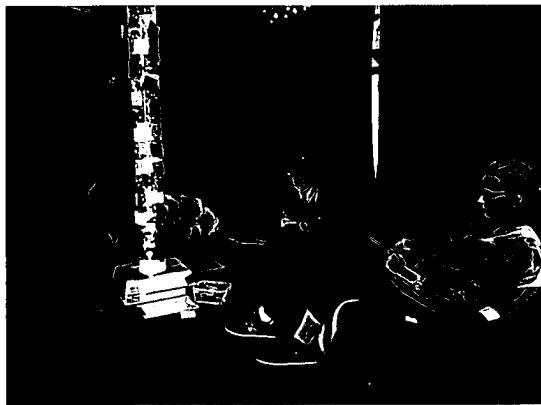
A professionals' event run in January 2016 – 'Designing Universal Access for Churches' – continues to have an impact, with requests for repeats from those who were unable to attend, and interest in hosting similar events in other Dioceses.

Other events supporting churches interested in opening their buildings in new ways were held: 'Interpreting the Heritage of Your Church' took place in June 2016 and the team held an event looking at how churches can be open to the creative arts.

6) Strengthen links between schools and their local Christian communities

With a new sponsor (Archdeacon of London) and priority leader (Rev Peter Anthony), a new steering group was established. The group are looking at how best practice can be shared.

Specific areas of development include conversations with the 100 new worshipping communities team on potential links with schools, the opportunities in developing the work of prayer spaces in schools in the Diocese and the potential of the resources of RE with Soul in not only enhancing the curriculum but building connections with churches locally and through ALMA links.



A prayer space in a secondary school

Creative in reaching new people and places with the Good News in the power of the Spirit

to enable this we will by 2020:

7) Double the number of young people involved in local Christian communities

During 2016 significant time was spent reflecting and consulting both within London and with best practice leaders across the UK to look at how we might make a step change in our engagement with young people.

The Senior Staff adopted a new Youth Strategy, Capital Youth in 2016. Plans for further development, communication and implementation of this are underway. This strategy formed the basis

of an application to the Church Commissioners for Strategic Development funding. We have successfully progressed to Stage 2 of the process.

Since 2013, 19 messy churches have now been launched as part of our Messy Church programme with 12 more considering a launch. This year, our Early Years Mission adviser has been involved in starting four new groups and supporting 11 others in becoming more missional in their approach.

We reviewed the successful youth worker apprenticeship scheme in the Willesden episcopal area in partnership with YMCA and have now extended this across the Diocese with four further apprentices starting in 2016.



Our 2015 and 2016 apprentices

8) Create or renew 100 worshipping communities

28 new worshipping communities have now been created or renewed since the launch of Capital Vision 2020. New communities in 2016 included The Grove Missional Community in West London, The Anchorage in LSE, a Ukrainian church, and a new initiative, Hymns of Praise, designed to reach the older community. It is estimated that in 2015 attendance in new worshipping communities was 1,240. We are currently collecting data for 2016.

18 potential plants (from London and other Dioceses) completed the church planting training courses in 2016, with 56 church planting clinics taking place. Over 150 potential plants are now being tracked. Planning sessions have taken place at both area and deanery level to look at potential opportunities for the coming years, momentum being built with the appointment of the Bishop of Islington with a focus on church planting.

Our successful New Worshipping Communities bid to the Church Commissioners enabled us to offer grant funding of £166,000 (in amounts of £1,000, £5,000 and £20,000) to those planning new church planting communities. As part of this, we will embed training, sharing of learning and mentoring in our church planting. 22 coaches have been trained.

We have been pleasantly surprised by the number of foreign language opportunities that have arisen in the past 12 months. New foreign language services already started, or beginning, by early 2017 include Tagalog, Ukrainian, Russian, French and Gujarati. Additional foreign language services are being planned for Hindi and Turkish speakers

2016 saw the Engine Room Community Centre and St Francis' church in Tottenham Hale handed over to allow fit-out ready for the official opening in 2017. Monitoring continued through the Strategic Development Committee to ensure work is completed to time and budget.

Work also continues in other key housing development areas across London with planning and consultation in Earl's Court, King's Cross, Cricklewood, Colindale, Queen Elizabeth Olympic Park and Old Oak Common.



Handover at Tottenham Hale

9) Engage more closely with sport and the creative arts

We have continued to highlight the wide variety of initiatives run by local churches in London, as well as identifying potential partnerships to help with the

delivery and training in sports and physical activity ministry.

In 2016 we brought together the Sports Ministry Partners group, providing them with the opportunity to network, learn more about the sports priority and begin to join-up, enhance and support work across the diocese. Building on this, Kick London has, for example, had a very positive response from church school head teachers in the Stepney Area and is currently working in three new schools with others potentially coming online in 2017.

A pilot Sports and Physical Activity Hub has been established at St John's Hoxton to test and showcase how sports and physical activity can be used by churches to engage the local community (from young to old) as a tool of mission and to support the growing policy agenda to get more people fit and active, as well as delivering other vital social outcomes in the local community including tackling mental health and isolation, improving community cohesion and reducing anti-social behaviours.

We soft-launched in December the Sports and Physical Activity Network for those interested in or already delivering sport ministry, or who are participating in the sports and physical activity sector, with plans to grow this network significantly in 2017. We are also carrying out research into how the Diocese can better engage with the physical activity, health and wellbeing agenda in the future.

Our creatives network has now reached almost half way to our 500 target with 248 members. We continued our monthly e-news sharing profiles, events and hire spaces across the Diocese for those involved in the creative industries, and held a small number of networking events on film and photography as well as supporting other initiatives such as launching The Stations of the Cross exhibition, training for clergy around creative arts, and an open churches event. The Haven moved closer to establishing an independent charity and held a successful Christmas fundraiser.

10) Each pray for at least seven people that we may share with them the story of our faith

Our sponsorship of Prayers on the Move encouraged people across London to pray but lacked impact that could be formally tracked.

We joined in with the Archbishops' call to prayer, Thy Kingdom Come, in 2016, linking this to pray for seven. We promoted resources, held a beacon event at St Paul's Cathedral and estimate that at least one quarter of churches joined in with specific services, times of prayer or other activities. A particular focus in the City deanery meant that daily special events and services were available throughout the week.

We concluded a film project which shared the stories of people who had prayed for seven over the course of a year. This was well received; the quality and quantity of material meant two films were made covering the breadth of the London church.



Your Kingdom Come beacon event at St Paul's Cathedral

3) Supporting the senior clergy

In 2016 this strand of the LDF's activity was focused particularly on supporting the continued induction of the newer members of the senior staff team, as well as putting in place the foundations to support the Vacancy in See Committee which resulted from the retirement of the Rt Revd and Rt Hon Dr R J C Chartres KCVO DD FSA as Bishop of London with effect from 31 March 2017.

In addition, we have continued to provide pro-active support to our senior clergy, including tailored HR support.

4) Running an effective organisation

Underpinning the three previous key purposes of the LDF is the intent to run an effective organisation in order to support the mission and growth of the church in London.

The effectiveness of the LDF continues to be demonstrated through a wide range of areas, for example:

- smooth running of governance bodies and committee meetings,
- regular reporting to senior staff and trustees,
- the financial stability, including accurate and timely budgeting and management accounting,
- efficient process of receiving and agreeing Common Fund offers, as well as the prompt receipt of Common Fund pledges.

As an example, 20 by-elections were held in 2016 to fill vacancies arising in the membership of a range of governance bodies in the Diocese.

In addition there were other governance changes, including the establishing and regularising of the work of the Strategic Development Committee (SDC), which commenced in 2015, to help us be more effective in overseeing capital projects and establishing our presence in major new housing developments.

Financial Review

Financial summary

This is the second year that the LDF has presented its results under FRS 102 and SORP 2015. The transition gave rise to an adjustment to recognise the present value of deficit funding contributions for both the Church Workers Pension Fund and the Clergy Pension Scheme.

Excluding a one-off adjustment in 2015 of £3.6m, total income increased by £2.8m from £37.3m in 2015 to £40.1m in 2016, because of the continuing generosity of the thousands of people in the parishes who support the LDF's work, and our ongoing efficient management of the balance sheet.

Excluding a one-off adjustment in 2015 of £1.4m, total resources expended increased by £2.2m from £37.5m in 2015 to £39.7m in 2016, due largely to increased expenditure on ministry and clergy housing and property costs.

The property team continued to manage the LDF's properties seeking to provide the best possible service to clergy and parishes, and maximise the revenue from investment property and from operational property temporarily not in operational use.

Net incoming resources for the year before investment gains, other recognised gains and losses, and one-off adjustments, across all funds were £0.4m (2015: outgoing resources of £0.2m).

The following table shows an overall increase in net assets of £16.4m for the year to £433.2m (2015: £416.8m).

| | 2016 £m | 2015 £m |
|--|--------------|--------------|
| Net income/expenditure | 0.4 | (0.2) |
| Pension deficit movements | 1.4 | 0.1 |
| <i>Sub-total</i> | 1.8 | (0.1) |
| <i>Other adjustments:</i> | | |
| - Release of income from lease premiums | - | 3.6 |
| - Clergy pension deficit movement | - | 1.4 |
| <i>Sub-total</i> | - | 5.0 |
| Other recognised gains and losses: | | |
| Unrealised gains/(losses) on investment assets | 2.9 | (0.1) |
| Unrealised gains on property assets | 0.6 | 17.7 |
| Realised gains on property assets | 11.1 | 10.4 |
| <i>Net gains</i> | 14.6 | 28.0 |
| Net movement in funds for the year | 16.4 | 32.9 |
| Balances at 1st January | 416.8 | 383.9 |
| Balances at 31st December | 433.2 | 416.8 |

Budget and outlook for 2017

The budget for 2017 was approved by the Bishop's Council and received by the Diocesan Synod at the end of 2016. It provides for General Fund income to increase by £1.0m and Common Fund to increase to £23.6m. General Fund expenditure is budgeted to increase by £1.0m, with a budgeted 2.0% increase in stipends in 2017.

Policies

Reserves policy and management

At the end of the year to 31 December 2016 the LDF held total assets of £433.2m (2015: £416.8m), split between the various funds as shown in the table below:

| Fund categories | 2016 £m | 2015 £m |
|-----------------|---------|---------|
| General | 3.1 | 2.9 |
| Designated | 119.2 | 105.1 |
| Restricted | 20.3 | 21.8 |
| Endowment | 290.6 | 287.0 |

General reserves are held to finance working capital requirements (principally stipends, salaries and property costs) not matched by simultaneous receipt of Common Fund and investment income. The policy is that General Fund (or free) reserves (unrestricted and undesignated) equivalent to approximately one month's expenditure should be held in cash or near cash for this purpose.

General reserves at 31 December 2016 were £3.1m (2015: £2.9m) and equate to about 32 days of general fund expenditure (2015: 30 days), which is in line with our policy.

Designated reserves to the value of £119.2m (2015: £105.1m) include operational property used to house clergy of £58.7m (2015: £55.8m). Designated reserves also include investment property of £52.8m (2015: £42.7m), used to generate income for the following purposes:

- To mitigate financial risk, such as significant changes in the environment in which the LDF operates and to protect the LDF from insolvency or serious disruption to its work.
- 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 preserve these assets for future generations.
- To supplement the Common Fund in furtherance of the LDF's charitable objectives.

Under the transitional arrangements for FRS 102, a significant negative fund was introduced in 2015, being the clergy pension deficit reserve which now stands in deficit of £13.0m (2015: deficit of £15.7m). Further details can be found within note 15(b).

Other designated funds include the Diocesan Loan Capital fund of £4.5m (2015: £4.3m) used mainly to provide loans to parishes, often to enable them to undertake major capital projects that would otherwise not be able to proceed and a Capital Vision 2020 reserve, which at 31 December 2016 had a value of £2.2m (2015: £1.8m).

The remainder of the designated funds have a value of £14.0m (2015: £16.2m), many of which are gradually being exhausted as they are expended for the purposes for which they were designated. Some

of these funds may be replenished over time by further donations and designations.

Restricted reserves with a value of £20.3m (2015: £21.8m) are restricted in their application in accordance with conditions specified by the donors, the main reserves being Sole Trust Expendable Funds, Closed Church Buildings Operational and Investment Property. Glebe assets (consisting of historic endowment land given to provide stipends for parochial clergy, now owned and managed by LDF) are regarded as restricted expendable endowment funds.

Investment policy and performance

The LDF regularly reviews its investment policy and receives periodic guidance from its Non-Property Investment Guidance Group, and from the Property Guidance Group.

The overarching 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.

In relation to non-property investments the LDF currently seeks an income return of at least 4%, whilst at least maintaining the capital value of its non-property investments in real terms.

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 trustees have had an ethical investment policy in place for several years which covers principally its non-property investments. The policy incorporates:

- Negative screening: the LDF invests in funds which exclude tobacco, arms and gambling.
- Engagement: the LDF invests in funds that follow the United Nations backed principles for responsible investment (UNPRI) and the UK's stewardship code.

Investment returns

The strategic work to reshape the investment property portfolio continues as we look to increase the level of income we generate from the asset base. This work commenced in 2013, when net income of the order of £1.8m was generated. By 2020, investment property net income is expected to be of the order of £3m. During 2016, further steps have been taken to develop the portfolio, with sales of relatively low yield properties raising circa £7m and the proceeds reinvested in higher yield properties. In total the investment property portfolio generated in excess of £2.4m of net income in 2016 (2015: £2.3m).

In addition, the portfolio has seen significant capital growth. During 2016, the asset base has increased from £87.4m to £92.3m.

Investments in equities, fixed interest securities and other quoted securities amounted to £36.2m (2015: £33.3m). Gains of £2.9m (2015: losses of £0.1m) were recorded and investment income of £1.5m (2015: £1.6m) were received.

The gains in the capital value of the above investments, of the order of 9%, were slightly behind the movement in the value of the FTSE all-share index, which rose c.12% in 2016.

Valuation of operational property assets

The majority of the operational property assets are held for the long term use of the LDF, rather than for re-sale, and are valued in the accounts at their deemed cost in accordance with the provisions of FRS 102.

Pension schemes

Church of England Funded Pension Scheme – Clergy
Following the results of the 2012 valuation, the LDF's contribution rate increased to 39.9% from 38.2% of pensionable stipends from 1 January 2015 (of which 14.1% was in respect of the shortfall in the Scheme and 25.8% in respect of future benefits and the day-to-day expenses of running the Scheme).

In these financial statements we have included as a liability the present value of the agreed deficit contributions towards the clergy pension scheme,

which at 31 December 2016 was £12,986,000 (2015: £15,739,000).

Lay Church Workers' Pension Fund:

During 2012 the LDF consulted staff members on a proposed change of accrual rate for future service regarding the Church Workers' Pension Fund (CWPF) for lay staff. The change came into effect on 1 April 2013. The LDF contributes at a rate of 25% of pensionable salary.

Lay Defined Contribution Scheme:

Since the lay CWPF closed to new members in 2008, the LDF has a defined contribution pension scheme for lay staff which is currently managed by Aviva.

Risk management

The Senior Management Group and the Archdeacons regularly 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, together with the measures in place to manage and mitigate such risks.

The process of identification and assessment of risk, the risks identified and the measures for mitigation are reviewed at least annually by the Audit and Risk Committee. The risk register is available for inspection by all directors and trustees. As part of new directors' and trustees' induction, details of the risk management process are provided. A formal report on risk management is considered by the Bishop's Council annually.

The risks which are currently assessed as scoring highest, and the plans to address them, include:

- Historic or current abuse of a child or a vulnerable adult in the Diocese results in a breach of trust and negative impact on the victims.
Mitigation includes having an independently audited safeguarding programme, which is professionally run and independently audited.
- Nationally divisive issues lead to loss of clergy and/or congregations and finances.

Mitigation includes strong episcopal leadership and professional support in handling difficult issues.

- Operationally too many complex initiatives make it difficult for Senior Staff and management to focus on agreed priorities.

Mitigation includes planning forward agendas in relation to strategic priorities and tracking strategic objectives.

The main risks to the LDF's income are that parishes will be unable to donate as generously as they have pledged or would wish. The LDF supports parishes by offering fundraising advice, stewardship support and other income generating advice.

The principal risks relating to expenditure are that there may be additional pension deficits to be funded; the costs of training ordinands may rise further; or there may be unexpected property maintenance expenditure.

The LDF's management keep the risks under review and ensure that proportionate mitigation strategies continue to be in place.

Funds held as custodian trustee

The LDF is custodian trustee for trust assets of £18.0m (2015: £17.3m). Detailed certificates of holdings were sent to parishes and other managing trustees as at 31 December 2016.

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.

Other matters

The LDF also supports connected charities, one of which is the London Diocesan Board for Schools, with whom facilities to the value of £307k (2015: £329k) are shared at London Diocesan House, and to whom a cash grant of £180k was made in 2016 (2015: £180k).

Other support is provided to parishes in the form of grants and loans. In 2016 grants to London parishes totalled £1.3m (2015: £1.5m).

Plans for future periods

We believe we have exciting plans which will enable us to support the mission and growth of the Church in London in the years ahead.

These plans are built on the foundation of being affordable and sustainable over the next five years. They consider the General Fund, Capital Vision 2020 and our Capital Strategy over that timeframe.

We aim to keep the day to day income and expenditure of the LDF in balance while using designated and restricted funds for the purposes for which they are held. We have set a balanced budget for General Funds for 2017.

Specifically, we have plans to:

a) Invest in the well-being of our clergy and chaplains - our "front line staff"

- By proposing to increase the stipend of clergy at above the level of inflation, funded by Common Fund
- By setting aside £6m from the Capital Strategy to invest in double glazing for clergy houses.

b) Develop new and enhanced services to support our clergy and parishes

- We already provide a wide range of services to clergy and parishes and we want to help them more in areas such as assessing the heat efficiency of church halls, further developing our HR capacity and rolling-out the Parish Giving Scheme – funded primarily by additional income as a result of reshaping the investment property portfolio.

c) Take forward Capital Vision 2020

- By investing over £400k per annum from the CV2020 designated fund in the 10 priority areas and in fundraising. In addition we expect to help with pump-prime funding for new worshipping communities.
- We will also be continuing to review how we can be more effective in "doubling the number of young people involved in local Christian community". This continues to be very challenging.

- In January 2017 we launched the Richard Chartres Fund for London to raise funds for a number of projects and activities which are in alignment with our CV2020 strategy.

d) Invest in establishing a Christian presence in the major new development areas

- We are funding an additional five posts from our Capital Strategy to help establish a Christian presence in the 10 or so major new development areas.
- We are setting aside capital to fund the development and investment in new churches in these areas. We plan to more than match the LDF capital investment through developers' contributions and philanthropic giving.

Going concern

The trustees have reviewed the charity's financial position, taking account of the satisfactory levels of reserves and cash, amounts receivable, principally from the Common Fund, the annual plan and the five-year financial plan, and its systems of financial and risk management. As a result of their review, it is their opinion that the charity is well placed to manage operational and financial risks successfully.

Accordingly, the trustees have a reasonable expectation that the charity has adequate resources to continue in operational existence for the foreseeable future and therefore continues to adopt the going concern basis of accounting in preparing the annual accounts.

Governance, structure and management

The Diocese of London

The Diocese of London was founded in Roman times and was re-founded in 604 by St Mellitus. In its current form, it covers 18 boroughs in Greater London and Surrey, north of the River Thames and west of the River Lea. It serves over 4 million people in 277 square miles.

The Diocese is led by the Bishop of London, and by the Acting Bishop of London during the vacancy. The Bishop of London has delegated certain powers to four Area bishops, the Bishops of Edmonton,

Kensington, Stepney and Willesden, and two Suffragan bishops, the Bishops of Fulham and Islington.

There is an archdeacon for each of the episcopal areas. There is also an Archdeacon of London and an Archdeacon for the Two Cities of London and Westminster, forming the Two Cities area which is led by the Bishop of London, and by the Acting Bishop of London during the vacancy.

There are 24 deaneries within the Diocese. Each deanery consists of several parishes; there are 395 parishes in the Diocese each of which is governed by a Parochial Church Council (PCC). The PCC is made up of the incumbent as chair, the churchwardens and a number of other ex officio and elected members. Each PCC is a corporate body and a separate charity. PCCs are responsible for, inter alia, the maintenance of churches and certain other buildings. Except where shown, the transactions of PCCs do not form part of these financial statements. The LDF's activities are only one aspect of the vibrant and diverse mission of the church in London. In total, the PCCs across London have unrestricted income levels of c£100m a year.

In addition we have 28 new worshipping communities, some of which are established under a Bishop's Mission Order (BMO).

The statutory governing body of the Diocese is its Synod, which is a largely elected body with representation from all parts of the Diocese. The Diocese conducts its financial affairs through a number of corporate bodies, the main one being the London Diocesan Fund ("the LDF").

The London Diocesan Fund

The LDF is a company limited by guarantee and registered in England & Wales (150856). It is also 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 & Wales on 29 June 1918.

All members of the Bishop's Council are directors of the company for the purposes of the Companies Act 2006 and are trustees under charity law.

Management and senior staff

The bishops and archdeacons exercise day to day oversight of the Diocese. Mr Richard Gough is the General Secretary and also acts as secretary to the Bishop's Council.

Some Senior Management Group (SMG) 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. The SMG comprises:

General Secretary: Mr Richard Gough

Director of Property: Mr Michael Bye

Director of Human Resources and Safeguarding:
Mrs Colette Black (until 31 January 2017),
Mrs Suzanne Long (from 24 April 2017)

Director of Finance and Operations:

Mr Richard Antcliffe

Director of Development: Mr Edward Moody

Director of Capital Vision: Mrs Deborah Clinton
(from 1 January 2017).

Remuneration

The Remuneration Committee meets at least annually to provide assurance to the Diocesan Finance Committee (DFC) that the London Diocesan Fund has appropriate remuneration procedures in place and to oversee issues relating to the remuneration of all LDF clergy and staff. It makes recommendations to the DFC regarding the LDF's remuneration policy and pay increases.

Statutory functions

The LDF has a statutory responsibility for management of glebe assets (historic endowment land given to provide stipends for parochial clergy, now owned and managed by LDF), to generate income to support the cost of stipends. It is the Diocesan Authority for parochial and other trusts, and also discharges the responsibilities of the Diocesan Parsonages Board.

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 chaplains and supporting their ministry. The LDF also provides community space and facilities to the wider population and visitors to London.

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

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.

The LDF also acts as custodian trustee and as agent to other boards, committees and trusts within the London Diocese.

Fundraising

The LDF fundraising plan incorporates three streams:

- To provide parishes with advice and guidance to encourage them to adhere to best practise in their fundraising activities.
- To drive campaigns around specific and strategic fundraising needs.
- To support and enable strategic relationship management.

Led by the General Secretary, officers meet regularly to review current performance and agree future fundraising strategy.

The LDF does not engage with any direct marketing activities, nor does it share or purchase any donor data with or from third parties. The LDF rarely engages with independent professional fundraisers and if so will always ensure there is an appropriate contract in place.

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 noted the Charity

Commission's guidance *Charities and Public Benefit* and have regard to this 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 2016.

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 provision of public worship and ceremonies
- the moral and spiritual improvement of the public
- the provision of comfort to the bereaved and distressed
- contributing towards a better society, by promoting social cohesion and social capital
- contributing to the spiritual and moral education of children
- carrying out, as a practical expression of religious belief, other activities to meet needs
- contributing to good mental and physical health
- the provision and maintenance of sacred spaces, principally churches (many of which are listed buildings) and churchyards, open to the public and
- the provision of public spaces such as church halls as an expression of faith.

Committees

The Diocesan Synod has appointed the Bishop's Council as the Diocesan Mission and Pastoral Committee. The Council has delegated certain powers to the Strategic Development Committee and to Area Councils.

The LDF has also delegated certain powers to its Finance Committee. These committees and councils have power to co-opt members, subject to elected and ex officio members being the majority.

Diocesan Finance Committee

The DFC is a sub-committee of the Bishop's Council. Its membership comprises laity and clergy. The DFC meets at least six times each year. The Bishop of London, the archdeacons, and the Clerical and Lay Vice Chairs are ex officio members.

The DFC makes recommendations to the Bishop's Council on matters in connection with finance, property and staff business of the LDF.

Audit and Risk Committee

The Audit and Risk 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.

The Committee ensures that proper regard is had to statutory and regulatory obligations and to best practice and also reviews the systems of internal financial control. During 2016 the LDF increased its focus on risk across its operations. This new emphasis was reflected by changing the Committee's name from the 'Audit Committee'.

Strategic Development Committee

The Strategic Development Committee (SDC), established in 2015, advises under delegated powers on behalf of the Bishop's Council on major development area programmes and capital projects.

The SDC operates within the parameters of the strategic direction and priorities set by the Senior Staff Meeting, endorsed by the Bishop's Council, and a five year capital expenditure framework approved by the Bishop's Council as recommended by the Diocesan Finance Committee.

Trustee training

The trustees regularly review their knowledge, skills and experience. Appropriate training sessions are designed to address any gaps in skills and knowledge.

New trustees are provided with a handbook outlining their main responsibilities, and new trustee induction sessions are conducted each triennium.

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 the preparation of 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.

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

The trustees are responsible for preparing the Directors' and Trustees' Report, incorporating the Strategic 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 as at the balance sheet date and of its incoming resources and application of resources, including income and expenditure, for that financial year. In preparing these financial statements, the trustees are required to:

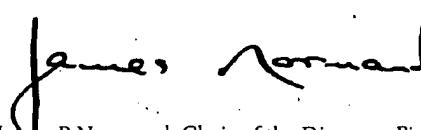
- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare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

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.

In approving this trustees' report, the trustees are also approving the Strategic Report included here, in their capacity as company directors.



James P Normand, Chair of the Diocesan Finance Committee and Member of Bishop's Council

17 May 2017

Appendices – committee membership and administrative details

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

All members of the Bishop's Council are directors and members of the company for the purposes of the Companies Acts and are trustees under charity law. The following members served during the period from 1 January 2016 until 17 May 2017, the date of approval of this report:

Chairman

The Rt Revd and Rt Hon the Lord Bishop of London,

Dr Richard J C Chartres KCVO
DD FSA (until 31/03/17)

The Bishop of Willesden,
the Rt Revd Peter A Broadbent (from 01/04/17)

Lay & Clerical Vice Chairmen

Mr James P Normand,
Diocesan Synod House of Laity
The Revd Preb L Alan Moses,
Diocesan Synod House of Clergy

Ex Officio

The Bishop of Stepney,
the Rt Revd Adrian Newman
The Bishop of Kensington,
the Rt Revd Dr Graham S Tomlin
The Bishop of Edmonton,
the Rt Revd Robert J Wickham
The Bishop of Willesden,
the Rt Revd Peter A Broadbent
The Bishop of Fulham,
the Rt Revd Jonathan M R Baker
The Bishop of Islington,
the Rt Revd Ric C Thorpe
The Archdeacon of London,
the Ven Nick S Mercer (until 05/01/16),
the Ven Luke J Miller (from 05/01/16)
The Archdeacon for the Two Cities,
the Ven Rosemary J Lain-Priestley (from 05/01/16)

The Archdeacon of Hackney,
the Ven Elizabeth Adekunle (from 05/04/16)

The Archdeacon of Middlesex,
the Ven Stephan J Welch
The Archdeacon of Hampstead,
the Ven John E I Hawkins
The Archdeacon of Northolt,
the Ven Duncan J Green
The Dean of St Paul's Cathedral,
the Very Revd Dr David J Ison

Elected by The House of Laity, Diocesan Synod

Mr Andrew Garwood-Watkins (until 31/03/17)
Mrs Enid M Barron
Mrs Margery D Roberts
Mr Jeremy Thomas
Mr Adam Farlow (from 05/12/16)

Nominated by the Bishop of London

Ms Josile W Munro (from 04/05/16)

The following members were elected by the Deanery Synod members of the respective Areas:

Two Cities

The Revd Canon Dr Alison J Joyce
The Revd Colin J Amos
Mr David Roberts
Mr David W Richards
Miss Debbie R Buggs
Mr Brian O'Donoghue

Stepney

The Revd Judith Blackburn
The Revd Graham Hunter
Mr Lee Humby
Mr John Wilson
Dr Philip Rice
Mrs Christina T Sosanya

Kensington

The Revd Andrew V J Downes (until 04/05/16)
The Revd Stephen R Divall
Mrs Anne Rainford
Mr Howard A Evans
Mr David Hurst
Mrs Sarah Tett (from 07/04/16)
The Revd William Rogers (from 05/12/16)

Edmonton

The Revd Andrew Foreshow-Cain (from 07/04/16)
The Revd Christopher Smith (from 07/04/16)
Mr Inigo R M Woolf
Dr Christopher R M Ward
Ms Anne Casson
Miss Amanda McIntyre (from 25/04/16)

Willesden

The Revd Stephen M France
The Revd Edmund A J Cargill Thompson
Mr John R Dolling
Mr Clive R Scowen
Mr Nigel K Challis
Mr Michael J Bithell

Members are shown in the categories in which they are currently appointed. They may previously have served as members in a different capacity.

Members of the Diocesan Finance Committee as at 17 May 2017

(also Members of the Bishop's Council)

The Archdeacon of London,
the Ven Luke J Miller
The Archdeacon for the Two Cities,
the Ven Rosemary J Lain-Priestley
The Archdeacon of Hackney,
the Ven Elizabeth Adekunle
The Archdeacon of Middlesex,
the Ven Stephan J Welch
The Archdeacon of Hampstead,
the Ven John E I Hawkins
The Archdeacon of Northolt,
the Ven Duncan J Green
The Revd Preb L Alan Moses
Mr James P Normand (Chair)
The Revd Canon Dr Alison J Joyce
The Revd Colin J Amos
The Revd Stephen R Divall
Mr John R Dolling
Miss Debbie R Buggs
Dr Philip Rice
Mr David W Richards
Dr Christopher R M Ward
Mr Inigo R M Woolf
Mr Michael J Bithell

(not Members of the Bishop's Council)

Mr David Barton
Mr Roger Dean
Mr Richard N Perry
The Revd Preb V Akintunde Roberts
Dr Susan Willmington
Mr Noel Manns

Members of the Audit and Risk Committee as at 17 May 2017

(also Members of the Bishop's Council)

Mr David Roberts (Chair)
Mr Nigel K Challis
The Revd Stephen M France

(not Members of the Bishop's Council)

Mr Don Bawtree
Mr Richard N Perry
Dr Judith F Richardson
Mrs Elizabeth Marshall

Members of the Strategic Development Committee as at 17 May 2017

(also Members of the Bishop's Council)

The Bishop of Willesden,
the Rt Revd Peter A Broadbent (Chair)
The Archdeacon of Hackney,
the Ven Elizabeth Adekunle
The Archdeacon of London,
the Ven Luke J Miller
Miss Debbie R Buggs

(not Member of the Bishop's Council)

Mr Colin Sheppard

The Bishop of London's Fund

Patron: The Most Revd and Rt Hon the Lord
Archbishop of Canterbury
President: The Rt Revd and Rt Hon the Lord
Bishop of London (until 31 March 2017)
The Bishop of Willesden, the Rt Revd
Peter A Broadbent (from 1 April 2017)

Treasurer: Mr Inigo R M Woolf

The president and treasurer are ex officio trustees.

Other trustees of the Bishop of London's Fund:

The Ven Stephan J Welch
The Ven Luke J Miller
The Ven Duncan J Green
Mr David Roberts
Secretary: Mr Richard Gough

The Bishop of London's Fund was established in 1863 and was incorporated by the Board of the Charity Commissioners for England and Wales under the Charitable Trustees Incorporation Act 1872 (since replaced by other legislation) on 7 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.

For day to day purposes and in accordance with a special resolution of 29 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 and Chair: The Rt Revd and Rt Hon the
Lord Bishop of London (until 31/03/17),
The Bishop of Willesden, the Rt Revd Peter A
Broadbent (from 01/04/17)

Trustees: The Trustees of the LDF
Secretary: Mr Richard Gough

The London Diocesan Board of Finance (LDBF) was registered in England as a company limited by guarantee on 30 April 1914. The Diocesan Boards of Finance Measure 1925 provides that every Diocese in the Church of England should have a DBF. It stipulates however that those Dioceses with existing trust bodies (provided they are incorporated under the Companies Acts) are allowed to use these bodies to carry out the functions of the DBF.

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 LDBF. The Articles of Association of the LDBF were amended on 7 June 1926 to amalgamate the functions of the DBF into the LDF, except anything which was unable to be amalgamated because of statutory provisions.

The LDBF is a registered charity (249022) and a company limited by guarantee (135519).

Professional Advisers

Auditors

haysmacintyre
26 Red Lion Square
London WC1R 4AG

Bankers

Barclays Bank PLC
1 Churchill Place
London E14 5HP

Insurers

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

Solicitors

Winckworth Sherwood
Minerva House
5 Montague Close
London SE1 9BB

Communications Consultants

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

Independent Auditors' 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 2016 which comprise the Statement of Financial Activities, the Balance Sheet, the Summary Income and Expenditure Account, 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).

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

Respective responsibilities of trustees and auditor

As explained more fully in the Statement of trustees' and directors' responsibilities set out previously, the trustees (who are also the directors of the charitable company for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

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 Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the charitable company's affairs as at 31 December 2016 and its net movement in funds, including

the income and expenditure, for the year then ended;

- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinions on other matters prescribed by the Companies Act 2006

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

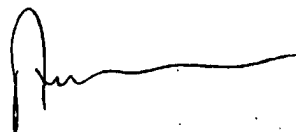
- the information given in the Annual Report (which incorporates the strategic report and the directors' report) for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Annual Report (which incorporates the strategic report and the directors' report) has been prepared in accordance with applicable legal requirements.

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

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.



Adam Halsey (Senior statutory auditor)
for and on behalf of Haysmacintyre, Statutory Auditor
26 Red Lion Square London WC1R 4AG

17 May 2017

Statement of Financial Activities – for the year to 31 December 2016

| | | Unrestricted Funds | | Restricted Funds | Endowment Funds | Total 2016 | Total 2015 |
|--|-------|--------------------|--------------|------------------|-----------------|--------------|--------------|
| | | General | Designated | Funds | Funds | 2016 | 2015 |
| | | £m | £m | £m | £m | £m | £m |
| Income and endowments from | Notes | | | | | | |
| <i>Donations, legacies & grants</i> | | | | | | | |
| Common Fund | | 23.2 | - | - | - | 23.2 | 22.8 |
| Parish reimbursements for clergy costs | | 3.3 | - | - | - | 3.3 | 3.1 |
| Donations | | 0.6 | - | 0.4 | - | 1.0 | 1.2 |
| Church Commissioners | | - | 0.3 | 0.5 | - | 0.8 | 0.5 |
| City Church Fund | | 1.3 | - | - | - | 1.3 | 1.4 |
| <i>Charitable activities</i> | | | | | | | |
| Operational property rental income | | 3.0 | - | 0.1 | - | 3.1 | 3.6 |
| Parochial fees | | 0.5 | - | - | - | 0.5 | 0.5 |
| <i>Investment Income</i> | | | | | | | |
| Dividends and interest receivable | 11a | 1.4 | - | 0.1 | - | 1.5 | 1.6 |
| Investment property rentals | 11b | 3.4 | - | - | - | 3.4 | 5.9 |
| <i>Other income</i> | | - | 1.8 | 0.2 | - | 2.0 | 0.3 |
| Total income | | 36.7 | 2.1 | 1.3 | - | 40.1 | 40.9 |
| Expenditure on | | | | | | | |
| <i>Raising funds</i> | | | | | | | |
| <i>Investment management costs</i> | | | | | | | |
| Rental portfolio costs - agent fees | | 0.3 | - | - | - | 0.3 | 0.3 |
| Investment property repairs and maintenance | | 0.7 | 0.1 | - | 0.2 | 1.0 | 0.8 |
| <i>Charitable activities</i> | | | | | | | |
| Ministry | | 22.4 | 0.3 | 0.3 | - | 23.0 | 20.8 |
| Education and outreach | | 0.6 | - | - | - | 0.6 | 0.6 |
| Parish and Area support services | | 1.4 | 0.1 | 0.3 | - | 1.8 | 1.7 |
| Clergy housing and property costs | | 7.1 | 0.5 | 0.1 | - | 7.7 | 7.4 |
| National Church | | 2.5 | - | - | - | 2.5 | 2.3 |
| Grants to parishes and overseas | 5 | 0.3 | 0.8 | 0.4 | - | 1.5 | 1.6 |
| <i>Other expenditure</i> | | - | 1.1 | 0.2 | - | 1.3 | 0.6 |
| Total expenditure | 4 | 35.3 | 2.9 | 1.3 | 0.2 | 39.7 | 36.1 |
| Net income/(expenditure) before investment gains | | 1.4 | (0.8) | - | (0.2) | 0.4 | 4.8 |
| Realised gains on tangible fixed assets | | - | 5.1 | 0.9 | 5.1 | 11.1 | 10.4 |
| Net gains/(losses) on investments | 8 | 0.3 | 1.3 | 0.4 | 0.9 | 2.9 | (0.1) |
| Net incoming resources for the year | | 1.7 | 5.6 | 1.3 | 5.8 | 14.4 | 15.1 |
| Transfers between funds | 13d | (1.5) | 5.2 | (0.8) | (2.9) | - | - |
| Other recognised gains/(losses) | | | | | | | |
| Pension deficit movement | | - | 1.4 | - | - | 1.4 | 0.1 |
| Unrealised gains/(losses) on tangible fixed assets | 7 | - | 1.9 | (2.0) | 0.7 | 0.6 | 17.7 |
| Net movement in funds for the year | | 0.2 | 14.1 | (1.5) | 3.6 | 16.4 | 32.9 |
| Reconciliation of funds: | | | | | | | |
| Funds at 1 January 2016 | | 2.9 | 105.1 | 21.8 | 287.0 | 416.8 | 383.9 |
| Funds at 31 December 2016 | | 3.1 | 119.2 | 20.3 | 290.6 | 433.2 | 416.8 |

Balance Sheet - as at 31 December 2016

Company number: 150856

| | | Unrestricted Funds | | Restricted Funds | Endowment Funds | Total 2016 | Total 2015 |
|---|-------|--------------------|------------|------------------|-----------------|------------|------------|
| | | General | Designated | Funds | Funds | 2016 | 2015 |
| | | £m | £m | £m | £m | £m | £m |
| | Notes | | | | | | |
| Fixed Assets | | | | | | | |
| Operational property | 7 | - | 70.8 | 3.0 | 242.3 | 316.1 | 306.9 |
| Investment property | 7 | - | 52.8 | 7.4 | 32.1 | 92.3 | 87.4 |
| Non-property investments | 8 | 2.8 | 14.5 | 6.3 | 12.6 | 36.2 | 33.3 |
| | | 2.8 | 138.1 | 16.7 | 287.0 | 444.6 | 427.6 |
| Current Assets | | | | | | | |
| Debtors | 10a | 1.4 | 2.5 | 0.3 | - | 4.2 | 4.8 |
| Cash at bank | | 4.3 | (1.2) | 3.6 | 3.7 | 10.4 | 7.5 |
| | | 5.7 | 1.3 | 3.9 | 3.7 | 14.6 | 12.3 |
| Creditors | | | | | | | |
| Amounts falling due within one year | 12 | (5.4) | (4.2) | (0.3) | (0.1) | (10.0) | (4.4) |
| Net Current Assets | | 0.3 | (2.9) | 3.6 | 3.6 | 4.6 | 7.9 |
| Total assets less current liabilities | | 3.1 | 135.2 | 20.3 | 290.6 | 449.2 | 435.5 |
| Creditors – amounts falling due after one year | | | | | | | |
| Pension scheme liabilities | 15b | - | (13.0) | - | - | (13.0) | (15.7) |
| Other creditors | 12 | - | (3.0) | - | - | (3.0) | (3.0) |
| Net Assets | | 3.1 | 119.2 | 20.3 | 290.6 | 433.2 | 416.8 |
| Funds | | | | | | | |
| General | | 3.1 | - | - | - | 3.1 | 2.9 |
| Designated | 13a | - | 119.2 | - | - | 119.2 | 105.1 |
| Restricted | 13b | - | - | 20.3 | - | 20.3 | 21.8 |
| Endowment | 13c | - | - | - | 290.6 | 290.6 | 287.0 |
| Total Funds | | 3.1 | 119.2 | 20.3 | 290.6 | 433.2 | 416.8 |

The Cash Flow Statement and Notes on pages 24 to 46 form part of these financial statements.

The financial statements on pages 21 to 46 were approved, and authorised for issue, by the Diocesan Bishop's Council on 17 May 2017.

James P Normand
James P Normand
Chair of the Diocesan Finance Committee
and Member of Bishop's Council

Call Moses
Rev'd Prebendary L Alan Moses
Member of Bishop's Council

Summary Income and Expenditure Account – for the year to 31 December 2016

| | 2016 £m | 2015 £m |
|--|------------|-------------|
| Income | 40.1 | 40.8 |
| Expenditure | (39.5) | (36.0) |
| Net income before investment gains | 0.6 | 4.8 |
| Net gains /(losses) on investments | 2.1 | (0.1) |
| Net income for the year | 2.7 | 4.7 |
| Other comprehensive income: | | |
| Unrealised and realised gains on property assets | 5.8 | 18.4 |
| Net assets transferred from endowments | (3.6) | 1.0 |
| Net movement on defined benefit pension schemes | 1.4 | 0.1 |
| Total comprehensive income | 6.3 | 24.2 |

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 21 with movements in endowment funds excluded to comply with company law.

Cash Flow Statement – for the year 31 December 2016

| | | 2016 £m | 2015 £m |
|---|-------|------------|--------------|
| | Notes | | |
| Net cash (outflow) from operating activities | 14a | (2.9) | (10.7) |
| Net cash inflows from investing activities | 14b | 5.7 | 7.9 |
| Increase/(decrease) in cash in the year | | 2.8 | (2.8) |
| Cash and cash equivalents | | | |
| As at 1 January | | 7.6 | 10.4 |
| As at 31 December | | 10.4 | 7.6 |

The notes on pages 24 to 46 form part of these financial statements.

Notes to the financial statements

1 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 (2015) and with regard to the Diocesan Annual Report and Financial Statements Guide (v5.2015).

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.

1.1 Basis of preparation

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

1.2 Key judgements

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates. The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements:

- non-depreciation of fixed assets as per accounting policy (see note 1.7)
- pension scheme liabilities (see note 15)

1.3 Funds

The LDF has various types of fund for which it is responsible and which require separate disclosure. Note 13 shows the balances and movements on each fund together with details of their uses. The directors' and 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:

- General Funds
- Designated Funds (note 13a)

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 13b)

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 are taken directly to those in the Statement of Financial Activities except to the extent that income is freely available for the general purpose of the LDF.

Endowment Funds (note 13c)

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.

Notes to the financial statements (continued)

1.4 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 Tax Act 2007. It is not liable to corporation tax on charitable income or income from charitable activities.

1.5 Pensions

The LDF participates in two defined benefit pension schemes: the Church of England Defined Benefit Scheme (DBS), for some of its lay employees but now closed to new joiners, and the Church of England Pensions Scheme, for clergy. The schemes are considered to be multi-employer schemes as described in Section 28 of FRS 102. This means it is not possible to attribute the Schemes' assets and liabilities to specific employers and that contributions are accounted for as if the Scheme were a defined contributions scheme. The pensions costs charged to the SoFA in the year are contributions payable towards benefits and expenses accrued in that year, plus any impact of the deficit contributions. Section 28.11A of FRS 102 requires agreed deficit recovery payments to be recognised as a liability.

1.6 Statement of Financial Activities

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

| <u>Income</u> | <u>Explanation</u> |
|--|--|
| Voluntary Income | |
| Common Fund | Contributions paid by the parishes in the Diocese of London to the LDF |
| Parish reimbursements for clergy costs | Amounts received in respect of clergy involved in largely local initiatives, financed directly by parishes or other institutions |
| Donations | Gifts from external organisations and individuals |
| Church Commissioners | Grant income from the Church Commissioners |
| City Church Fund | Grant income from the City Church Fund |
| Activities for generating funds | |
| Operational property rental income | Operational 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 operational rental income is receivable within general funds. |
| Parochial fees | Parochial fees are statutory charges for weddings and funerals, of which part is due to the local Parochial Church Council (PCC), and part is due to the LDF. The LDF element is used to help fund the overall stipends bill. |
| Investment Income | |
| 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 the market rate. Designated and Glebe investment rental income is receivable within general funds. |

Notes to the financial statements (continued)

Expenditure

Explanation

Cost of generating funds – investment management costs

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.

Charitable activities

Ministry Ministry primarily includes the payment of clergy stipends, national insurance and pension contributions.

Education and outreach Annual cash grant to the London Diocesan Board for Schools 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 and property costs Clergy housing and property costs represents the repairs, maintenance, and other property costs associated with the operational property portfolio, and the relevant costs of the Diocesan Advisory Committee and property department. In accordance with the implementation of FRS 102, annual depreciation is no longer charged on benefice and operational, freehold properties.

National Church The LDF's contribution to the National Church's costs.

Grants to parishes & overseas Grants made to London parishes and overseas Dioceses.

1.7 Tangible Fixed Assets

Property

Operational property is generally held at deemed historic cost and investment property at market value. Assets in the course of construction are held at cost.

(a) Benefice Houses

The LDF has adhered to the requirements of FRS 102 in its accounting treatment for benefice houses in following the substance of arrangements rather than their strict legal form. Although the LDF is formally responsible for the maintenance and repair of such properties and has some jurisdiction over future use, the legal title and right to beneficial occupation is vested in the incumbent. The trustees therefore consider the most suitable accounting policy is to capitalise such properties as expendable endowment assets and, in line with the transitional arrangements under FRS 102, value such properties at deemed historic cost being the net book value as at 1 January 2015.

Depreciation

In accordance with the implementation of FRS 102, annual depreciation is no longer charged on benefice and operational, freehold properties. Historically, fixed assets were depreciated over their useful economic life. In the past, depreciation had been charged on the following types of assets, over their expected lives as follows:

| | |
|---------------------------|------------|
| Benefice Houses | 150 years |
| Other freehold properties | 50 years |
| Leasehold properties | Lease term |

Notes to the financial statements (continued)

(b) Burial Grounds

Burial grounds owned by the LDF are held at nil value in the accounts as the trustees believe that the cost of a practical valuation is onerous compared to any 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 the 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 £10,000 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 £10,000 are written off fully in the year of purchase. Items over £10,000 are capitalised.

Depreciation

Depreciation is charged on fixtures, fittings and equipment over four years, being their expected useful life.

1.8 Investments

Investment Property

The trustees' policy is that freehold and long leasehold properties held for investment purposes have been included at the trustees' best estimate of market value. In 2016 a detailed review of the LDF's investment property resulted in the vast majority of its investment property portfolio being professionally valued externally. Future external valuations will take place as required, in accordance with relevant accounting standards. Interim valuations are undertaken in intervening years by a suitably qualified officer of the LDF.

Investment Property is not depreciated. Realised gains and losses on investment property are taken to the Statement of Financial Activities under the heading of realised gains/ (losses) on tangible fixed assets.

Other Investments

Non-property investments are stated at market value calculated by reference to the bid market value at 31 December. Realised gains or losses on disposal are calculated as the difference between disposal proceeds and carrying value.

1.9 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 49 with supporting notes on pages 50 to 52. The custodian trustee funds have been subject to a non-statutory audit and the audit report thereon covering pages 47 to 52 is to be found on page 53.

Notes to the financial statements (continued)

2. Surplus on Income and Expenditure for the financial year

The surplus for the financial year is stated after charging

| | 2016 | 2015 |
|--|--------------|--------------|
| | £'000 | £'000 |
| Depreciation (release)/charge – Operational property | (118) | (283) |
| Depreciation – fixtures, fittings and equipment | 4 | 5 |
| | <u>(114)</u> | <u>(278)</u> |
| Auditors' Remuneration (including VAT) | | |
| Statutory audit | 25 | 25 |
| Non-Audit Services: | | |
| ▪ Tax advice | 6 | 3 |
| ▪ Non-statutory review of Custodian Trusts | - 2 | 2 |
| | <u>33</u> | <u>30</u> |

3. Staff and Clergy Costs

| <i>Costs of lay staff</i> | 2016 | 2015 |
|----------------------------------|--------------|--------------|
| | £'000 | £'000 |
| Wages and Salaries | 3,077 | 2,770 |
| Employer's National Insurance | 312 | 266 |
| Employer's Pension contributions | 642 | 552 |
| | <u>4,031</u> | <u>3,588</u> |

The number of lay employees employed on diocesan business, and funded out of unrestricted general funds, was 72 (2015: 64). A further 32 lay employees (2015: 31) were funded from restricted or designated funds. Therefore the total number of lay employees was 104 (2015: 95).

The Full Time Equivalent average number of people employed on diocesan business, and funded out of unrestricted general funds, was 62 (2015: 55). A further 24 Full Time Equivalent employees (2015: 24) were funded from restricted or designated funds. Therefore the Full Time Equivalent average number of people employed was 86 (2015: 79).

The number of employees whose emoluments for the year exceeded £60,000 are as follows

| | 2016 | 2015 |
|---------------------|----------|----------|
| | No | No |
| £110,001 - £120,000 | - | 1 |
| £100,001 - £110,000 | 1 | - |
| £90,001 - £100,000 | 2 | 2 |
| £80,001 - £90,000 | 1 | 1 |
| £70,001 - £80,000 | 2 | 1 |
| £60,001 - £70,000 | <u>2</u> | <u>2</u> |

Emoluments, above, is defined as gross salary.

Notes to the financial statements (continued)

3. Staff and Clergy Costs (continued)

Aggregate employer normal pension contributions for all the higher-paid employees overleaf were £111,384 (2015: £86,473) payable to various pension schemes, of which £75,729 was payable to defined contribution pension schemes (2015: £67,454). There was one (2015: 2) higher-paid employee who was a member of the defined benefit pension scheme.

Remuneration of key management personnel

Key management personnel are deemed to be those having authority and responsibility delegated to them by the trustees for planning, directing and controlling the activities of the diocese. For these purposes, key management are deemed to be the Senior Management Group (see page 14) and the trustees.

Remuneration and pension for the Senior Management Group amounted to salary of £419,989 (2015: £512,248), Employer's NI of £48,906 (2015: £57,182) and Employer's pension contributions of £73,365 (2015: £74,522). Expenses reimbursed amounted to £3,990 (2015: £3,999).

Clergy costs

As at 31 December 2016 there were 7 individuals (2015: 10) – mainly chaplains – who (following the implementation of the Ecclesiastical Offices (Terms of Service) Measure 2009 in February 2011) are legally employees of the LDF, despite being on the clergy payroll. Where their costs fall to the LDF, they are included in the Clergy disclosure note below. In total for 2016, costs for those individuals who were included on the clergy payroll at any point in the year included Gross Stipends of £171,445 (2015: £214,198), Employer's NI of £15,182 (2015: £18,608) and Employer's pension contributions of £59,205 (2015: £72,386).

In addition in 2016 there were 17 ordained clergy (2015: 15) who, whilst undertaking ministerial work, were required to be included in the LDF payroll. In total for 2016, their costs included Gross Stipends of £396,867 (2015: £327,314), Employer's NI of £38,309 (2015: £29,594) and Employer's pension contributions of £114,492 (2015: £92,081).

Clergy holding parochial or archidiaconal posts

| | 2016 | 2015 |
|---|---------------|---------------|
| | £'000 | £'000 |
| Gross stipends | 13,077 | 12,893 |
| Employer's National Insurance contributions | 1,049 | 1,029 |
| Employer's pension contributions | 4,830 | 4,770 |
| | <u>18,956</u> | <u>18,692</u> |
| Average number of total stipendiary clergy posts | 523 | 518 |
| Number of total stipendiary clergy posts at 31 December | 524 | 522 |

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

Notes to the financial statements (continued)

4. Governance costs and the allocation of Support Costs between Charitable Activities

| | 2016 £'000 | 2015 £'000 | | |
|---|---|------------------------------------|---------------------------------|---------------------------------|
| Support costs (allocated below) | | | | |
| Salary and employment costs | 1,794 | 1,939 | | |
| Office costs | 449 | 485 | | |
| Governance costs | 318 | 343 | | |
| | 2,561 | 2,767 | | |
| Resources Expended | Before allocation of support costs £'000 | Support costs £'000 | Total 2016 £'000 | Total 2015 £'000 |
| Raising funds | | | | |
| <i>Investment management costs</i> | | | | |
| Rental portfolio costs – agents fees | 346 | - | 346 | 343 |
| Investment property repairs and maintenance | 991 | 58 | 1,049 | 815 |
| Fundraising | - | - | - | 39 |
| | 1,337 | 58 | 1,395 | 1,197 |
| <i>Charitable activities</i> | | | | |
| Ministry | 22,215 | 830 | 23,045 | 20,812 |
| Education and outreach | 407 | 206 | 613 | 641 |
| Parish & Area support services | 919 | 839 | 1,758 | 1,701 |
| Clergy Housing and property costs | 7,096 | 556 | 7,652 | 7,354 |
| National Church | 2,510 | - | 2,510 | 2,322 |
| Grants to parishes and overseas | 1,407 | 72 | 1,479 | 1,635 |
| Other expenditure | 1,296 | - | 1,296 | 576 |
| | 37,187 | 2,561 | 39,748 | 36,238 |

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. In accordance with SORP 2015 governance costs of £318,000 (2015: £343,000) have been allocated on the same basis. Finally, residual administration costs are apportioned in proportion to expenditure.

Notes to the financial statements (continued)

5. Grants to Parishes & Overseas

| Funding source: | General funds | Designated funds | Restricted funds | Endowment funds | 2016 | 2015 |
|--|---------------|------------------|------------------|-----------------|-------|-------|
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| <i>Grants to Parishes from:</i> | | | | | | |
| Core funds | 180 | - | 113 | - | 293 | 154 |
| Area pastoral funds | - | 414 | - | - | 414 | 286 |
| Bishop of London Mission Fund | - | 226 | - | - | 226 | 442 |
| Funds held for parish benefit | - | 173 | 158 | - | 331 | 609 |
| | 180 | 813 | 271 | - | 1,264 | 1,491 |
| <i>Overseas:</i> | | | | | | |
| Angola and Mozambique (ALMA) and Lent projects | - | - | 143 | - | 143 | 66 |
| Grant administration allocation | 72 | - | - | - | 72 | 78 |
| | 252 | 813 | 414 | - | 1,479 | 1,635 |

The above monies funded grant awards to 90 institutions (2015: 91)

6. Financial Instruments

| | 2016 | 2015 |
|--|---------|---------|
| | £'000 | £'000 |
| Financial assets measured at fair value | 36,231 | 33,262 |
| Financial assets measured at amortised cost | 3,318 | 3,746 |
| Financial liabilities measured at amortised cost | (7,990) | (2,971) |
| Financial liabilities measured at fair value | (3,004) | (3,031) |

Financial assets measured at fair value comprise listed investments.

Financial assets measured at amortised cost comprise contributions to the Common Fund, rent receivable, loans to parishes, loans to individuals and other debtors.

Financial liabilities measured at amortised cost comprise parish loans payable, grants payable and other creditors.

Financial liabilities measured at fair value comprise Church Commissioners' value linked loans.

7. Tangible Fixed Assets – Operational and Investment Property

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

The trustees' policy is that freehold properties held for investment purposes have been included at the trustees' best estimate of market value. In 2016 a detailed review of the LDF's investment property resulted in the vast majority of its investment property portfolio being professionally valued externally. Future external valuations will take place as required, in accordance with relevant accounting standards. Interim valuations are performed in intervening years by a suitably qualified officer of the LDF.

Within the movements below, additions of £8,748,000, transfers out of £1,048,000, disposals of £2,916,000 and revaluation gains of £112,000 relate to properties held for investment purposes.

Notes to the financial statements (continued)

7. Tangible Fixed Assets – Operational and Investment Property (continued)

Net revaluation gains above of £544,000 differ from those shown on the SOFA, partly due to the net revaluation movement in 2016 of the value-linked loans creditor.

In accordance with transitional arrangements upon the implementation of FRS 102, first adopted in 2015, the LDF took advantage of the concession whereby benefice and operational houses, previously valued under UK GAAP at depreciated insurance value, are carried forward at deemed historical cost being the book value of these assets at 1 January 2015. Thus no further depreciation charges will be made for these assets. The value of the revaluation reserve is nil and therefore is not shown on the balance sheet.

Capital Commitments

As at 31 December 2016, the LDF had capital commitments to the value of £5.0m (2015: nil) in relation to capital work on major developments planned for 2017 and onwards

8. Non-Property Investments

| | General funds £'000 | Designated funds £'000 | Restricted funds £'000 | Endowment funds £'000 | 2016 £'000 | 2015 £'000 |
|----------------------------------|---------------------------|------------------------------|------------------------------|-----------------------------|---------------|---------------|
| Market value at 1 January 2016 | 2,514 | 13,273 | 5,685 | 11,790 | 33,262 | 34,972 |
| Additions (at cost) | - | - | 155 | - | 155 | 27 |
| Disposals | - | - | (71) | - | (71) | (1,669) |
| Net gains on revaluations | 304 | 1,261 | 451 | 869 | 2,885 | (68) |
| Transfers and other movements | - | - | 25 | (25) | - | - |
| Market value at 31 December 2016 | 2,818 | 14,534 | 6,245 | 12,634 | 36,231 | 33,262 |

Non-property investments are represented by:

| | 2016 £'000 | 2015 £'000 |
|--|---------------|---------------|
| M&G Charifund | 19,276 | 17,944 |
| CBF Global Equity Income Fund | 11,046 | 9,866 |
| OLIM Charity Value and Income Equities | 2,458 | 2,381 |
| CBF Investment Fund | 2,497 | 2,180 |
| Other equities | 947 | 868 |
| CBF Fixed Interest Securities Fund | 7 | 23 |
| | 36,231 | 33,262 |

CBF investments are valued by the CCLA.

The historic cost of the investments held at 31 December 2016 was £22,321,000 (2015: £22,211,000).

9. Investments in subsidiary undertakings

The LDF owns 100% of the issued share capital of a subsidiary undertaking, Causton Street Farms Limited (registered 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.

Notes to the financial statements (continued)

10a. Debtors

| | General funds £'000 | Designated funds £'000 | Restricted funds £'000 | Endowment funds £'000 | 2016 £'000 | 2015 £'000 |
|-----------------------------------|---------------------------|------------------------------|------------------------------|-----------------------------|---------------|---------------|
| Contributions to the Common Fund | 236 | - | - | - | 236 | 247 |
| Rent receivable | 796 | - | 132 | - | 928 | 815 |
| Prepayments and accrued income | 299 | 391 | 168 | - | 858 | 983 |
| | 1,331 | 391 | 300 | - | 2,022 | 2,045 |
| <i>Loans to Parishes</i> | | | | | | |
| Diocesan Bishop's Council awarded | - | 1,075 | - | - | 1,075 | 1,041 |
| Area Council awarded | - | 643 | - | - | 643 | 728 |
| | | 1,718 | - | - | 1,718 | 1,769 |
| Loans to individuals | 24 | 364 | - | - | 388 | 395 |
| Other debtors | 48 | - | - | - | 48 | 520 |
| | 1,403 | 2,473 | 300 | - | 4,176 | 4,729 |

Movements in Loans to Parishes

| | 2016 £'000 | 2015 £'000 |
|------------------------------------|---------------|---------------|
| As at 1 January 2016 | 1,769 | 1,506 |
| Additions (new loans and interest) | 592 | 1,103 |
| Repayments | (643) | (840) |
| As at 31 December 2016 | 1,718 | 1,769 |

During the year, interest on Diocesan Bishop's Council (Finance Committee) loans to parishes was charged, depending upon the rules in force when the loan was awarded, at rates of 1% above the Central Board of Finance (CBF) rate, or 2% above the Bank of England base rate depending on the balance of an individual loan. 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 at 31 December 2016 was £1,275,000 (2015: £1,063,000).

10b. Related Parties

London Diocesan Board for Schools (LDBS)

The LDBS is a charitable company (charity registration no. 313000, company registration no. 00198131). The LDF and the LDBS are separate charities but the members of various Diocesan bodies appoint the majority of the trustees/directors of the two organisations. A number of members are trustees/directors of both charities:

- Until his retirement on 31 March 2017, the Rt Revd and Rt Hon Bishop of London, Dr R J C Chartres KCVO DD FSA was Chair of the LDF and President of the LDBS.
- The Archdeacon of London, trustee of the LDF, served as trustee and Chair of the LDBS during the year.
- Mr D W Richards 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.

Notes to the financial statements (continued)

10b. Related Parties (continued)

The LDF makes an annual grant to the work of the LDBS amounting to £180,000 (2015: £180,000). At 31 December 2016 other creditors included £1,000 for payroll items (2015: Other creditors - £1,000).

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 are:

| | 2016 £'000 | 2015 £'000 |
|----------------------------------|---------------|---------------|
| Accommodation - rent | 134 | 134 |
| House services and meeting rooms | 173 | 195 |
| | <u>307</u> | <u>329</u> |

Trustees' expenses and remuneration

In 2016 the LDF reimbursed a total of £25,267 to 15 members of the Bishop's Council (2015: £33,100 to 21 members). The expenses related to working expenses, for example as Archdeacons, Area Dean or other official roles, rather than as expenses reimbursed in their role as trustees. In 2016, a further £11,636 was paid to two trustees, representing removal and redecoration grants for clergy. These amounts were paid in line with the LDF's usual practice, and were not related to their roles as trustees.

The LDF is responsible for a substantial part (if not all) of the stipend of the clerical members of the Bishop's Council by virtue of their clerical office, along with National Insurance and costs associated with housing. The stipends, National Insurance and pensions of Bishops are borne and funded by the Church Commissioners.

The following was paid to 16 other members of the clergy in 2016 (full time equivalent: 16) who were members of the Bishop's Council (2015: 14 members; full time equivalent: 14).

| | 2016 £'000 | 2015 £'000 |
|---|---------------|---------------|
| Gross Stipends | 448 | 303 |
| Employer's National Insurance contributions | 38 | 27 |
| Employer's pension contribution | 153 | 96 |
| | <u>639</u> | <u>426</u> |

Under the Repair of Benefice Buildings Measure 1972 the Diocese is responsible for the upkeep of parsonages. Twelve members of Bishop's Council during the year (2015: 8) were housed in parsonages by virtue of their clerical office. Three employees (2015: 2) were housed in a parsonage, though not by virtue of their employment.

A further six members of Bishop's Council (and Diocesan Finance Committee) (2015: six) and 13 employees in holy orders, including chaplains (2015: 12), were housed in properties owned by the London Diocesan Fund.

No members (2015: one member) of Bishop's Council were contracted during the year to provide rental property to meet an LDF operational housing commitment. These services were carried out on an arms-length basis. The value of this rental in 2015 was £29,000.

For the purpose of this disclosure note transactions with other Church Councils, where there may be a relationship because members of Bishop's Council are also trustees of those bodies, have not been included.

Notes to the financial statements (continued)

11a. Dividends and Interest Receivable

| | General funds £'000 | Designated funds £'000 | Restricted funds £'000 | Endowment funds £'000 | 2016 £'000 | 2015 £'000 |
|----------------------------|---------------------------|------------------------------|------------------------------|-----------------------------|---------------|---------------|
| Dividends | 1,345 | 33 | 128 | - | 1,506 | 1,541 |
| Cash and deposit interest | 28 | 13 | 4 | - | 45 | 59 |
| Fixed interest investments | - | - | 1 | - | 1 | 2 |
| Loan interest | 16 | - | - | - | 16 | 18 |
| | 1,389 | 46 | 133 | - | 1,568 | 1,620 |

11b. Investment Property
Rentals

| | General funds £'000 | Designated funds £'000 | Restricted funds £'000 | Endowment funds £'000 | 2016 £'000 | 2015 £'000 |
|---------------------------------------|---------------------------|------------------------------|------------------------------|-----------------------------|---------------|---------------|
| Investment property rentals | 3,421 | - | - | - | 3,421 | 2,339 |
| Release of residual lease premiums | - | - | - | - | - | 3,565 |
| | 3,421 | - | - | - | 3,421 | 5,904 |

12. Creditors

| | General funds £'000 | Designated funds £'000 | Restricted funds £'000 | Endowment funds £'000 | 2016 £'000 | 2015 £'000 |
|---|---------------------------|------------------------------|------------------------------|-----------------------------|---------------|---------------|
| Amounts falling due within one year: | | | | | | |
| Parish Loans Payable | - | 522 | - | - | 522 | 722 |
| Grants Payable | - | 815 | - | - | 815 | 1,082 |
| Other Creditors | 3,549 | 2,889 | 248 | 122 | 6,808 | 1,262 |
| Accruals and deferred income | 1,858 | 3 | 25 | - | 1,886 | 1,307 |
| | 5,407 | 4,229 | 273 | 122 | 10,031 | 4,373 |

Amounts falling due after one year:

| | | | | | | |
|--|----------|--------------|----------|----------|--------------|--------------|
| Church Commissioners Value Linked Loans | - | 3,004 | - | - | 3,004 | 3,031 |
| | - | 3,004 | - | - | 3,004 | 3,031 |

A Value Linked Loan due to the Church Commissioners becomes repayable when the house on which it is secured is sold. It is a concessionary loan made by the Church Commissioners for onward lending to a parish, usually for housing assistant clergy. The properties purchased with Value Linked Loans are held within Designated Operational Property.

In the past, Value Linked Loans were shown in the accounts at the depreciated insurance value of the property bought with the loan. From 2015, and consistent with the adoption of FRS102, they are shown at deemed historical cost, being the book value of these assets at 1 January 2015.

Notes to the financial statements (continued)

| 13a. Designated Funds | At 1 January 2016 £'000 | Incoming Resources* £'000 | Resources Expended £'000 | Unrealised Gains/(Losses) £'000 | Transfers £'000 | At 31 December 2016 £'000 |
|-----------------------------------|----------------------------------|---------------------------------|--------------------------------|---------------------------------------|--------------------|------------------------------------|
| Capital Vision 2020 | 1,849 | 4 | (376) | 97 | 660 | 2,234 |
| Richard Chartres Fund for London | - | 5 | - | - | - | 5 |
| Capital Strategy Fund | 500 | 4,228 | (450) | - | (935) | 3,343 |
| Operational Property | 55,801 | - | - | (63) | 3,007 | 58,745 |
| Investment Property | 42,681 | - | - | 1,965 | 8,108 | 52,754 |
| Parsonage Reserve | 2,059 | - | (72) | 121 | (1,802) | 306 |
| Fund Operational Property Reserve | 7,224 | 298 | (7) | 749 | (4,626) | 3,638 |
| Investment Property Reserve | 1,054 | 371 | (104) | - | (115) | 1,206 |
| Inspection and Maintenance Funds | 729 | - | - | - | 316 | 1,045 |
| Designated Trusts | 2,141 | 37 | (173) | 80 | (878) | 1,207 |
| Mission Opportunity | 461 | - | (94) | 17 | - | 384 |
| Bishop of London's Mission Fund | 74 | 376 | (227) | - | - | 223 |
| Clergy Training and Support | 616 | 7 | (69) | 26 | - | 580 |
| Area Pastoral Funds | 1,142 | 23 | (412) | 47 | 337 | 1,137 |
| Area Bank Accounts | 70 | 93 | (67) | - | - | 96 |
| Diocesan Loan Capital | 4,343 | - | - | 125 | - | 4,468 |
| Strategic Development Reserve | 80 | - | (462) | - | 1,171 | 789 |
| Clergy Pension Deficit Reserve | (15,739) | 1,706 | (372) | 1,419 | - | (12,986) |
| Total Designated Funds | 105,085 | 7,148 | (2,885) | 4,583 | 5,243 | 119,174 |

* Incoming resources includes realised gains.

Note 13d

Capital Vision 2020

The LDF's strategic plan is encompassed within Capital Vision 2020, a vision of a Church that is Christ-centred and outward looking. During 2013 the trustees approved the creation of a new Capital Vision 2020 designated reserve, which at 31 December 2016 had a value of £2,234,000, including a transfer of £660,000 from the General Fund. This fund will be utilised over the next four years.

Richard Chartres Fund for London

Funds are being raised to support a number of projects and activities which are in alignment with our CV2020 strategy. The fund will be utilised over the next four years.

Capital Strategy Fund

The Capital Strategy Fund holds the net capital proceeds from the sale of assets that have been identified within our Capital Strategy for redeployment elsewhere in the Diocese over the next four years.

Operational Property

As well as incorporating the Diocesan offices, Operational Property comprises over 100 units of property generally 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 of the year-end of £58.8m, £61.8m is represented by actual properties which are partially offset by (£3.0m) of Value Linked Loans creditors (as described in note 12).

Investment Property

Investment Property comprises over 50 freehold and leasehold properties (£52.8m) held to generate income and capital growth which helps fund stipends and other charitable activities.

Notes to the financial statements (continued)

13a. Designated Funds (continued)

Parsonage, Fund Operational Property and Investment Property Reserves

The Parsonage, Fund Operational Property and Investment Property reserves are used for the purchase and refurbishment of houses that form part of Parsonage House Capital (Endowment), Operational Property (Designated), and Investment Property (Designated) respectively. When a property is sold, the sale proceeds are credited to the relevant fund.

Inspection and Maintenance Funds

This fund comprises the Quinquennial Fund (£545,000) and the Ingoing Works Fund (£500,000). We carry out planned maintenance on an average of one-sixth of our operational properties each year (90 of approximately 540), but the actual number varies from year to year. Since quinquennial works were carried out on 76 parsonages in 2016, a transfer of £316,000 was made to the Quinquennial Fund. All necessary works in accordance with the Repair of Benefice Buildings Measure 1972 are undertaken.

Designated Trusts

These funds represent 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, and therefore these funds are expected to be held on an on-going basis.

Mission Opportunity

This fund was established to meet specific clergy and related costs that are necessary in implementing Diocesan mission and ministry policy.

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

These are funds for each of the five episcopal areas which can be used for loans and grants for specific projects in each area. Decisions on the use of the funds are taken by Area Councils. Loans and grants are awarded each year and the fund is replenished from general funds to ensure the fund is not depleted. It is anticipated that this will continue into the foreseeable future.

Area Bank Accounts

These are the Kensington and Willesden Area bank accounts which are used directly to support each of these Areas.

Diocesan Loan Capital

This fund provides loans to parishes, with individual loans not normally exceeding £200,000. Requests from parishes are first considered by the Loans Monitoring Group (LMG), a sub-committee of the Finance Committee, and the decision made by the Finance Committee.

Strategic Development Reserve

This reserve is the fund for enabling the expenditure within the five year plan for the Strategic Development team.

Clergy Pension Deficit Reserve

The pension deficit reserve represents the present value of the agreed deficit contributions towards the Church of England funded pension scheme.

Notes to the financial statements (continued)

| 13b. Restricted Funds | At 1 January 2016 £'000 | Incoming Resources* £'000 | Resources Expended £'000 | Unrealised Gains/(Losses) £'000 | Transfers £'000 | At 31 December 2016 £'000 |
|--|--|--|---|--|----------------------------|--|
| Sole Trust Expendable Funds | 5,964 | 400 | (416) | 418 | 33 | 6,399 |
| Closed Church Buildings Fund | 1,562 | 117 | (378) | 33 | - | 1,334 |
| Closed Church Buildings Operational Property | 2,989 | - | - | - | - | 2,989 |
| Closed Church Buildings Investment Property | 9,378 | - | - | (1,956) | - | 7,422 |
| Closed Church Buildings Investment Reserve | 1,126 | 783 | - | - | (800) | 1,109 |
| Projects restricted fund | 798 | 550 | (312) | - | - | 1,036 |
| Bishops' secretaries fund | 2 | 282 | (284) | - | - | - |
| Total Restricted Funds | 21,819 | 2,132 | (1,390) | (1,505) | (767) | 20,289 |

* Incoming resources includes realised gains.

Note 13d

Sole Trust Expendable Funds

This fund comprises over 40 restricted 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 13c. 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 Anglican 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 principally governed by the Pastoral Measure 1983.

Closed Church Buildings Operational and Investment Property

This fund represents the net book value of Closed Church Buildings property (see note 7).

Closed Church Buildings Investment Reserve

This reserve, created in December 2013, is used for the purchase and refurbishment of Closed Church Buildings Investment Property. When such a property is sold, the sale proceeds will be credited to this fund.

Projects restricted fund

This fund comprises a small number of projects for which the LDF receives restricted funding. Income sometimes relates to the aggregate match funding received in relation to a number of projects.

Bishops' secretaries fund

This shows the restricted funding from the Church Commissioners received as a contribution towards the cost of the Bishops' secretaries.

Notes to the financial statements (continued)

13c. Endowment Funds

| | At 1 January 2016 £'000 | Incoming Resources* £'000 | Resources Expended £'000 | Unrealised Gains/(Losses) £'000 | Transfers £'000 | At 31 December 2016 £'000 |
|-----------------------------------|----------------------------------|---------------------------------|--------------------------------|---------------------------------------|--------------------|------------------------------------|
| Expendable Endowment | | | | | | |
| Glebe Operational Property Fund | 26,363 | - | - | 702 | 845 | 27,910 |
| Glebe Investment Property Fund | 35,309 | - | - | 122 | (3,339) | 32,092 |
| Glebe Investment Fund | 7,988 | 1,378 | (238) | 491 | (652) | 8,967 |
| Glebe Investment Property Reserve | 2,145 | 3,704 | - | - | (3,871) | 1,978 |
| Parsonage House Capital | 210,362 | - | - | (81) | 4,124 | 214,405 |
| Permanent Endowment | | | | | | |
| Sole Trust Permanent Endowment | 4,858 | 8 | - | 379 | (33) | 5,212 |
| Total Endowment Funds | 287,025 | 5,090 | (238) | 1,613 | (2,926) | 290,564 |

Note 13d

* Incoming resources includes realised gains.

Glebe Operational and Investment Property Fund

This represents the net book value of glebe property with movements shown in note 7. 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 operational (£27.9m) and investment (£32.1m) 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 used only to fund clergy stipend payments. The use of Glebe assets detailed above is governed by the Diocesan Stipends Funds Measure 1953 and the Endowments and Glebe Measure 1976.

Glebe Investment Property Reserve

This reserve is used for the purchase and refurbishment of Glebe Investment Property. When such a property is sold, the sale proceeds are credited to this fund. The Glebe Investment Property Reserve was created in 2013.

Parsonage House Capital

This fund represents the net book value of freehold and leasehold benefice houses (see note 7).

Sole Trust Permanent Endowment

This fund represents those amounts held under the LDF's sole trusteeship where the capital is not expendable (see note 13b).

Notes to the financial statements (continued)

13d. 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 | - | (3,607) | - | 3,607 | - | i |
| Transfer of proceeds to investment property reserve | - | 7,300 | (800) | (6,500) | - | ii |
| Trust reclassifications | - | - | 33 | (33) | - | iii |
| Transfer of budgeted items in the General Fund to various designated funds | (890) | 890 | - | - | - | iv |
| Net transfers (to)/from designated funds at year-end | (660) | 660 | - | - | - | v |
| | (1,550) | 5,243 | (767) | (2,926) | - | |
| | | <i>Note 13a</i> | <i>Note 13b</i> | <i>Note 13c</i> | | |

- Transfers from or to the Parsonage reserve for the purchase or sale of parsonages respectively.
- These transfers relate to the movement to the designated Investment Property Reserve of various proceeds.
- These transfers relate to the release of funds from various Trusts to be utilised on appropriate unrestricted purposes.
- These transfers relate to budgeted items set aside from the General Fund for various designated funds.
- These relate to transfers agreed at the year-end between the General Fund and specific designated funds.

14. Notes to the cash flow statement

| | 2016 Total £'000 | 2015 Total £'000 |
|---|------------------------|------------------------|
| a) Reconciliation of operating surplus to operating cash flows | | |
| Operating surplus | 498 | 4,789 |
| Depreciation release | (118) | (283) |
| Decrease in debtors | 553 | 511 |
| Increase/(decrease) in creditors | 5,631 | (2,878) |
| Non-cash movement in pension liability | (1,334) | (1,837) |
| Investment and rental income | (8,211) | (11,045) |
| | (2,891) | (10,743) |
| b) Gross cash flows | | |
| Cash flows from investing activities | | |
| Dividends and interest received | 1,568 | 1,621 |
| Rental Income | 6,643 | 9,424 |
| Sale of property | 15,317 | 22,851 |
| Purchase of property | (17,993) | (27,626) |
| Sale of investment | 332 | 1,668 |
| Purchase of investments | (155) | (27) |
| | 5,712 | 7,911 |

Notes to the financial statements (continued)

15. 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 and other participating employers. The Scheme was closed to new LDF members in the last decade.

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

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.

It is not possible to attribute the Scheme's assets and liabilities to specific employers, since each employer, through the Life Risk Pool, is exposed to actuarial risks associated with the current and former employees of other entities participating in the DBS. The scheme is considered to be a multi-employer scheme as described in Section 28 of FRS 102 and as such contributions are accounted for as if the Scheme were a defined contributions scheme. The pensions costs charged to the SoFA in the year are contributions payable towards benefits and expenses accrued in the year, plus any impact of deficit contributions (see below).

If, following an actuarial valuation of the Life Risk Pool, there were a surplus or deficit in the pool and the Actuary so recommended, further transfers might 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) would 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 having been carried out as at 31 December 2013. In this valuation, the Life Risk Section was shown to be in deficit by £54.9m and £4.2m was notionally transferred from the employers' sub-pools to the Life Risk Pool. This increased the employer contributions that would otherwise have been payable. The overall deficit in the DBS was £12.9m.

Following the valuation, the employer has entered into an agreement with the Church Workers' Pension Fund to pay a contribution rate of 25% of pensionable salary, and expenses of £12,000 per year.

Notes to the financial statements (continued)

15(a). Lay staff pensions (continued)

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

| | 2016 £'000 | 2015 £'000 |
|--|---------------|---------------|
| Balance sheet liability at 1 January | - | 541 |
| Deficit contribution paid | - | (102) |
| Interest cost (recognised in SoFA) | - | 5 |
| Remaining charge to the balance sheet liability* | - | (444) |
| Balance sheet liability of 31 December | - | - |

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

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

| | Dec 2016 | Dec 2015 | Dec 2014 |
|---------------|----------|----------|----------|
| Discount rate | - | - | 1.10% |

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

The next valuation of the scheme is being carried out as at December 2016.

(b) Clergy pensions

From 1 January 1998, Diocesan clergy became members of the Church of England 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 from 1 January 1998. The Scheme's assets are held separately from those of the LDF. Past service clergy pensions for service before 1 January 1998 are paid by the Church Commissioners at no cost to the LDF.

The LDF is the sponsoring employer for 533 members (2015: 536) of the Scheme out of a total membership of approximately 8,400 active members. The Scheme is considered to be a multi-employer Scheme as described in Section 28 of FRS 102. It is not possible to attribute the Scheme's assets and liabilities to specific employers and contributions are accounted for as if the Scheme were a defined contributions Scheme. The pensions costs charged to the SoFA in the year are contributions payable towards benefits and expenses accrued in that year, plus any impact of the deficit contributions (see below).

A valuation of the Scheme is carried out once every three years. The most recent Scheme valuation completed was carried out at 31 December 2015. The 2015 valuation revealed a deficit of £236m, based on assets of £1,308m and a funding target of £1,544m, assessed using the following assumptions:

a) An investment strategy of:

- for investments backing liabilities for pensions in payment, an allocation to gilts of 33% from the valuation date until 31 December 2019 and thereafter increasing linearly to 70% by 31 December 2030;
- a 100% allocation to return-seeking assets for investments backing liabilities prior to retirement;

Notes to the financial statements (continued)

15(b). Clergy pensions (continued)

- b) Investment return of 2.6% pa on gilts and 4.6% pa on return seeking assets;
- c) RPI inflation of 3.2% pa (and pension increases consistent with this);
- d) Increase in pensionable stipends of 3.2% pa; and
- e) Mortality in accordance with 80% of the S2NMA and S2NFA tables, with allowance made for improvements in mortality rates in line with the CMI 2015 core projections, with a long-term annual rate of improvement of 1.5%.

Following the 31 December 2015 valuation, a recovery plan was put in place until 31 December 2025 and the deficit repair contributions payable (as a percentage of pensionable stipends) are set out in the table below. Contributions since 2015 are shown for reference:

| % of pensionable stipends | 1 Jan 2015 to 31 Dec 2017 | 1 Jan 2018 to 31 Dec 2025 |
|------------------------------|------------------------------|------------------------------|
| Deficit repair contributions | 14.1% | 11.9% |

As of December 2014 and December 2015, the deficit repair contributions payable under the recovery plan in force were 14.1% of pensionable stipends. For senior office holders, pensionable stipends are adjusted in the calculations by a multiple, as set out in the Scheme's rules.

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

| | 2016 £'000 | 2015 £'000 |
|--|---------------|---------------|
| Balance sheet liability at 1 January | 15,739 | 16,740 |
| Deficit contribution paid | (1,706) | (1,683) |
| Interest cost (recognised in SoFA) | 372 | 366 |
| Remaining charge to the balance sheet liability* | (1,419) | 316 |
| Balance sheet liability at 31 December | <u>12,986</u> | <u>15,739</u> |

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

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

| | December 2016 | December 2015 | December 2014 |
|---------------------------------------|---------------|---------------|---------------|
| Discount rate | 1.5% pa | 2.5% pa | 2.3% pa |
| Price inflation | 3.1% pa | 2.4% pa | 2.7% pa |
| Increase to total pensionable payroll | 1.6% pa | 0.9% pa | 1.2% pa |

16. 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 2016 there were 52 members (2015: 41) who were 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.

Notes to the financial statements (continued)

17. Prior year comparative Statement of Financial Activities

| | Unrestricted | | Restricted | Endowment | Total |
|---|--------------|--------------|-------------|--------------|--------------|
| | General | Designated | Funds | Funds | 2015 |
| | £m | £m | £m | £m | £m |
| Income and endowments from | | | | | |
| <i>Donations, legacies & grants</i> | | | | | |
| Common Fund | 22.8 | - | - | - | 22.8 |
| Parish reimbursements for clergy costs | 3.1 | - | - | - | 3.1 |
| Donations | 0.9 | - | 0.3 | - | 1.2 |
| Church Commissioners | - | 0.3 | 0.2 | - | 0.5 |
| City Church Fund | 1.4 | - | - | - | 1.4 |
| <i>Charitable activities</i> | | | | | |
| Operational property rental income | 3.1 | 0.3 | 0.2 | - | 3.6 |
| Parochial fees | 0.5 | - | - | - | 0.5 |
| <i>Investment Income</i> | | | | | |
| Dividends and interest receivable | 1.4 | - | 0.2 | - | 1.6 |
| Investment property rental income | 5.3 | - | 0.6 | - | 5.9 |
| <i>Other income</i> | - | 0.1 | 0.1 | 0.1 | 0.3 |
| Total income | 38.5 | 0.7 | 1.6 | 0.1 | 40.9 |
| Expenditure on: | | | | | |
| <i>Raising funds:</i> | | | | | |
| <i>Investment management costs</i> | | | | | |
| Rental portfolio costs - agent fees | 0.3 | - | - | - | 0.3 |
| Investment property repairs & maintenance | 0.8 | - | - | - | 0.8 |
| <i>Charitable activities</i> | | | | | |
| Ministry | 20.1 | 0.5 | 0.2 | - | 20.8 |
| Education & Outreach | 0.6 | - | - | - | 0.6 |
| Parish & Area support services | 1.5 | - | 0.2 | - | 1.7 |
| Clergy housing and care of churches | 7.1 | 0.1 | 0.1 | 0.1 | 7.4 |
| National Church | 2.3 | - | - | - | 2.3 |
| Grants to parishes and overseas | 0.2 | 1.1 | 0.3 | - | 1.6 |
| <i>Other expenditure</i> | - | 0.5 | 0.1 | - | 0.6 |
| Total expenditure | 32.9 | 2.2 | 0.9 | 0.1 | 36.1 |
| Net income/(expenditure) before investment gains | 5.6 | (1.5) | 0.7 | - | 4.8 |
| Realised gains/(losses) on property assets | - | 9.1 | 0.6 | 0.7 | 10.4 |
| Net gains on investments | (0.1) | - | - | - | (0.1) |
| Net incoming resources | 5.5 | 7.6 | 1.3 | 0.7 | 15.1 |
| Transfers between funds | (5.4) | 6.4 | - | (1.0) | - |
| Other recognised gains and losses | | | | | |
| Pension deficit movement | 0.4 | (0.3) | - | - | 0.1 |
| Unrealised gains on property assets | - | 6.0 | 2.7 | 9.0 | 17.7 |
| Net movement in funds | 0.5 | 19.7 | 4.0 | 8.7 | 32.9 |
| Reconciliation of funds: | | | | | |
| Funds at 1 January 2015 | 2.4 | 85.4 | 17.8 | 278.3 | 383.9 |
| Funds at 31 December 2015 | 2.9 | 105.1 | 21.8 | 287.0 | 416.8 |

Notes to the financial statements (continued)

18. Prior year Balance Sheet

| | Unrestricted General fund £m | Designated Funds £m | Restricted Funds £m | Endowment Funds £m | Total 2015 £m |
|--|---------------------------------------|---------------------------|---------------------------|--------------------------|---------------------|
| Fixed Assets | | | | | |
| Operational property | - | 67.2 | 3.0 | 236.7 | 306.9 |
| Investment property | - | 42.7 | 9.4 | 35.3 | 87.4 |
| Investments | 2.5 | 13.3 | 5.7 | 11.8 | 33.3 |
| | 2.5 | 123.2 | 18.1 | 283.8 | 427.6 |
| Current Assets | | | | | |
| Debtors | 1.8 | 2.5 | 0.5 | - | 4.8 |
| Cash and short term deposits | 0.7 | - | 3.6 | 3.2 | 7.5 |
| | 2.5 | 2.5 | 4.1 | 3.2 | 12.3 |
| Creditors | | | | | |
| Amounts falling due within one year | (2.1) | (1.9) | (0.4) | - | (4.4) |
| Net Current Assets | 0.4 | 0.6 | 3.7 | 3.2 | 7.9 |
| Total assets less current liabilities | 2.9 | 123.8 | 21.8 | 287.0 | 435.5 |
| Creditors: amounts falling due after one year | | | | | |
| Pension scheme liabilities | - | (15.7) | - | - | (15.7) |
| Other creditors | - | (3.0) | - | - | (3.0) |
| Net Assets | 2.9 | 105.1 | 21.8 | 287.0 | 416.8 |
| Funds | | | | | |
| General | 2.9 | - | - | - | 2.9 |
| Designated | - | 105.1 | - | - | 105.1 |
| Restricted | - | - | 21.8 | - | 21.8 |
| Endowment | - | - | - | 287.0 | 287.0 |
| Total Funds | 2.9 | 105.1 | 21.8 | 287.0 | 416.8 |

Custodian Trusts – Custodian Trustee Report and Non-Statutory Financial Statements for the year ended 31 December 2016

The following pages do not form part of the statutory financial statements of the London Diocesan Fund for the year ended 31 December 2016

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Report of the Custodian Trustee

The council of the London Diocesan Fund, usually acting as Custodian Trustee under ecclesiastical and UK law, presents the report and non-statutory financial statements for the year ended 31 December 2016.

Legal Status

Under the Parochial Church Councils (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 140 separate trusts. Land and building assets held by the London Diocesan Fund 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-dated 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 period, there were transfers of £0.2m from the endowment fund to expendable capital. These are transfers where the managing trustees have resolved to release the permanent endowment, allowing capital to be expended in line with the relevant trust purposes. This accords with the Charities Act 2011 and, where necessary, Charity Commission approval was sought for the transfers.

Total incoming resources from interest and dividend for the period were £0.5m (2015: £0.5m)

Funds continue to be expended in line with the purposes for which they were intended, with £1.2m expended for charitable purposes during 2016 (2015: £1.0m).

The overall value of funds held by the London Diocesan Fund as custodian trustee at 31 December 2016 was £18.0m (2015: £17.3m). The increase of £0.7m from 2015 was due to an uplift in the market value of share funds.

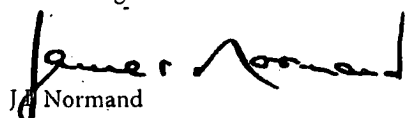
Statement of Custodian Trustee's responsibilities

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 Trustee has chosen to prepare these statements in accordance with the Charities Act 2011. In preparing these financial statements in accordance with the Charities Act 2011, the Custodian Trustee is 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 Trustee is 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. The Custodian Trustee has general responsibility for taking such steps as are reasonably open to it to safeguard the assets of the funds and to prevent and detect fraud and other irregularities.



James Normand
Chair of the Diocesan Finance Committee
and Member of Bishop's Council

17 May 2017

Non-Statutory Financial Statements of the Custodian Trusts


Statement of Financial Activities – for the year ended 31 December 2016


| | Permanent Endowment Fund £m | Restricted Capital Fund £m | Restricted Unexpended Income £m | Total 2016 £m | Total 2015 £m |
|---|--------------------------------------|-------------------------------------|--|---------------------|---------------------|
| Income and endowments from: | | | | | |
| Investment income | - | - | 0.1 | 0.1 | 0.1 |
| Income direct to beneficiaries | - | - | 0.4 | 0.4 | 0.4 |
| Total income | - | - | 0.5 | 0.5 | 0.5 |
| Expenditure on: | | | | | |
| Income paid to beneficiaries | - | - | (0.4) | (0.4) | (0.4) |
| To objects of the trusts | (0.3) | (0.4) | (0.1) | (0.8) | (0.6) |
| Total expenditure | (0.3) | (0.4) | (0.5) | (1.2) | (1.0) |
| Net income/expenditure before investment gains | (0.3) | (0.4) | - | (0.7) | (0.5) |
| Net gains/(losses) on investment assets | 1.1 | 0.2 | 0.1 | 1.4 | - |
| Net incoming resources for the year | 0.8 | (0.2) | 0.1 | 0.7 | (0.5) |
| Transfers between funds | (0.2) | 0.2 | - | - | - |
| Additional new resources | - | - | - | - | - |
| Net movement in funds for the year | 0.6 | - | 0.1 | 0.7 | (0.5) |
| Reconciliation of funds: | | | | | |
| Funds at 1 January 2016 | 13.3 | 3.0 | 1.0 | 17.3 | 17.8 |
| Funds at 31 December 2016 | 13.9 | 3.0 | 1.1 | 18.0 | 17.3 |

Custodian Trusts Balance Sheet – as at 31 December 2016

| | Notes | Total 2016 £m | Total 2015 £m |
|--------------------------------|-------|---------------------|---------------------|
| Assets | | | |
| Fixed Asset Investments | 2 | 16.9 | 16.3 |
| Current Asset Investments | 3 | 1.1 | 1.0 |
| Net Assets | | 18.0 | 17.3 |
| Funds | | | |
| Permanent Endowment | 2 | 13.9 | 13.3 |
| Restricted - Capital | 2 | 3.0 | 3.0 |
| Restricted – Unexpended Income | 3 | 1.1 | 1.0 |
| | | 18.0 | 17.3 |

The notes on pages 50 to 52 form part of these non-statutory financial statements. The non-statutory financial statements of the custodian trustee were approved by the Diocesan Bishop's Council acting as custodian trustee on 17 May 2017.


JP Normand
Chair of the Diocesan Finance Committee
and Member of Bishop's Council


Rev'd Prebendary LA Moses
Member of Bishop's Council

Notes to the Custodian Trusts Financial Statements – for the year ended 31 December 2016

1. 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 Parochial Church Councils (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 trust. These pages report the specific trust holdings only and provide an aggregation of the transactions and balances of the financial assets of some 140 trusts.

The Balance Sheet as at 31 December 2016 has been prepared, together with a Statement of Financial Activities, which analyses the movement in funds. Comparative figures for 2015 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 investment.

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 criterion 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 directly 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 instrument. 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. 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 instrument.

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 (continued)

2. Fixed Asset Investments represented by Permanent Endowment Capital

| | 1 January 2016 | Additions | Disposals | Unrealised Gains/(Losses) | Other Asset/ Liability Movements and Transfers | 31 December 2016 |
|------------------------------|----------------------|-----------|--------------|------------------------------|---|------------------------|
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Listed Investments | 117 | - | - | 27 | 10 | 154 |
| M&G Charifund | 3,758 | - | - | 281 | (123) | 3,916 |
| Investments held by CCLA: | | | | | | |
| CBF Fixed Interest | 135 | 13 | - | 8 | - | 156 |
| CBF Investment Fund | 7,141 | 1 | (181) | 769 | (33) | 7,697 |
| CBF Property Fund | 173 | - | - | (5) | - | 168 |
| CBF Deposit Fund | 1,933 | - | (89) | - | (55) | 1,789 |
| Other Assets/(Liabilities) | 2 | - | - | - | 1 | 3 |
| | 13,259 | 14 | (270) | 1,080 | (200) | 13,883 |

Fixed Asset Investments represented by Expendable Capital

| | | | | | | |
|------------------------------|---------------|-----------|--------------|--------------|------------|---------------|
| M&G Charifund | 228 | - | (122) | 16 | 122 | 244 |
| Investments held by CCLA: | | | | | | |
| CBF Fixed Interest | 167 | - | - | 10 | - | 177 |
| CBF Investment Fund | 1,547 | - | (36) | 172 | 36 | 1,719 |
| CBF Deposit Fund | 1,059 | - | (225) | - | 55 | 889 |
| Other Assets/(Liabilities) | 1 | - | - | - | - | 1 |
| | 3,002 | - | (383) | 198 | 213 | 3,030 |
| Total Fixed Assets | 16,261 | 14 | (653) | 1,278 | 13 | 16,913 |

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

| | | | | | | |
|------------------------------|------------|------------|-------------|-----------|----------|------------|
| Listed Investments | 2 | - | - | - | - | 2 |
| M&G Charifund | 50 | - | - | - | - | 50 |
| Investments held by CCLA: | | | | | | |
| CBF Investment Fund | 370 | 22 | - | 47 | - | 439 |
| CBF Deposit Fund | 465 | 107 | (98) | - | - | 474 |
| | 887 | 129 | (98) | 47 | - | 965 |

Notes to the Custodian Trusts Financial Statements (continued)

Current Asset Investments represented by Unexpended Income from Expendable Capital Assets

| | 1 January 2016 | Additions | Disposals | Unrealised Gains/(Losses) | Other Asset/ Liability Movements and Transfers | 31 December 2016 |
|------------------------------|----------------------|------------|--------------|------------------------------|---|------------------------|
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Investments held by CCLA: | | | | | | |
| CBF Fixed Interest | 3 | - | - | - | - | 3 |
| CBF Investment Fund | 40 | - | - | 4 | - | 44 |
| CBF Deposit Fund | 102 | 25 | (25) | - | - | 102 |
| | 145 | 25 | (25) | 4 | - | 149 |
| Other Assets/(Liabilities) | 1 | - | - | - | - | 1 |
| Total Current Assets | 1,033 | 154 | (123) | 51 | - | 1,115 |
| TOTAL | 17,294 | 168 | (776) | 1,329 | 13 | 18,028 |

Independent Auditors' Report to the Custodian Trustee of the Funds

We have audited the non-statutory financial statements of Custodian Funds for the year ended 31 December 2016 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).

This report is made solely to the Custodian Trustee as a body. Our audit work has been undertaken so that we might state to the Custodian Trustee 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 Custodian Trustee as a body for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of trustees and auditors

As explained more fully in the Statement of Custodian Trustee's Responsibilities set out on page 48, the Custodian Trustee is responsible for the preparation of the non-statutory financial statement which 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 Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on the non-statutory financial statements

In our opinion the non-statutory financial statements give a true and fair view of the financial position of the Custodian Funds as at 31 December 2016 and of their incoming resources and application of resources for the year then ended.



haysmacintyre
Statutory Auditor
17 May 2017

26 Red Lion Square
London
WC1R 4AG

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