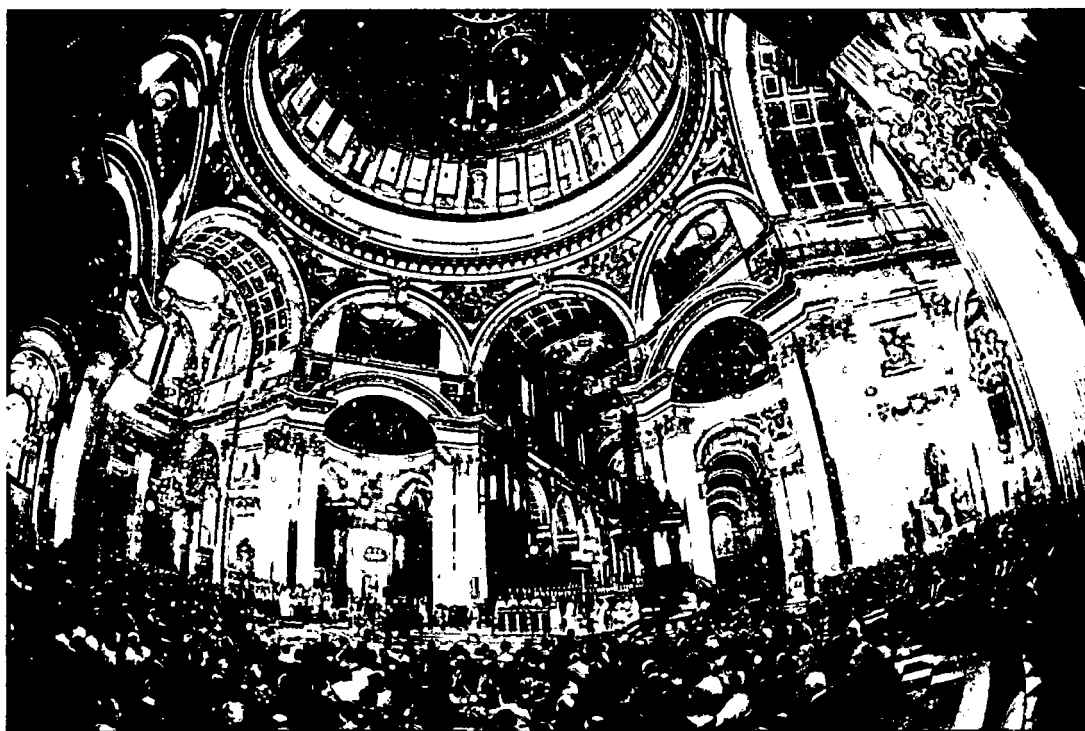




## THE LONDON DIOCESAN FUND

### Directors' and Trustees' Report and Financial Statements for the year ended 31<sup>st</sup> December 2013



*Photograph: Peter Neill ShootTheSound.com*

Company number: 150856, Charity number: 241083

SATURDAY



\*A3CHJLJL\*

A22

19/07/2014

#75

COMPANIES HOUSE

# **THE LONDON DIOCESAN FUND**

Directors' and Trustees' Report and Financial Statements  
for the year ended 31 December 2013

<b>Contents</b>	<b>page</b>
<b>Directors' and Trustees' Report 2013</b>	<b>3</b>
- Constitution, structure, governance and management	5
- Strategic Report	13
- Policies and other matters	22
- Statement of trustees' and directors' responsibilities in respect of the Directors' and Trustees' Report and the Financial Statements	26
<b>Independent auditors' report to the members of the London Diocesan Fund</b>	<b>27</b>
<b>Statement of Financial Activities</b>	<b>29</b>
<b>Balance Sheet</b>	<b>30</b>
<b>Cash Flow Statement</b>	<b>32</b>
<b>Notes to the Financial Statements</b>	<b>33</b>

## **THE LONDON DIOCESAN FUND**

Directors' and Trustees' Report and Financial Statements  
for the year ended 31 December 2013

### **Directors' and Trustees' Report 2013**

The directors of the London Diocesan Fund (LDF), who are also trustees, present their report together with the audited financial statements for the year ended 31 December 2013.

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

**Directors, Trustees and Members of the Diocesan Bishop's Council:** All members of the Bishop's Council and Standing Committee, are, except where specifically noted, directors of the company for the purposes of the Companies Acts and are Trustees under charity law. The members on 15th May 2014, the date of approval of this report, were:

#### **President and Chairman**

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

#### **Lay Vice Chairman**

Mr J P Normand, Diocesan Synod House of Laity

#### **Clerical Vice Chairman**

The Revd Preb L A Moses, Diocesan Synod House of Clergy

#### **Ex Officio**

The Bishop of Stepney, the Rt Revd A Newman  
The Bishop of Kensington, the Rt Revd P G Williams  
The Bishop of Edmonton, the Rt Revd P W Wheatley  
The Bishop of Willesden, the Rt Revd P A Broadbent  
The Bishop of Fulham, the Rt Revd J M R Baker (from 13/2/13)  
The Archdeacon of London, the Ven D G Meara  
The Archdeacon of Charing Cross, the Ven Dr W M Jacob  
The Archdeacon of Hackney, the Ven R Treweek  
The Archdeacon of Middlesex, the Ven S J Welch  
The Archdeacon of Hampstead, the Ven L J Miller  
The Archdeacon of Northolt, the Ven D J Green (from 1/4/13)  
The Dean of St Paul's Cathedral, the Very Revd Dr D J Ison

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

Mr N K Challis  
Mr D W Richards  
Mrs A L Ruoff

## **THE LONDON DIOCESAN FUND**

Directors' and Trustees' Report and Financial Statements  
for the year ended 31 December 2013

The following members were elected by the various Areas:

### **Two Cities**

The Revd O C M Ross  
The Revd W T Taylor  
Mr E D Roberts  
Mr A Garwood-Watkins  
Ms D R Buggs  
Mr B O'Donoghue

### **Stepney**

The Revd Preb R J Hudson-Wilkin (from 5/2/13)  
The Revd J Blackburn  
Mrs M Ford  
Ms J W Munro  
Dr P Rice (\*)  
Mrs C T Sosanya (from 14/1/13)

### **Kensington**

The Revd R G Rainford  
The Revd Dr A Emerton  
Mrs A Rainford  
Mr H A Evans  
Mr M J A Brough  
Mr D E Loftus

### **Edmonton**

The Revd C Hobbs  
The Revd Preb C G Pope  
Mr I R M Woolf  
Mr R N Andrewes  
Dr C Ward  
Mr N Wildish

### **Willesden**

The Revd Dr N P Henderson  
The Revd M Talbot  
Mr J R Dolling  
Mr C R Scowen  
Ms S M Cooper  
Mrs A J Rollin

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

### **Senior staff**

The bishops and archdeacons of the diocese exercise day to day control of the LDF. Mr Andrew Brookes is the LDF's Chief Executive and General Secretary. He 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. SMG comprises:

Chief Executive and General Secretary:	Mr Andrew Brookes
Director of Human Resources:	Mrs Colette Black
Director of Property:	Mr Michael Bye
Director of Strategic Development:	Mr Matthew Girt
Director of Finance and Operations:	Mr Richard Gough

## **THE LONDON DIOCESAN FUND**

Directors' and Trustees' Report and Financial Statements  
for the year ended 31 December 2013

### **Professional advisers**

#### **Auditors**

haysmacintyre  
26 Red Lion Square  
London WC1R 4AG

#### **Solicitors**

Winckworth Sherwood  
Minerva House  
5 Montague Close  
London  
SE1 9BB

#### **Insurers**

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

#### **Bankers**

Barclays Bank PLC  
Level 27  
1 Churchill Place  
London, E14 5HP

#### **Communications Consultants**

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

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

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

The Church of England is organised in two provinces (Canterbury and York) each led by an archbishop. Each province comprises dioceses, of which there are 40 in England. Each diocese is divided into parishes. Each parish is overseen by a priest (the incumbent, usually called a vicar or rector).

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

The Church of England is led and governed by Bishops in Synod. The doctrine of the Church of England is to be found in its articles and formularies. The final approval by General Synod of any canon, regulation, form of service or amendment thereof conclusively determines that the Synod is of the opinion that it is neither contrary to, nor indicative of any departure from, the doctrine of the Church of England in any essential matter. General Synod passes Measures which, if accepted by Parliament, have the effect of Acts of

## **THE LONDON DIOCESAN FUND**

Directors' and Trustees' Report and Financial Statements  
for the year ended 31 December 2013

Parliament. It is made up of three groups (houses): the Houses of Bishops, of Clergy and of Laity, and meets in London or York at least twice annually.

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

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

The Archbishops' Council was established in 1999 to co-ordinate, promote, aid and further the mission of the Church of England. It gives a sense of direction to the Church nationally and supports the Church locally by acting as a policy discussion forum.

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

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

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

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

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

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

### **The Diocese of London**

The Diocese of London was founded in Roman times and was re-founded in 604 by St Mellitus. 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 LONDON DIOCESAN FUND

Directors' and Trustees' Report and Financial Statements  
for the year ended 31 December 2013

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

Each deanery consists of several parishes; there are over 400 parishes in the Diocese. The Parochial Church Council (PCC) is the governing body of an individual parish. 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 statutory governing body of the Diocese is its Synod (DS), which is largely an elected body with representation from all parts of the Diocese. It is governed by Standing Orders approved by the DS inaugurated on 17<sup>th</sup> November 1970 and amended from time to time. Lay members are elected by the members of deanery synods, which consist mainly of members elected by parish members. Clergy members are similarly elected by the clergy in deanery synods. The bishops and archdeacons of the Diocese are ex officio members. In addition, a small number of members may be co-opted or nominated. The DS meets at least twice per year. Many of the DS's responsibilities are delegated to the Bishop's Council, which acts as its standing committee.

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

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

## **THE LONDON DIOCESAN FUND**

Directors' and Trustees' Report and Financial Statements  
for the year ended 31 December 2013

### **The London Diocesan Fund**

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

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

- maintenance of the clergy generally, including bishops suffragan, incumbents, and assistant curates;
- erection and repair and endowment of churches, church buildings, schools, mission buildings, and residences for incumbents;
- training of candidates for the Ministry, clerical and lay;
- provision of readers and other lay ministers;
- provision of pensions for the clergy, and lay ministers; provision for widows, orphans and dependents of the clergy, and for necessitous clergy;
- assistance towards endowment whether for incumbencies or curacies;
- religious education of the young;
- provision of expenses of diocesan and central organisations;
- provision for residences for curates and lay ministers, institutes, halls, social clubs, refuges and homes, and the repair and endowment of the same; and
- such other objects, if any, as it may from time to time be found desirable to promote for strengthening the religious or other charitable work of the Church.

The LDF is governed by its Constitution which may be altered or varied by a resolution of the DS. The Constitution is regularly reviewed and amended from time to time. With the Charity Commission's consent revisions were adopted by the Annual General Meeting in 2010 and approved by DS. The articles give specific authority to members of the clergy to participate in certain decisions where they may have a general interest by virtue of their holding clerical office.

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

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



## THE LONDON DIOCESAN FUND

Directors' and Trustees' Report and Financial Statements  
for the year ended 31 December 2013

### Statutory functions

The LDF has responsibility for management of glebe assets (historic endowments given to provide stipends for parochial clergy, owned and managed by LDF under the Endowments and Glebe Measure 1976) to generate income to support the cost of stipends. It is the Diocesan Authority for parochial and other trusts, and also incorporates the responsibilities of the Diocesan Parsonages Board. The trustees are custodians of PCC property.

The DS has appointed the Bishop's Council as Diocesan Mission and Pastoral Committee. The Council has delegated certain powers to the Diocesan Strategic Policy Committee and Area Councils. Funds held under the Dioceses, Pastoral and Mission Measure 2007 are included in these accounts. 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. The London Diocesan Board for Schools (LDBS) is a separate legal entity and oversees the Church of England schools in the diocese.

### Diocesan Finance Committee (DFC)

The DFC is a sub-committee of the Bishop's Council. Its membership comprises laity and clergy. The DFC meets at least six times each year. By a special resolution dated 10th December 1970 its lay membership must be in the majority. The Bishop of London, the archdeacons, the Clerical and Lay Vice Chairmen and the Treasurer of the LDF (if appointed) are ex officio members. The DFC makes recommendations to the Council on matters in connection with finance, investment, property and staff business of the LDF. Under a schedule of delegated powers, certain decisions can be taken under shortened procedure, and by officer approval.

### Members of the Diocesan Finance Committee:

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

The Rt Revd and Rt Hon the Lord Bishop  
of London Dr R J C Chartres KCVO  
The Archdeacon of London, the Ven D G Meara  
The Archdeacon of Charing Cross, the Ven Dr W M Jacob (Chair)  
The Archdeacon of Hackney, the Ven R Treweek  
The Archdeacon of Middlesex, the Ven S J Welch  
The Archdeacon of Hampstead, the Ven L J Miller  
The Archdeacon of Northolt, the Ven D J Green  
The Revd Preb L A Moses      Mr J R Dolling  
Mr J P Normand      The Revd Dr A Emerton  
The Revd C J P Hobbs      Mr A Garwood-Watkins  
The Revd Preb C G Pope      Mr D E Loftus  
Ms D R Buggs      Mr D W Richards  
Ms J W Munro      Mr I R M Woolf

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

*The Revd Preb A Roberts*  
*Mr E Wong*  
*Mr D Barton*  
*Mr R Dean*  
*Mr N Manns*  
*Mr R N Perry*  
*Dr S Willmington*  
*Mr D Hunter*

## THE LONDON DIOCESAN FUND

Directors' and Trustees' Report and Financial Statements  
for the year ended 31 December 2013

### Audit Committee

The Audit Committee is a sub-committee of the Bishop's Council. Members are appointed by the Bishop's Council for three years. Its membership may be drawn from the Council and the DFC and from outside these bodies. At least two members (in addition to the chair) are to be from the Bishop's Council and current DFC members must be in the minority. The Committee ensures that proper regard is taken of statutory and regulatory obligations and best practice, and also reviews the systems of internal financial control.

#### Members of the Audit Committee:

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

The Revd J Blackburn (until 17/12/13)

Mr E D Roberts (Chair) (from 22/1/13)

Mr I R M Woolf

Mr N K Challis (from 22/1/13)

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

Mr D Bawtree (from 22/1/13)

Mr R N Perry

Dr J F Richardson (from 28/1/14)

### Trustee Training

The trustees review their knowledge, skills and experience and provide appropriate training sessions to address their needs. New trustees are provided with a handbook outlining their main responsibilities. A new trustee induction session is carried out at the beginning of each triennium.

### Related bodies

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

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

Patron: The Most Revd and Rt Hon the Lord Archbishop of Canterbury

President: The Rt Revd and Rt Hon the Lord Bishop of London

Treasurer: Mr I R M Woolf

The president and treasurer are *ex officio* trustees.

Other Trustees: The Ven Dr W M Jacob

The Ven D G Meara

The Ven S J Welch

Mr E D Roberts

Secretary: Mr A Brookes

Solicitors: Winckworth Sherwood, Minerva House, 5 Montague Close, London, SE1 9BB

Registered Office: 36 Causton Street, London SW1P 4AU

The Bishop of London's Fund was established in 1863 and was incorporated by the Board of the Charity Commissioners for England and Wales under the Charitable Trustees Incorporation Act 1872 (since replaced by other legislation) on 7<sup>th</sup> July 1882. The BLF is a registered charity (249021). The Finance

## **THE LONDON DIOCESAN FUND**

Directors' and Trustees' Report and Financial Statements  
for the year ended 31 December 2013

Committee of the LDF constitutes its Executive Committee. Certain title and trust deeds are in the name of the BLF, which has its own separate legal seal. For day-to-day purposes and in accordance with a special resolution of 29<sup>th</sup> October 1918, its activities are subsumed into the LDF, with which it shares common objectives. The majority of the BLF's assets were transferred to the LDF in the last century.

### **The London Diocesan Board of Finance (LDBF)**

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

The LDBF was registered in England as a company limited by guarantee on 30<sup>th</sup> 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 were 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 London DBF. The Articles of Association of the LDBF were amended on 7<sup>th</sup> 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 company limited by guarantee (135519).

### **Principal activities**

The principal activity of the LDF is to serve and support the parishes and people within the Diocese in their mission of proclaiming the gospel of Jesus Christ. It does this operationally through the payment and housing of parish clergy and chaplains and support to their ministry. The LDF also provides community space and facilities to the wider population of 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'. This is supplemented by rental and investment income.

Grants are received from a number of sources including the Church Commissioners and the Trust for London (previously the City Parochial Foundation). 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 LONDON DIOCESAN FUND

Directors' and Trustees' Report and Financial Statements  
for the year ended 31 December 2013

### 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 guidance *Charities and Public Benefit* and the supplementary guidance in *The Advancement of Religion for the Public Benefit* and have regard to them 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 2013.

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
- contributing towards a better society, by promoting social cohesion and social capital, for example by supporting and solemnising marriages
- contributing to the spiritual and moral education of children
- carrying out, as a practical expression of religious belief, other activities, which may also be charitable
- contributing to good mental and physical health; aiding the prevention of poor health, speeding recovery from poor health
- the provision and maintenance of sacred spaces, principally churches and churchyards, open to the public and many of which are listed buildings
- the provision of public spaces such as church halls as an expression of faith.

## THE LONDON DIOCESAN FUND

Directors' and Trustees' Report and Financial Statements  
for the year ended 31 December 2013

### Strategic Report

In August 2013 Parliament approved 'The Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013'. These Regulations introduce into the Companies Act 2006 a requirement for all large and medium-sized companies to prepare a separate Strategic Report. The regulations also remove the requirement to include a Business Review in the directors' report.

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

### Achievements and Performance

#### **Capital Vision 2020 – a vision of a church that is Christ centred and outward looking**

Capital Vision 2020 emerged from listening to almost 2,000 people across the Diocese of London. Their conversations were distilled into Capital Vision 2020. Capital Vision 2020 was approved by Diocesan Synod in March 2013, and launched at a service at St Paul's Cathedral on 6<sup>th</sup> June 2013. This service included the annual admission of churchwardens from across the Diocese.



*Photograph: Peter Neill ShootTheSound.com*

## THE LONDON DIOCESAN FUND

Directors' and Trustees' Report and Financial Statements  
for the year ended 31 December 2013

The launch included a range of succinct communications material amongst which was a short film, seen by over 10,000 people. It was preceded by a week of 24/7 prayer in local parishes and at St Paul's Cathedral.

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



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*

- Communicate the Gospel more effectively, using the opportunities offered by new media
- Equip and commission 100,000 ambassadors representing Jesus Christ in daily life
- Invest in leadership and increase the number of ordinands by 50%

### **Compassionate in serving communities with the love of God the Father**

*To enable this we will by 2020*

- Enable new initiatives to fight poverty, inequality and injustice in London and worldwide, including our joint venture with the Church Urban Fund.
- Open up our church buildings to the wider community
- Strengthen links between schools and their local Christian community

## THE LONDON DIOCESAN FUND

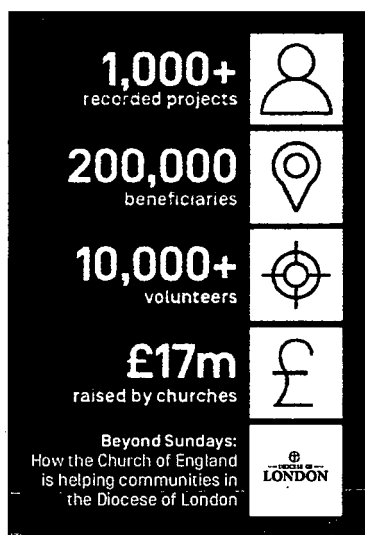
Directors' and Trustees' Report and Financial Statements  
for the year ended 31 December 2013

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

*To enable this we will by 2020*

- Double the number of young people involved in local Christian communities
- Create or renew 100 worshipping communities
- Engage more closely with sport and the creative arts
- Each pray for at least seven people that we may share with them the story of our faith

Each priority has a sponsor who will champion the priority across the Diocese of London, and a priority leader, one of whose main tasks is to ensure each element is grounded in locally driven action. The Diocese of London website, and social media presence are being used extensively to provide updates on stories from around the Diocese.



#### *Initial progress*

Since the launch in 2013 we have begun to equip and commission the first ambassadors through confirmation, and in 2014 will grow this through local churches and networks. The first fruits of our investment in leadership have been seen in the Riverside Leadership programme run in the autumn of 2013 where 40 leaders attended sessions.

In 2013 we published a report called "Beyond Sundays" which documents how the Church of England is helping communities in the Diocese of London. The report records over 1,000 projects, 10,000 volunteers and 200,000 beneficiaries, with £17m raised by churches. It features a number of case studies of work already going on to fight poverty, inequality and

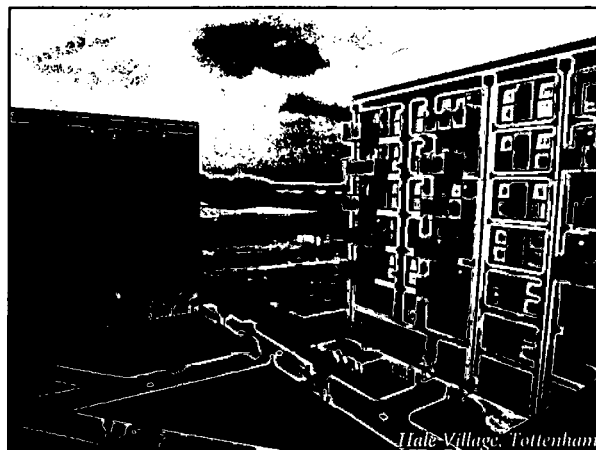
injustice in London. This is the work that we will build on over the coming years. A number of churches have already decided to try increasing opening hours in response to Capital Vision 2020.

A number of churches have already launched or are planning new Messy Churches (a form of church for children and adults that involves creativity, celebration and hospitality and is aimed at people who do not already belong to another form of church) to help to increase the involvement of young people in their local Christian community.

## THE LONDON DIOCESAN FUND

Directors' and Trustees' Report and Financial Statements  
for the year ended 31 December 2013

Since the launch of Capital Vision 2020 four new or renewed worshipping communities have been launched, including our first in a new place – Tottenham Hale.



The others are the launch of new ministries at St Sepulchre's, Holborn Viaduct, the starting of a new worshipping community at Inspire London in Old Street and St David's, Holloway where the original church building, closed since 1984, has been reopened.



A number of deaneries have held planning sessions, mapping the social landscape of their deanery, and looking at people and places not currently being reached with the good news. A National Symposium on Sport, co-sponsored by London and Chelmsford Dioceses, took place in February 2014.





## THE LONDON DIOCESAN FUND

Directors' and Trustees' Report and Financial Statements  
for the year ended 31 December 2013

### Financial Review

#### General Fund

The LDF recorded an operating surplus on the General Fund (after transfers) of £0.2m. This compares with the surplus of £0.3m in 2012. The General Fund holds all our unrestricted funds that have not been designated for specific purposes. We seek to balance our General Fund each year.

Compared to 2012:

- Incoming resources increased by £0.8m to £33.4m (2012: £32.6m).
- Resources expended decreased by £0.1 to £32.2m (2012: £32.3m).

Donations from parishes through Common Fund increased by 2.4% or £0.5m to £21.1m. Incoming resources from other donations and from property remained approximately the same as in 2012. The trustees are most grateful to all donors.

General fund returns on cash in the banks and from shares increased by £0.1m to £1.3m. Bank interest rates continued at historically low levels of around 0.5%-0.7%.

The financial contributions for clergy sponsored directly by parishes and others is unchanged from 2012, and is shown as income, 'parish reimbursements for clergy costs', in these accounts at £3.2m.

Contributions to the Archbishops' Council (one of the NCIs) increased by £0.2m to £2.3m. The major part of these donations funds the training of new clergy.

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

Overall, the careful control of expenditure enabled the LDF to achieve an operating surplus on the General Fund of £0.2m in 2013 despite some inflationary pressures.

Taking the surplus of £0.2m and the £0.4m unrealised gains on investments, the overall surplus on the LDF's General Fund for 2013 is £0.6m.

Our commitment is to balance the General Fund to within 1% of the LDF's General Fund income. In 2013 the operating surplus of £0.2m, before the exceptional items noted above, meets the definition normally used to indicate a 'balanced budget'.

## THE LONDON DIOCESAN FUND

Directors' and Trustees' Report and Financial Statements  
for the year ended 31 December 2013

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

Net outgoing resources for the year before transfers across all funds of £2.7m (2012: £3.7m) was recorded.

Overall incoming resources increased by £1.0m or 2.9% from £34.0m in 2012 to £35.0m in 2013 mainly because of the continuing generosity of the thousands of people in the parishes who support the LDF's work. Overall resources expended remained steady at £37.7m.

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

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

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

The table below shows an increase in net assets of £15.2m (2012: £7.6m) for the year to £386.7m (2012: £371.5m). The substantial majority of this is represented by property used in the LDF's charitable operations.

	2013 £m	2012 £m
<b>Net outgoing resources for year after transfers</b>	<b>(2.7)</b>	<b>(3.7)</b>
<b>Other recognised gains and losses:</b>		
Unrealised gains on investment assets	4.2	2.1
Unrealised gains on property assets	10.9	5.7
Realised gains on property assets	2.8	3.5
<b>Net gains</b>	<b>17.9</b>	<b>11.3</b>
<b>Net movement in funds for the year</b>	<b>15.2</b>	<b>7.6</b>
Balances at 1 January 2013	371.5	363.9
<b>Balances at 31 December 2013</b>	<b>386.7</b>	<b>371.5</b>

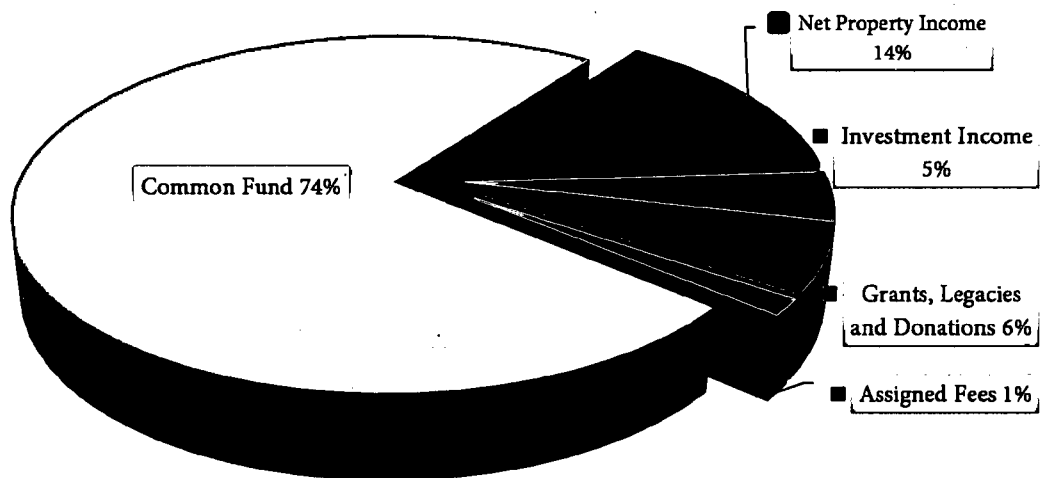
## THE LONDON DIOCESAN FUND

Directors' and Trustees' Report and Financial Statements  
for the year ended 31 December 2013

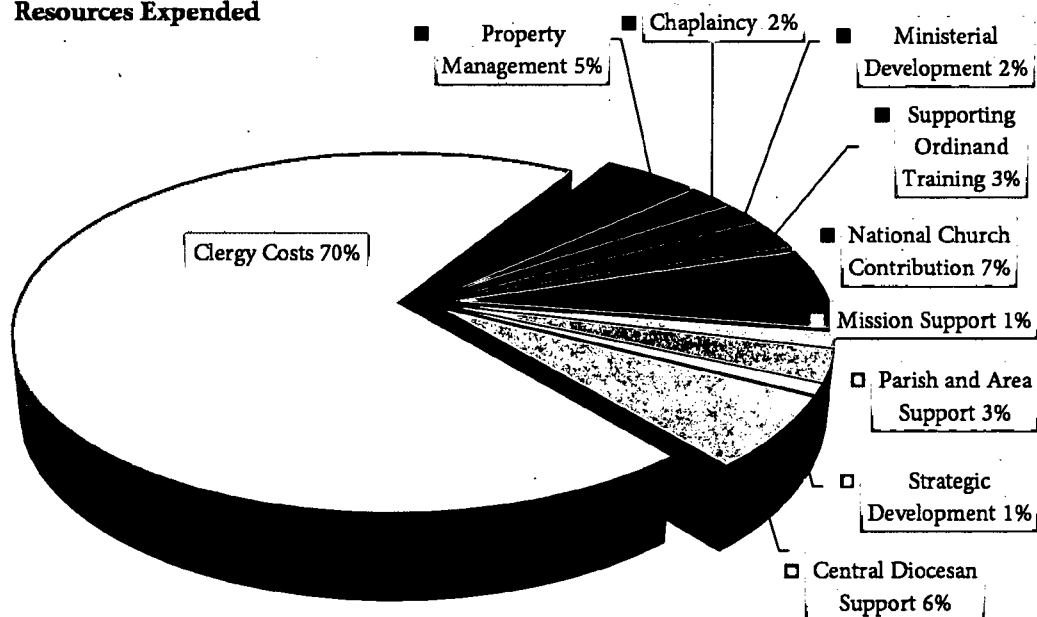
### The Budget and Outlook for 2014

The budget for 2014 was approved by the Bishop's Council and received by the Diocesan Synod at the end of 2013. It provides for General Fund income to increase by £0.9m and Common Fund to increase to £21.7m. General Fund expenditure is budgeted to increase by £0.8m; with a 3% increase in stipends in 2014. The budgeted allocation of General Fund income and expenditure in 2014 is set out below.

#### Incoming Resources



#### Resources Expended



## **THE LONDON DIOCESAN FUND**

Directors' and Trustees' Report and Financial Statements  
for the year ended 31 December 2013

### **Plans for Future Periods**

We aim to keep the day by day income and expenditure of the LDF in balance while using designated and restricted funds for the purposes for which they are held. 2014 is the eleventh year in a row when we have set a balanced budget for General Funds.

The challenge for the future is to:

- Deliver ministry and services in more effective ways, being at all times innovative;
- Grow our resources and be a good steward of them.

During 2014 we will continue to develop and deliver the Capital Vision strategy for use in the Diocese of London for the period to 2020.

### **Principal Risks and Uncertainties**

Like other organisations, the LDF faces risks to its operations, finances and reputation. The Senior Management Group, in consultation with the Archdeacons, 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 these 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 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.

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

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. A one per cent decrease in Common Fund contributions would mean a reduction in income of just over £0.2m.

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; there may be unanticipated property maintenance expenditure; council or other taxes may rise more than expected; or there may be unanticipated expenditure.

Under the Ecclesiastical Offices (Terms of Service) Measure 2009 the LDF is legally liable for the payment of clergy stipends not less than the National Minimum Stipend (or pro rata if part time) for those posts under Common Tenure. Under Common Tenure there are detailed rules similar to normal employment law on

## **THE LONDON DIOCESAN FUND**

Directors' and Trustees' Report and Financial Statements  
for the year ended 31 December 2013

grievances, holidays, any discipline procedures, capability, etc. In addition, clergy have the right to receive, and the LDF has an obligation to pay, stipends. In contrast the LDF's principal income stream, contributions from parishes, is a matter of generosity and shared goals for ministry, but is not legally enforceable.

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

### **Investment Policy**

The LDF holds investments on its own behalf, and as ecclesiastical custodian trustee for parishes under the Parochial Church Councils (Powers) Measure 1956.

The LDF keeps investments under its control under regular review and receives periodic guidance from an Investment Advisory Group and from the Property Guidance Group (formerly Property Advisory Group). The main investment objective is to seek the maximum return over the long term, taking into account both income and capital appreciation, with minimum risk to the real value of the assets. Targets set for the strategic allocation of assets between different classes of investment reflect the trustees' views on the appropriate balance to be struck between returns and risks. The trustees have had an ethical investment policy in place for several years.

The LDF currently operates asset allocation objectives that vary between types of fund. Broadly, they are based upon bands for property and equity that encompass around 70-90% of assets with cash and bonds forming around 10-30%.

In recent years more work has been carried out to seek an appropriate level of asset allocation for each of the LDF's significant constituent designated, restricted, and endowment funds. The results of this are then pooled and actions taken where identified.

For example, a further £3.5m of cash was approved for investment in equities in the final quarter of 2013 and was invested in the first quarter of 2014.

### **Investment returns**

Investment property with a net book value of £72.0m (2012: £86.2m) generated income of £4.1m (2012: £4.1m).

Investments in equities, fixed interest securities and other quoted securities amounted to £30.2m (2012: £25.9m). These include sole trusts, and details are in Note 7 to the financial statements. Gains in value of £4.2m (2012: £2.1m) were recorded and dividends of £1.3m (2012: £1.2m) were received. The gains in the value of investments in shares, which are held through investment funds, were broadly in line with the movement in the value of the FTSE all-share index.

## **THE LONDON DIOCESAN FUND**

Directors' and Trustees' Report and Financial Statements  
for the year ended 31 December 2013

### **Policies and other matters**

#### **Reserves Policy and Designated Funds**

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 reserves (unrestricted, undesignated) equivalent to approximately one month's expenditure should be held in cash or near cash form for this purpose. General reserves at 31st December 2013 were £2.5m (2012: £1.9m). These equate to about 28 days of general fund expenditure (2012: 21 days). The trustees intend to replenish these general reserves over the next two years through the careful setting of annual budgets.

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

Funds with a value of £98.7m (2012: £90.4m) have been designated for particular purposes as described more fully in Note 12a to the financial statements.

Well over half of this value, £58.2m (2012: £49.8m), is represented by operational property and the associated parsonage and fund property reserves, which are used to house clergy in support of one of the principal charitable objectives of the LDF. As described in the notes to the financial statements, most clergy housing is not owned by the LDF but is nevertheless recognised in the accounts in accordance with Financial Reporting Standard no 5.

About 30% of these funds, £28.5m (2012: £29.4m) is represented by investment property (and the associated reserve) which is discussed below.

Some of these funds have been designated to enable loans to be made to further the charitable aims of the LDF. The value of the funds will continue without material change as loans are made and repaid. The Diocesan Loan Capital designated fund of £4.3m (2012: £4.2m) is the major example. It is used mainly to provide loans to parishes, often to enable them to undertake major capital projects that would otherwise not be able to proceed.

During 2013 the trustees approved the creation of a new Capital Vision 2020 reserve, which at 31 December 2013 had a value of £1.15m.

The remainder of the designated funds, with a value of £6.6m (2012: £7.0m), is designated for a variety of purposes, especially enabling the LDF to take advantage of strategic development opportunities e.g. in development areas within London. Many of these funds are gradually being exhausted as they are expended

## **THE LONDON DIOCESAN FUND**

Directors' and Trustees' Report and Financial Statements  
for the year ended 31 December 2013

for the purposes for which they were designated. Some of these funds may be expected to be replenished over time by further donations and designations.

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

Unrestricted but designated property investments (and the associated reserve), amounting to £28.5m (2012: £29.4m) of the amounts discussed above, are held for two principal reasons.

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

Clergy are generally office holders and are not employed by the LDF. Stipends are paid by the Central Stipends Authority, part of the Archbishops' Council, which looks to the LDF to recompense it in respect of the clergy in the Diocese, as indicated by Section 5 of the Diocesan Stipends Funds Measure 1953. Clergy are entitled to receive a basic stipend and, in practice, receive an enhanced stipend. This entitlement for many incumbents continues until they reach the age of seventy. For some, it is a lifetime entitlement. Some clergy have an expectation that they will continue to receive the enhanced stipend for as long as their entitlement to stipend continues. This represents a long term moral, but not legal, obligation for the LDF. On the other hand, the LDF's income consists mainly of voluntary donations by parishioners through their PCCs.

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

With the implementation of the Ecclesiastical Offices (Terms of Service) Measure 2009 and regulations made under section 2 of that Measure, office holders holding a stipendiary post are now entitled to receive a stipend not less than the National Minimum Stipend. The Measure and Regulations were implemented on 31 January 2011.

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

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

## **THE LONDON DIOCESAN FUND**

Directors' and Trustees' Report and Financial Statements  
for the year ended 31 December 2013

### **Restricted Funds**

Funds with a value of £22.0m (2012: £20.3m) were restricted in their application in accordance with conditions specified by the donors. They are described more fully in Note 12b to the financial statements. Glebe assets are regarded as restricted expendable endowment funds.

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

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

### **Pension Schemes**

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

Following the results of the 2012 valuation, the LDF's contribution rate is due to increase to 39.9% from 38.2% of pensionable stipends from 1 January 2015 (of which 14.1% will be 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) Contributions rates will be reviewed at the next valuation of the Scheme, due as at 31 December 2015.

During 2012 the LDF consulted staff members on a proposed change of accrual rate for future service regarding the Church Workers' Pension Scheme (for lay staff). Changes came into effect on 1 April 2013 to manage the increasing cost of this scheme.

### **Other Matters**

Note 9b of the financial statements details the LDF's support of connected charities, for example support of £266k (2012: £275k) given to the London Diocesan Board for Schools through sharing facilities at London Diocesan House as well as a cash grant of £180k (2012: £160k). This is to ensure that the Diocese of London fulfils both its statutory educational responsibilities and its desire that the Gospel of Christ is also spread through educational ministry.

One of the main ways in which the LDF supports the ministry of parishes is through the provision of grants and loans. In 2013, grants to London parishes totalled £1.4m (2012: £1.7m).



## **THE LONDON DIOCESAN FUND**

Directors' and Trustees' Report and Financial Statements  
for the year ended 31 December 2013

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

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

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

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

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

### **Trusts**

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

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

As noted on page 49 the LDF is custodian trustee for trust assets of £17.3m (2012: £16.0m). Detailed certificates of holdings were sent to parishes and other managing trustees as at 31 December 2013.

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

A statement of the custodian trustees' responsibilities is also found on page 49 together with non-statutory financial statements, notes thereto and a non-statutory independent auditors' report to the custodian trustees between pages 49 and 53. Because of the large number of such trusts, they are not listed separately.

## THE LONDON DIOCESAN FUND

### Directors' and Trustees' Report and Financial Statements

for the year ended 31 December 2013

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

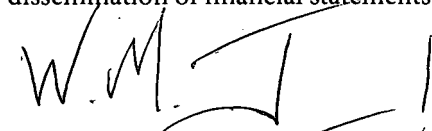
The trustees are responsible for preparing the Directors' and Trustees' Report and the financial statements in accordance with applicable law and regulations. Company law requires the trustees to prepare financial statements for each financial year in accordance with UK Accounting Standards and applicable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

In preparing these financial statements, the trustees are required to:

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



The Ven Dr W M Jacob

Member of Bishop's Council and Finance Committee Chairman

15 May 2014

## **THE LONDON DIOCESAN FUND**

Directors' and Trustees' Report and Financial Statements  
for the year ended 31 December 2013

### **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 2013 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 on page 26, 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**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the charitable company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the trustees; and the overall presentation of the financial statements. In addition, we read all the financial; and non-financial information in the Directors' and Trustees' Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

## **THE LONDON DIOCESAN FUND**

Directors' and Trustees' Report and Financial Statements  
for the year ended 31 December 2013

### **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 2013 and of its incoming resources and application of resources, including its income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.


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

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

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

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

- adequate accounting records have not been kept or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of trustees' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

  
*Adam Halsey (Senior statutory auditor)*  
*for and on behalf of haysmacintyre, Statutory Auditor*

15 May 2014

26 Red Lion Square  
London  
WC1R 4AG

# THE LONDON DIOCESAN FUND

## Statement of Financial Activities - for the year to 31 December 2013

		Unrestricted funds	Restricted	Endowment	Total	Total	
		General	Designated	Funds	Funds	2013	2012
		£m	£m	£m	£m	£m	£m
Incoming Resources	Notes						
Incoming Resources from generated funds							
Voluntary income							
Common Fund		21.1	-	-	-	21.1	20.6
Parish Reimbursements for Clergy Costs		3.2	-	-	-	3.2	3.2
Donations		0.6	0.2	0.2	-	1.0	0.7
Church Commissioners		-	0.3	0.2	-	0.5	0.5
Trust for London		1.3	-	-	-	1.3	1.3
Activities for generating funds							
Operational Property Rentals		1.3	-	-	-	1.3	1.5
Parochial Fees		0.5	-	-	-	0.5	0.5
Investment Income							
Dividends and Interest Receivable	10b	1.3	-	0.2	-	1.5	1.5
Investment Property Rentals		4.1	-	-	-	4.1	4.1
Other Incoming Resources		-	0.1	0.4	-	0.5	0.1
Total Incoming Resources		33.4	0.6	1.0	-	35.0	34.0
Resources Expended							
Cost of generating funds							
Investment management costs							
Rental portfolio costs - agent fees		0.4	-	-	-	0.4	0.5
Investment Property repairs & maintenance		1.0	-	0.4	0.1	1.5	1.6
Charitable activities							
Ministry		20.4	0.1	0.1	-	20.6	20.4
Education & Outreach		0.6	-	-	-	0.6	0.6
Parish and Area Support Services		1.1	0.1	0.2	-	1.4	1.5
Clergy Housing & Care of Churches		6.0	1.1	-	1.8	8.9	8.8
National Church		2.3	-	-	-	2.3	2.1
Grants to Parishes & Overseas	5	0.2	0.9	0.5	-	1.6	1.9
Governance		0.3	-	-	-	0.3	0.3
Other resources expended		-	-	0.1	-	0.1	-
Total Resources Expended	4	32.3	2.2	1.3	1.9	37.7	37.7
Net incoming / (outgoing) resources for year before transfers		1.1	(1.6)	(0.3)	(1.9)	(2.7)	(3.7)
Transfers between funds	12d	(0.9)	0.2	-	0.7	-	-
Net incoming / (outgoing) resources for year after transfers		0.2	(1.4)	(0.3)	(1.2)	(2.7)	(3.7)
Other recognised gains and losses:							
Unrealised gains on investment assets	7	0.4	1.2	0.8	1.8	4.2	2.1
Unrealised gains on property assets	6	-	6.5	0.8	3.6	10.9	5.7
Realised gains on property assets		-	2.0	0.4	0.4	2.8	3.5
Net Gains		0.4	9.7	2.0	5.8	17.9	11.3
Net movement in funds for the year		0.6	8.3	1.7	4.6	15.2	7.6
Balances at 1 January 2013		1.9	90.4	20.3	258.9	371.5	363.9
Balances at 31 December 2013		2.5	98.7	22.0	263.5	386.7	371.5

All incoming and expended resources relate to continuing operations.

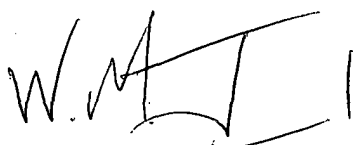
The notes on pages 33 to 47 form part of these financial statements.

## Balance Sheet - as at 31 December 2013

	Notes	Unrestricted General Fund £m	Unrestricted Designated Funds £m	Restricted Funds £m	Endowment Funds £m	Total 2013 £m	Total 2012 £m
<b>Fixed Assets</b>							
Operational Property	6	-	52.9	2.5	218.3	273.7	251.4
Investment Property	6	-	27.5	13.5	31.0	72.0	86.2
Fixtures, Fittings and Equipment		-	-	-	-	-	-
Investments	7	3.3	10.3	5.0	11.6	30.2	25.9
		<u>3.3</u>	<u>90.7</u>	<u>21.0</u>	<u>260.9</u>	<u>375.9</u>	<u>363.5</u>
<b>Current Assets</b>							
Debtors	9	1.8	2.6	0.4	-	4.8	6.5
Cash and short term deposits	10a	3.0	10.0	1.9	2.6	17.5	14.0
		<u>4.8</u>	<u>12.6</u>	<u>2.3</u>	<u>2.6</u>	<u>22.3</u>	<u>20.5</u>
<b>Creditors:</b>							
Amounts falling due within one year	11	2.2	2.0	0.5	-	4.7	5.0
<b>Net Current Assets</b>		<u>2.6</u>	<u>10.6</u>	<u>1.8</u>	<u>2.6</u>	<u>17.6</u>	<u>15.5</u>
<b>Total assets less current liabilities</b>		<u>5.9</u>	<u>101.3</u>	<u>22.8</u>	<u>263.5</u>	<u>393.5</u>	<u>379.0</u>
<b>Creditors:</b>							
Amounts falling due after one year	11	3.4	2.6	0.8	-	6.8	7.5
<b>Net Assets</b>		<u>2.5</u>	<u>98.7</u>	<u>22.0</u>	<u>263.5</u>	<u>386.7</u>	<u>371.5</u>
<b>Funds</b>							
General		2.5	-	-	-	2.5	1.9
Designated	12a	-	98.7	-	-	98.7	90.4
Restricted	12b	-	-	22.0	-	22.0	20.3
Endowment	12c	-	-	-	263.5	263.5	258.9
<b>Total Funds</b>		<u>2.5</u>	<u>98.7</u>	<u>22.0</u>	<u>263.5</u>	<u>386.7</u>	<u>371.5</u>

The notes on pages 33 to 47 form part of these financial statements.

The financial statements on pages 29 to 47 were approved, and authorised for issue, by the Diocesan Bishop's Council on 15 May 2014.



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



Mr I R M Woolf  
Member of Bishop's Council

## THE LONDON DIOCESAN FUND

### Summary Income and Expenditure Account - for the year to 31 December 2013

	2013 £m	2012 £m
<b>Non-endowment movements</b>		
Gross income	35.0	34.0
Realised gains	2.4	3.3
<b>Total income</b>	<b>37.4</b>	<b>37.3</b>
<b>Total expenditure</b>	<b>(35.8)</b>	<b>(36.0)</b>
<b>Net income on non-endowment funds before unrealised gains and transfers</b>	<b>1.6</b>	<b>1.3</b>

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 29, which together with the notes to the financial statements on pages 33 to 47 provides full information on the movement during the year on all the funds of the LDF.

<b>Note of historical cost profits and losses - for the year to 31 December 2013</b>	<b>2013 £m</b>	<b>2012 £m</b>
(Deficit) for the financial year	(2.7)	(3.7)
Realisation of revaluation gains of previous years	2.8	3.5
<b>Historical Cost gain / (loss) for the year</b>	<b>0.1</b>	<b>(0.2)</b>

The notes on pages 33 to 47 form part of these financial statements.

# THE LONDON DIOCESAN FUND

## Cash Flow Statement - for the year to 31 December 2013

	Notes	2013 £m	2012 £m
Net cash outflow from operating activities	13a	(5.4)	(8.9)
Returns on investments and servicing of finance	13b	<u>6.9</u> 1.5	<u>7.0</u> (1.9)
Capital flows and financial investment	13b	1.9	1.5
Increase / (Decrease) in cash in the year		<u>3.4</u>	<u>(0.4)</u>
Reconciliation of net cash flow to movement in net funds (see note 13)			
Increase / (Decrease) in cash in the year		3.4	(0.4)
Non cash increase in funds		<u>0.5</u>	<u>0.1</u>
Movement in net funds in the year		3.9	(0.3)
Net funds at 1 January		11.0	11.3
Net funds at 31 December	13c	<u>14.9</u>	<u>11.0</u>

The notes on pages 33 to 47 form part of these financial statements.



**Notes to the financial statements - for the year ended 31 December 2013**

**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 (2005) and the Diocesan Annual Report and Financial Statements Guide (v4. 2009).

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

**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, investment properties and operational properties.

**1.2 Funds**

The LDF has various types of fund for which it is responsible and which require separate disclosure. Note 12 shows the balances and movements on each fund together with details of their uses. The 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.

(a) General Funds

(b) Designated Funds (note 12a)

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

Restricted Funds (note 12b)

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

Endowment Funds (note 12c)

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

**1.3 Taxation status**

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

**1.4 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 Funded Pensions Scheme, for clergy. Both are multi-employer schemes where the LDF is unable to identify its share of the underlying assets and liabilities so they are accounted for as defined contribution schemes in accordance with FRS17. More information about both of these schemes is given in note 14. The LDF also has a defined contribution pension scheme for those of its lay staff who are not members of the DBS. Contributions to all three schemes are recognised as expenditure when they fall due.

## Notes to the financial statements - for the year ended 31 December 2013 (continued)

## 1.5 Statement of Financial Activities

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

Income	Explanation
<b>Voluntary Income</b>	
Common Fund	Contributions paid by the parishes in the Diocese of London to the LDF.
Parish Reimbursements for Clergy Costs	These are 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.
Trust for London	Grant income from Trust for London (formerly City Parochial Foundation).
<b>Activities for generating funds</b>	
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.
<b>Investment Income</b>	
Dividends and Interest receivable	Income arising is credited to the relevant funds on a receipts basis for dividends, and on an accruals basis for interest income.
Investment Property rental income	Investment property is let out at the market rate. Designated and Glebe investment rental income is receivable within general funds.
<b>Expenditure</b>	
<b>Cost of generating funds – investment management costs</b>	
Rental portfolio costs: agent fees	Agent fees paid in relation to the management of the property portfolio.
Investment property repairs and maintenance	Repairs and maintenance relating to the investment property portfolio.
<b>Charitable activities</b>	
Ministry	Ministry primarily includes the payment of clergy stipends, national insurance and pension contributions.
Education & Outreach	Annual 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 & Care of Churches	Clergy Housing & Care of Churches represents the repairs, maintenance, depreciation and other property costs associated with the operational property portfolio, and the relevant costs of the Diocesan Advisory Committee and property department.
National Church	The LDF's contribution to the National Church's costs.
Grants to Parishes & Overseas	Grants made to London parishes and overseas Dioceses.
<b>Governance</b>	
Governance Costs	Governance costs include the costs of governance arrangements which relate to the general running of the charity as opposed to those costs associated with charitable activities and fund raising. Governance costs include the costs of Diocesan Synod and the cost of legal advice provided to the trustees in their capacity as the LDF's trustees.

## Notes to the financial statements - for the year ended 31 December 2013 (continued)

## 1.6 Tangible Fixed Assets

Property

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

## (a) Benefice Houses

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

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

## (b) Burial Grounds

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

## (c) Closed Church Buildings

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

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

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

## (e) Fixtures, fittings and equipment

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

Depreciation

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

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

## 1.7 Investments

Investment Property

The trustees' policy is that freehold properties held for investment purposes have been included at the trustees' best estimate of market value. Previously, major items of (mainly commercial) investment property were valued every five years by external consultants, with interim year-end valuations being performed in the intervening years by a suitably qualified officer of the LDF. Other investment properties (mainly residential) were included at a capital multiple of 20 years' rental (2012: 20 years' rental). This was kept under review in light of changing market conditions of both property values and rental incomes.

In 2013 a detailed review of the LDF's investment property has resulted in all of its investment property portfolio being professionally valued externally. Future valuations will take place as required, in accordance with relevant accounting standards.

Investment Property is not depreciated. Realised gains and losses on investment property are taken to the Statement of Financial Activities under the heading of Other recognised gains and losses.

Other Investments

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

## 1.8 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 50 with supporting notes on pages 51 and 52. The custodian trustee funds have been subject to a non-statutory audit and the audit report thereon covering pages 48 to 52 is found on page 53.

Notes to the financial statements - for the year ended 31 December 2013 (continued)

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

The (deficit) for the financial year is stated after charging:	2013 £'000	2012 £'000
Depreciation - Operational and Investment Property	2,976	2,712
Depreciation - Fixtures, Fittings and Equipment	16	29
	<u>2,992</u>	<u>2,741</u>
Auditors' Remuneration (including VAT)		
Statutory audit	24	31
Non-Audit Services:		
- Tax advice	2	1
- Non-statutory review of Custodian Trusts	2	3
	<u>28</u>	<u>35</u>

3 Staff and Clergy Costs

<u>Costs of lay staff</u>	2013 £'000	2012 £'000
Wages and Salaries	2,179	2,170
Employer's National Insurance	207	206
Employer's Pension Contributions	430	482
	<u>2,816</u>	<u>2,858</u>

The number of lay employees employed on diocesan business was 65 (2012: 63). During 2013, 3 extra people (2012: 3) had employment contracts with the LDF but were funded externally and seconded elsewhere. The total number of lay employees for statutory purposes was, therefore, 68 (2012: 66).

The Full Time Equivalent average number of people employed on diocesan business was 57 (2012: 58). During 2013, 3 extra people (2012: 3) had employment contracts with the LDF but were funded externally and seconded elsewhere. The total Full Time Equivalent for statutory purposes was, therefore, 60 (2012: 61).

The number of employees whose emoluments for the year exceeded £60,000 are as follows:	2013 No.	2012 No.
£110,001-£120,000	1	1
£80,001-£90,000	1	2
£70,001-£80,000	2	-
£60,001-£70,000	<u>2</u>	<u>2</u>

Aggregate employer normal pension contributions for all the higher-paid employees above were £87,318 (2012: £81,984) payable to various pension schemes, of which £34,634 was payable to defined contribution pension schemes (2012: £26,126). There were 3 (2012: 3) higher-paid employees who were members of the defined benefit pension scheme.

Clergy costs

As at 31 December 2013 there were 12 individuals (2012: 15) - 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 2013, their costs included Gross Stipends of £309,988 (2012: £350,115), Employer's NI of £26,466 (2012: £26,400) and Employer's pension contributions of £99,774 (2012: £121,095).

In addition in 2013 there were 9 ordained clergy (2012: 6) who whilst undertaking ministerial work, were required to be included in the LDF payroll. In total for 2013, their costs included Gross Stipends of £191,824 (2012: £56,779), Employer's NI of £16,724 (2012: £5,065) and Employer's pension contributions of £47,039 (2012: £33,192).

Clergy holding parochial or archidiaconal posts

	2013 £'000	2012 £'000
Gross stipends	12,272	12,137
Employer's National Insurance	954	972
Employer's Pension Contributions	4,260	4,219
	<u>17,486</u>	<u>17,328</u>
Average number of total stipendiary clergy posts	511	517
Number of total stipendiary clergy posts at 31 December	<u>509</u>	<u>515</u>

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

# THE LONDON DIOCESAN FUND

## Notes to the financial statements - for the year ended 31 December 2013 (continued)

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

	2013 £'000	2012 £'000			
<b>Indirect support costs</b> (allocated below)					
Salary and employment costs	1,362	1,337			
Office costs	341	334			
	<b>1,703</b>	<b>1,671</b>			
<b>Resources Expended</b>	<b>Before allocation of support costs</b>	<b>Direct support costs</b>	<b>Indirect support costs</b>	<b>Total 2013</b>	<b>Total 2012</b>
	£'000	£'000	£'000	£'000	£'000
<b>Cost of generating funds</b>					
<i>Investment management costs</i>					
Rental portfolio costs - agent fees	429	-	-	429	485
Investment Property repairs & maintenance	1,441	-	46	1,487	1,582
Fundraising	25	-	-	25	33
	<b>1,895</b>	<b>-</b>	<b>46</b>	<b>1,941</b>	<b>2,100</b>
<b>Charitable activities</b>					
Ministry	19,928	3	660	20,591	20,457
Education & Outreach	466	5	160	631	619
Parish & Area Support services	765	288	382	1,435	1,474
Clergy Housing Property and Care of Churches Costs	5,454	180	264	5,898	6,082
Clergy Housing Depreciation	2,976	-	-	2,976	2,712
<i>Clergy Housing &amp; Care of Churches</i>	<b>8,430</b>	<b>180</b>	<b>264</b>	<b>8,874</b>	<b>8,794</b>
National Church	2,255	-	-	2,255	2,076
Grants to Parishes & Overseas	1,576	-	58	1,634	1,875
<b>Governance Costs</b>	<b>-</b>	<b>133</b>	<b>133</b>	<b>266</b>	<b>260</b>
<b>Other resources expended</b>	<b>96</b>	<b>-</b>	<b>-</b>	<b>96</b>	<b>38</b>
	<b>35,411</b>	<b>609</b>	<b>1,703</b>	<b>37,723</b>	<b>37,693</b>

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

### 5 Grants to Parishes & Overseas

Funding source	General funds £'000	Designated funds £'000	Restricted funds £'000	Endowment funds £'000	Total 2013 £'000	Total 2012 £'000
<b>Grants to Parishes from:</b>						
Diocesan Bishop's Council	-	-	-	-	-	300
Trust for London / Other	147	-	-	-	147	178
Area Pastoral funds	-	381	-	-	381	262
Bishop of London's Mission Fund	-	450	-	-	450	404
Funds held for Parish Benefit	-	28	369	-	397	548
	<b>147</b>	<b>859</b>	<b>369</b>	<b>-</b>	<b>1,375</b>	<b>1,692</b>
<b>Overseas:</b>						
Angola and Mozambique (ALMA) and Lent Projects	-	-	201	-	201	126
Grant administration allocation	58	-	-	-	58	57
<b>Total</b>	<b>205</b>	<b>859</b>	<b>570</b>	<b>-</b>	<b>1,634</b>	<b>1,875</b>

The above grants include awards to 89 institutions (2012: 85).

## THE LONDON DIOCESAN FUND

Notes to the financial statements - for the year ended 31 December 2013 (continued)

### 6 Tangible Fixed Assets - Operational and Investment Property

	Unrestricted - Designated Funds			Restricted Funds	Expendable Endowment Funds				
	Freehold Property £'000	Long Leasehold Property £'000	Total £'000	Closed Church Property £'000	Leasehold Benefice Houses £'000	Freehold Benefice Houses £'000	Glebe Property £'000	Total £'000	Combined Total £'000
At cost or valuation									
At 1 January 2013	79,573	3,217	82,790	15,176	1,983	208,861	54,586	265,430	363,396
Additions	2,132	48	2,180	-	9	1,533	98	1,640	3,820
Transfers	(2)	2	-	-	-	-	-	-	-
Disposals	(1,483)	-	(1,483)	-	-	(930)	(1,000)	(1,930)	(3,413)
Revaluation	5,439	593	6,032	790	726	326	2,506	3,558	10,380
At 31 December 2013	85,659	3,860	89,519	15,966	2,718	209,790	56,190	268,698	374,183
Depreciation									
At 1 January 2013	8,068	243	8,311	-	342	15,089	2,057	17,488	25,799
Charge for the year	1,009	32	1,041	-	41	1,360	534	1,935	2,976
Transfers	(70)	-	(70)	-	-	70	-	70	-
Disposals	(230)	-	(230)	-	-	(64)	-	(64)	(294)
Revaluation	-	-	-	-	-	-	-	-	-
At 31 December 2013	8,777	275	9,052	-	383	16,455	2,591	19,429	28,481
Net Book Value									
At 31 December 2013	76,882	3,585	80,467	15,966	2,335	193,335	53,599	249,269	345,702
Split by:									
NBV Operational Property	49,516	3,405	52,921	2,478	2,335	193,335	22,627	218,297	273,696
NBV Investment Property	27,366	180	27,546	13,488	-	-	30,972	30,972	72,006
	76,882	3,585	80,467	15,966	2,335	193,335	53,599	249,269	345,702
Net Book Value									
At 31 December 2012	71,505	2,974	74,479	15,176	1,641	193,772	52,529	247,942	337,597

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

In 2013 a detailed review of the LDF's investment property has resulted in all of its investment property portfolio being professionally valued externally as at 31 December 2013 by Cluttons LLP. Future valuations will take place as required, in accordance with relevant accounting standards. There was also some re-categorising of property between investment and operational, which in those instances resulted in a different basis of valuation.

Net revaluation gains above of £10,380k differ from those shown on the SOFA, largely due to the net revaluation movement in 2013 of the value-linked loans creditor.

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

# THE LONDON DIOCESAN FUND

## Notes to the financial statements - for the year ended 31 December 2013 (continued)

### 7 Investments

	At 1 January 2013 £'000	Additions £'000	Disposals £'000	Unrealised Gains / (Losses) £'000	Transfers £'000	At 31 December 2013 £'000
<b>General Fund</b>						
CCLA Global Equities	2,879	-	-	385	-	3,264
<b>Designated Funds</b>						
CCLA Global Equities	3,092	-	-	411	-	3,503
OLIM Charity Value and Inc Equities	711	-	-	154	-	865
CCLA Fixed Interest Securities Bond	809	-	-	(56)	-	753
M&G Charibond	812	-	-	(54)	-	758
M&G Investments	3,088	-	-	617	-	3,705
<b>Designated Trusts</b>						
Equity Investments	405	150	-	72	-	627
<b>TOTAL - Designated</b>	<b>8,917</b>	<b>150</b>	<b>-</b>	<b>1,144</b>	<b>-</b>	<b>10,211</b>
<b>Restricted Funds</b>						
OLIM Charity Value and Inc Equities	844	-	-	176	-	1,020
<b>Sole Trusts</b>						
Listed Investments	19	-	-	(1)	-	18
M&G Investments	2,746	-	-	548	-	3,294
CBF Investment Fund	629	27	(55)	106	-	707
<b>TOTAL - Restricted</b>	<b>4,238</b>	<b>27</b>	<b>(55)</b>	<b>829</b>	<b>-</b>	<b>5,039</b>
<b>Expendable Endowment Funds</b>						
<b>Glebe</b>						
M&G Investments	5,801	-	-	1,157	-	6,958
<b>Permanent Endowment Funds</b>						
<b>Sole Trusts</b>						
Listed Investments	3	-	(3)	-	-	-
M&G Investments	3,025	-	-	543	-	3,568
CBF Investment Fund	973	10	-	113	-	1,096
CBF Fixed Interest Securities Fund	24	-	-	(2)	-	22
<b>TOTAL - Endowment</b>	<b>9,826</b>	<b>10</b>	<b>(3)</b>	<b>1,811</b>	<b>-</b>	<b>11,644</b>
<b>Total Fixed Asset Investments</b>	<b>25,860</b>	<b>187</b>	<b>(58)</b>	<b>4,169</b>	<b>-</b>	<b>30,158</b>

#### Cost or valuation

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

CBF investments are valued by the CCLA.

The historic cost of the investments held at 31 December 2013 is £23,309k (2012: £23,180k).

# THE LONDON DIOCESAN FUND

## Notes to the financial statements - for the year ended 31 December 2013 (continued)

### 8 Investments in subsidiary undertakings

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

### 9 Debtors

	General £'000	Designated £'000	Restricted £'000	Endowed £'000	2013 £'000	2012 £'000
Contributions to the Common Fund	349	-	-	-	349	430
Rent Receivable	346	-	193	-	539	591
Prepayments and accrued income	576	78	161	-	815	867
	<u>1,271</u>	<u>78</u>	<u>354</u>	<u>-</u>	<u>1,703</u>	<u>1,888</u>
Loans to Parishes						
- Diocesan Bishop's Council awarded	-	1,452	-	-	1,452	3,021
- Area Council awarded	-	663	-	-	663	671
	<u>-</u>	<u>2,115</u>	<u>-</u>	<u>-</u>	<u>2,115</u>	<u>3,692</u>
Loans to individuals	38	390	-	-	428	442
Other Debtors	506	-	-	2	508	448
	<u>1,815</u>	<u>2,583</u>	<u>354</u>	<u>2</u>	<u>4,754</u>	<u>6,470</u>

	2013 £'000	2012 £'000
<b>Movements in Loans to Parishes:</b>		
At 1 January	3,692	3,602
Additions (new loans and interest)	348	1,187
Repayments	(1,925)	(1,097)
At 31 December	<u>2,115</u>	<u>3,692</u>

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% or 5% 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 as at 31 December 2013 was £1,710k (2012: £2,495k).



## Notes to the financial statements - for the year ended 31 December 2013 (continued)

## 9b Related Parties

**Payroll Services**

These are undertaken on behalf of a number of local church-based projects whereby the LDF acts as a payroll agent. At 31 December 2013 other debtors included Enil (2012: £3k) and other creditors included Enil (2012: £7k) in respect of gross salary and employer's National Insurance.

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

The LDF and the LDBS are separate charities but 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.

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

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

The Revd Preb C G Pope, and Mr D W Richards, were also trustees of both the LDF and the LDBS during the year.

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

The LDF makes an annual grant to the work of the LDBS amounting to £180k (2012: £160k). The LDBS is a charitable company (reg. no. 198131). At 31 December 2013 other debtors included Enil for salary and office cost recharges (2012: £1k).

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

	2013	2012
	£'000	£'000
Accommodation	78	78
House services and meeting rooms	188	197
	<u>266</u>	<u>275</u>

The accommodation cost relates to rent. A rent review is scheduled every five years. The next review is due at the end of 2014.

**Trustees' Expenses/Remuneration**

In 2013 the LDF reimbursed a total of £62k to 19 members of the Bishop's Council (2012: £43k to 20 members). The expenses related to working expenses, for example as Archdeacon, Area Dean or other official roles, rather than as expenses reimbursed in their role as trustees.

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

The following was paid to 14 other members of the clergy in 2013 (Full Time Equivalent: 14) who were members of the Bishop's Council (2012: 15 members; Full Time Equivalent: 15).

	2013	2012
	£'000	£'000
Gross Stipends	375	319
Employer's National Insurance	33	26
Employer's Pension Contribution	123	99
	<u>531</u>	<u>444</u>

Under the Repair of Benefice Buildings Measure 1972 the Diocese is responsible for the upkeep of parsonages. 12 members of Bishop's Council during the year (2012: 17) were housed in parsonages by virtue of their clerical office. 2 employees (2012: 2) were housed in a parsonage, though not by virtue of their employment.

A further 8 members of Bishop's Council (and Finance Committee) (2012: 8) and 14 employees in holy orders, including chaplains (2012: 13), were housed in properties owned by the London Diocesan Fund.

One member (2012: One member) of Bishop's Council was 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 2013 was £26k (2012: £18k).

Six members of Bishop's Council (or their close family members) donated £4k to the London Diocesan Fund during the year for unrestricted purposes (2012: £nil). One member of Bishop's Council (or their close family members) donated £0.25k to the London Diocesan Fund during the year for the ALMA partnership (2012: £nil), which is accounted for within restricted funds.

For the purposes 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 - for the year ended 31 December 2013 (continued)

10a Cash and short term investments

	General funds £'000	Designated funds £'000	Restricted funds £'000	Endowment funds £'000	2013 £'000	2012 £'000
Bank Deposits	1,080	9,954	1,937	2,536	15,507	12,524
Cash at Bank and in hand	1,949	49	-	-	1,998	1,549
	<b>3,029</b>	<b>10,003</b>	<b>1,937</b>	<b>2,536</b>	<b>17,505</b>	<b>14,073</b>

10b Investment Income

	General funds £'000	Designated funds £'000	Restricted funds £'000	Endowment funds £'000	2013 £'000	2012 £'000
Dividends	1,128	21	176	-	1,325	1,200
Cash and Deposit interest	140	26	5	-	171	220
Fixed interest investments	-	-	3	-	3	3
Loan interest	46	-	-	-	46	66
	<b>1,314</b>	<b>47</b>	<b>184</b>	<b>-</b>	<b>1,545</b>	<b>1,489</b>

11 Creditors

	General funds £'000	Designated funds £'000	Restricted funds £'000	Endowment funds £'000	2013 £'000	2012 £'000
Amounts falling due within one year:						
Parish Loans Payable	-	456	-	-	456	989
Grants Payable	-	1,246	-	-	1,246	1,216
Other Creditors	1,101	121	298	8	1,528	1,378
Accruals and deferred income	1,137	176	200	-	1,513	1,429
	<b>2,238</b>	<b>1,999</b>	<b>498</b>	<b>8</b>	<b>4,743</b>	<b>5,012</b>

Amounts falling due after one year:

Other Creditors	550	-	-	-	550	795
Accruals and deferred income	2,832	-	768	-	3,600	3,634
Church Commissioners Value Linked Loans	-	2,591	-	-	2,591	3,052
	<b>3,382</b>	<b>2,591</b>	<b>768</b>	<b>-</b>	<b>6,741</b>	<b>7,481</b>

£768k of the long-term Restricted Accruals and deferred income above (2012: £775k) relates to the residual lease premium for the lease of St Mark's Church in North Audley Street, Westminster. In accordance with United Kingdom Generally Accepted Accounting Practice, this balance is being released as income to the Statement of Financial Activities evenly over the 112 year period of the lease term.

£2,832k of the long-term General Fund accruals and deferred income above (2012: £2,859k) relates to the residual lease premium for the lease of 13 & 13a North Audley Street, Westminster.

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 of assistant clergy. The properties purchased with Value Linked Loans are held within Designated Operational Property.

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

# THE LONDON DIOCESAN FUND

## Notes to the financial statements - for the year ended 31 December 2013 (continued)

### 12a Designated Funds

	At 1 January 2013 £'000	Incoming Resources £'000	Resources Expended £'000	Unrealised Gains/(Losses) £'000	Transfers £'000	At 31 December 2013 £'000
Capital Vision 2020	-	-	-	-	1,150	1,150
Operational Property	42,003	-	(1,041)	(3,537)	12,905	50,330
Investment Property	29,424	-	-	10,031	(11,909)	27,546
Parsonage Reserve	2,187	714	(26)	235	(677)	2,433
Fund Property Reserve	5,625	1,366	(33)	513	(1,996)	5,475
Investment Property Reserve	-	-	-	-	1,000	1,000
Inspection and Maintenance Fund	512	-	-	(18)	274	768
Designated Trusts	2,521	32	(28)	72	(63)	2,534
Mission Opportunity	1,353	-	(61)	145	(700)	737
Bishop of London's Mission Fund	223	413	(489)	-	-	147
Clergy Training and Support	745	8	(77)	76	-	752
Area Pastoral Funds	1,277	15	(381)	-	272	1,183
Area Bank Accounts	76	57	(84)	-	-	49
Diocesan Loan Capital	4,229	-	-	121	-	4,350
Tottenham Hale Reserve	100	-	-	-	-	100
Strategic Development Reserve	158	-	-	-	(38)	120
<b>Total Designated Funds</b>	<b>90,433</b>	<b>2,605</b>	<b>(2,220)</b>	<b>7,638</b>	<b>218</b>	<b>98,674</b>

Note 12d

\* - Incoming resources, includes realised gains.

#### Designated Fund Descriptions (refer to the Directors' and Trustees' Report for information regarding the LDF's reserves policy)

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 2013 had a value of £1.15m, comprising a transfer of £450k from the General Fund and a transfer of £700k from the designated Mission Opportunity fund (see below).
Operational Property	As well as incorporating the Diocesan offices, Operational Property comprises over 120 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 at the year-end of £50.3m, £52.9m is represented by actual properties which are partially offset by (£2.6m) of Value Linked Loans creditors (as described in note 11).
Investment Property	Investment Property comprises over 50 freehold and leasehold properties (£27.5m) held to generate income and capital growth which helps fund stipends and other charitable activities.
Parsonage, Fund Property and Investment Property Reserves	The Parsonage, Fund 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. The Investment Property reserve was created in 2013, and a transfer of £1m was made from the Fund Property Reserve.
Inspection and Maintenance Fund	This fund comprises the Quinquennial Fund and the Ingoing Works Fund. We carry out planned maintenance on an average of one-sixth of our operational properties each year (83 of approximately 500), but the actual number varies from year to year. Since inspection and maintenance works were carried out on 74 parsonages in 2013, the cost of 9 sets of works - at an average of £19.3k (£174k) - has been credited to this fund. All necessary works in accordance with the Repair of Benefice Buildings Measure 1972 are undertaken. In addition £100k was transferred from the General Fund to the Ingoing Works Fund.
Designated Trusts	This fund represents proceeds arising from the sale of parish-based properties that were in use by those parishes but were legally owned by the Diocese. Each sale of such property is assessed on a case-by-case basis and where there is a compelling reason the sale proceeds may be designated for parish purposes, usually to fund a parish based development or replacement facility.
Mission Opportunity	This fund was established to meet specific clergy and related costs that are necessary in implementing Diocesan mission and ministry policy. In 2013, £700k was re-designated out of this fund into a new Capital Vision 2020 designated fund.
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.
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 £200k. Requests from parishes are first considered by the Loans Monitoring Group (LMG), a sub-committee of the Finance Committee, and the decisions made by the Finance Committee.
Tottenham Hale Reserve	This fund is set aside to support the strategic initiatives in Tottenham Hale to further the mission and ministry of the Church in that location.
Strategic Development Reserve	This fund is to finance work to inform and assist in the strategic deployment of the LDF's resources to further the mission and ministry of the Church in London.

# THE LONDON DIOCESAN FUND

## Notes to the financial statements - for the year ended 31 December 2013 (continued)

### 12b Restricted Funds

	At 1 January 2013 £'000	Incoming Resources £'000	Resources Expended £'000	Unrealised Gains/(Losses) £'000	Transfers £'000	At 31 December 2013 £'000
Sole Trust Expendable Funds	4,699	301	(569)	652	-	5,083
Closed Church Buildings Fund	237	511	(388)	176	-	536
Closed Church Buildings Property	15,176	-	-	789	-	15,965
Closed Church Buildings Investment Reserve	-	-	-	-	-	-
Projects restricted funds	138	459	(161)	-	-	436
Bishops' secretaries fund	1	209	(207)	-	-	3
Environmental fund	16	11	(21)	-	-	6
<b>Total Restricted Funds</b>	<b>20,267</b>	<b>1,491</b>	<b>(1,346)</b>	<b>1,617</b>	<b>-</b>	<b>22,029</b>

Note 12d

\* - Incoming resources, includes realised gains.

#### Restricted Funds

##### Sole Trust Expendable Funds

This fund comprises some 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 12c. Each Trust is governed by its own trust instrument which may be in the form of a Charity Commission scheme for example. The activity of the Angola, London and Mozambique Association (ALMA) is consolidated under this heading.

##### Closed Church Buildings Fund

This fund represents the Diocesan Pastoral Account (DPA) and is primarily used for Closed Church Buildings rental income and maintenance expenses. Income from the rental of churches no longer used for public worship, that is not required for the maintenance of those buildings, may be used for the payment of stipends and maintenance of property for the housing of clergy. The DPA is principally governed by the Pastoral Measure 1983.

##### Closed Church Buildings Property

This fund represents the net book value of Closed Church Buildings property (see note 6).

##### Closed Church Buildings Investment Reserve

This new reserve created in December 2013 will be 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 funds

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.

##### Environmental fund

This shows the restricted funding towards various environmental projects carried out by the LDF.

### 12c Endowment Funds

	At 1 January 2013 £'000	Incoming Resources £'000	Resources Expended £'000	Unrealised Gains/(Losses) £'000	Transfers £'000	At 31 December 2013 £'000
<b>Expendable Endowment</b>						
Glebe Property Fund	52,529	-	(533)	2,506	(903)	53,599
Glebe Investment Fund	6,829	405	(14)	1,157	473	8,850
Glebe Investment Property Reserve	-	-	-	-	500	500
Parsonage House Capital	195,413	-	(1,402)	1,052	607	195,670
<b>Permanent Endowment</b>						
Sole Trust Permanent Endowment	4,161	10	-	654	-	4,825
<b>Total Endowment Funds</b>	<b>258,932</b>	<b>415</b>	<b>(1,949)</b>	<b>5,369</b>	<b>677</b>	<b>263,444</b>

Note 12d

\* - Incoming resources, includes realised gains.

##### Glebe Property Fund

This represents the net book value of glebe property with movements shown in note 6. Rental income from glebe property is credited to general funds where it is used to fund clergy stipend payments. As with Designated Fund Property, the fund is split between operational (£22.6m) and investment (£31.0m) property.

##### Glebe Investment Fund

This represents the carrying value of glebe investments and cash. Investment income from glebe property is credited to general funds where it is only used to fund clergy stipend payments. The use of Glebe assets detailed above is governed by the Diocesan Stipends 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, and a transfer of £500k was made from the Glebe Investment Fund.

##### Parsonage House Capital

This fund represents the net book value of Freehold and Leasehold Benefice Houses (see note 6).

##### Sole Trust Permanent Endowment

This fund represents those amounts held under the LDF's Sole Trusteeship where the capital is not expendable (see note 12b).

# THE LONDON DIOCESAN FUND

## Notes to the financial statements - for the year ended 31 December 2013 (continued)

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

Statement of Financial Activities transfers analysed:

	General £'000	Designated £'000	Restricted £'000	Endowment £'000	Total £'000	Reference
Parsonage additions	-	(1,542)	-	1,542	-	i
Parsonage disposals	-	865	-	(865)	-	i
Trust reclassifications	63	(63)	-	-	-	ii
Transfer of budgeted items in the General Fund to the designated Area Pastoral Funds	(272)	272	-	-	-	iii
Transfers (to) / from designated funds at year-end	(686)	686	-	-	-	iv
	<b>(895)</b>	<b>218</b>	<b>-</b>	<b>677</b>	<b>-</b>	
		<i>Note 12a</i>	<i>Note 12b</i>	<i>Note 12c</i>		

- i. Transfer from or to the designated Parsonage reserve for the purchase or sale of parsonages respectively.
- ii. These transfers relate to the release of funds from various Trusts to be utilised on appropriate unrestricted purposes.
- iii. These transfers relate to budgeted items set aside from the General Fund for the designated Area Pastoral Funds.
- iv. These relate to transfers agreed at the year-end between the General Fund and specific designated funds.

### 13 Notes to the cash flow statement

	2013 Total £'000	2012 Total £'000
<b>a) Reconciliation of operating deficit to operating cash flows</b>		
Operating Deficit	(2,697)	(3,720)
Depreciation charges	2,992	2,741
Decrease / (Increase) in debtors	1,716	(348)
(Decrease) in creditors	(549)	(508)
Investment and Rental Income	(6,895)	(7,051)
	<b>(5,433)</b>	<b>(8,886)</b>

#### b) Gross Cash Flows

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

Dividends and Interest Receivable	1,545	1,489
Rental Income	5,350	5,562
	<b>6,895</b>	<b>7,051</b>

##### Capital Expenditure and investment

Sale of property	5,919	7,842
Purchase of property	(3,820)	(3,911)
Sale of investments	58	60
Purchase of investments	(187)	(2,505)
	<b>1,970</b>	<b>1,486</b>

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

	At 1 January 2013 £'000	Cash Flows £'000	Other £'000	At 31 December 2013 £'000
<b>Funds</b>				
Cash at bank and in hand	1,549	449	-	1,998
Short Term Deposits	12,524	2,983	-	15,507
	<b>14,073</b>	<b>3,432</b>	<b>-</b>	<b>17,505</b>
Value-linked loans due after one year	(3,052)	-	461	(2,591)
	<b>11,021</b>	<b>3,432</b>	<b>461</b>	<b>14,914</b>

**Notes to the financial statements - for the year ended 31 December 2013 (continued)**

**14 Pensions**

**(a) Lay staff pensions**

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

At 31 December 2013 the LDF had 30 active members and 53 deferred pensioner members in the Pension Fund (2012: 33 and 51 members respectively) out of a total of 709 active members and 1,710 deferred members (2012: 818 and 1,729 members respectively).

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

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

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

If, following an actuarial valuation of the Life Risk Pool there 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 being as at 31st December 2010. In this valuation, the Life Risk Section was shown to be in deficit by £6.7m and some £5.5m was notionally transferred from the employers' sub-pools to the Life Risk Pool.

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

In addition, the trustees agreed to amend the future accrual rate from 60ths to 80ths. Accordingly, the LDF's contribution rate was reduced from 31.0% to 23.5% of gross pensionable salary with effect from 1 April 2013.

## Notes to the financial statements - for the year ended 31 December 2013 (continued)

### 14 Pensions (continued)

#### (b) Clergy Pensions

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

The LDF is the sponsoring employer for 533 members (2012: 528) of the scheme out of a total membership of approximately 8,500 active members. The Church of England Funded Pensions Scheme is a defined benefit scheme but the LDF is unable to identify its share of the underlying assets and liabilities - each employer in that scheme pays a common contribution rate. For schemes such as this, paragraph 9(b) of FRS 17 requires the LDF to account for pension costs on the basis of contributions actually payable to the Scheme in the year.

A valuation of the Scheme was carried out as at 31 December 2012. This revealed a shortfall of £293m, with assets of £896m and a funding target of £1,189m, assessed using the following assumptions:

a) An investment strategy of:

- for investments backing liabilities for pensions in payment, an allocation to gilts, increasing linearly from 10% at 31 December 2012 to two-thirds by 31 December 2029, with the balance in return-seeking assets; and
- for investments backing liabilities prior to retirement, a 100% allocation to return-seeking assets.

b) Investment returns of 3.2% pa on gilts and 5.2% pa on equities;

c) RPI inflation of 3.2% pa (and pension increases consistent with this);

d) Increase in pensionable stipends of 3.2% pa; and

e) Post-retirement mortality in accordance with 80% of the S1NMA and S1NFA tables, with allowance made for improvements in mortality rates from 2003 according to the CMI 2012 core projections, with a long-term annual rate of improvement of 1.5% for males and females.

Following the results of the 2012 valuation, the LDF's contribution rate is due to increase from 38.2% to 39.9% of pensionable stipends from 1 January 2015 (of which 14.1% will be in respect of the £293m shortfall in the Scheme and 25.8% is in respect of accrual of future benefits and the day-to-day expenses of running the Scheme).

Contributions rates will be reviewed at the next valuation of the Scheme, due at 31 December 2015.

### 15 Members' Liability

The London Diocesan Fund is a company registered in England as a company limited by guarantee, having no share capital. At 31 December 2013 there were 48 members (2012: 44) who are liable to contribute £1 each in the event of the company being wound up. The maximum number of members permitted by the Memorandum and Articles of Association is 54.

**The following pages do not form part of the statutory financial statements  
of the London Diocesan Fund for the year ended 31 December 2013**

<b>Contents</b>	<b>Page</b>
Report of the Custodian Trustees	49
Financial Statements	50
Notes to the Custodian Trusts Financial Statements	51-52
Independent Auditors' Report to the Custodian Trustees of the Funds	53



## Report of the Custodian Trustees

The Bishop's Council of the London Diocesan Fund, acting as Custodian Trustees under ecclesiastical law, presents the report and non-statutory financial statements for the year ended 31 December 2013.

### Legal Status

Under the Parochial Church Councils (Powers) Measure 1956, the London Diocesan Fund acts as custodian trustees of parish buildings and land. It also acts as custodian trustee for monies held on trust. These pages report the specific trust holdings only and provide an aggregation of the financial assets of approximately 190 separate trusts. Land and building assets held by the LDF as custodian trustee are not shown.

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

### Review of the Year

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

Total incoming resources remained steady from 2012 to 2013, with no increase or decrease.

Funds continue to be expended in line with the purposes for which they were intended, with some £1.0m expended for charitable purposes during the year under review.

Additional new resources of £0.2m were received during the year in the form of new trusts.

The overall value of funds held by the London Diocesan Fund as custodian trustee increased by £1.3m to £17.3m in 2013, with the increase explained largely by unrealised gains in investment assets.

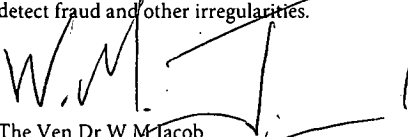
### Statement of Custodian Trustees' responsibilities

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

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

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

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



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

15 May 2014

## Non-Statutory Financial Statements

## Statement of Financial Activities - for the year ended 31 December 2013

	Permanent Endowment Fund £m	Restricted Capital Fund £m	Restricted Unexpended Income £m	Total 2013 £m	Total 2012 £m
<b>Incoming Resources</b>					
Investment income	-	-	0.2	0.2	0.2
Income direct to beneficiaries	-	-	0.4	0.4	0.4
<b>Total Incoming Resources</b>	-	-	0.6	0.6	0.6
<b>Resources Expended</b>					
Income paid to beneficiaries	-	-	(0.4)	(0.4)	(0.4)
To objects of the trusts	(0.2)	(0.2)	(0.2)	(0.6)	(1.8)
<b>Total Resources Expended</b>	(0.2)	(0.2)	(0.6)	(1.0)	(2.2)
<b>Net (Outgoing) Resources before transfers and new resources</b>	(0.2)	(0.2)	-	(0.4)	(1.6)
Additional new resources	0.2	-	-	0.2	0.9
Transfers between funds	(0.6)	0.6	-	-	-
<b>Net Incoming / (Outgoing) Resources for the year</b>	(0.6)	0.4	-	(0.2)	(0.7)
Gains on investment assets	1.3	0.2	-	1.5	0.9
<b>Net Movement in Funds for the year</b>	0.7	0.6	-	1.3	0.2
Funds at 1 January 2013	12.0	2.8	1.2	16.0	15.8
<b>Funds at 31 December 2013</b>	12.7	3.4	1.2	17.3	16.0

## Custodian Trusts Balance Sheet - as at 31 December 2013

	Notes	Total 2013 £m	Total 2012 £m
<b>Assets</b>			
Fixed Asset Investments	2	16.1	14.8
Current Asset Investments	3	1.2	1.2
<b>Net Assets</b>		17.3	16.0
<b>Funds</b>			
Permanent Endowment	2	12.7	12.0
Restricted - Capital	2	3.4	2.8
Restricted - Unexpended Income	3	1.2	1.2
		17.3	16.0

The notes on pages 51 and 52 form part of these non-statutory financial statements.

The non-statutory financial statements were approved by the Diocesan Bishop's Council acting as custodian trustees on 15 May 2014.

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

Mr I R M Woolf  
Member of Bishop's Council

## Notes to the Custodian Trusts Financial Statements - for the year ended 31 December 2013

### 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 PCC (Powers) Measure 1956, the London Diocesan Fund acts as custodian trustees 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 190 trusts.

The Balance Sheet as at 31 December 2013 has been prepared, together with a Statement of Financial Activities, which analyses the movement in funds. Comparative figures for 2012 have been provided.

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

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

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

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

It is the LDF's policy that where possible all income should go 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 - for the year ended 31 December 2013 (continued)

## 2. Fixed Asset Investments represented by Permanent Endowment Capital

	1 January 2013	Additions	Disposals	Unrealised Gains / (Losses)	Other Asset / Liability Movements and Transfers	31 December 2013
	£'000	£'000	£'000	£'000	£'000	£'000
Listed Investments	133	-	-	11	-	144
M&G Charifund	3,019	163	-	564	-	3,746
Investments held by CCLA:						
CBF Fixed Interest	279	6	(120)	(11)	-	154
CBF Investment Fund	6,056	123	(37)	696	(98)	6,740
CBF Property Fund	142	-	-	-	-	142
CBF Deposit Fund	2,334	-	(10)	-	(535)	1,789
Other Assets/(Liabilities)	1	-	-	-	-	1
	<b>11,964</b>	<b>292</b>	<b>(167)</b>	<b>1,260</b>	<b>(633)</b>	<b>12,716</b>

## Fixed Asset Investments represented by Expendable Capital

Listed Investments	78	1	-	6	-	85
M&G Charifund	191	-	-	38	-	229
Investments held by CCLA:						
CBF Fixed Interest	220	-	-	(15)	-	205
CBF Investment Fund	1,328	-	(142)	155	143	1,484
CBF Deposit Fund	888	-	(88)	-	491	1,291
Other Assets/(Liabilities)	118	-	-	-	-	118
	<b>2,823</b>	<b>1</b>	<b>(230)</b>	<b>184</b>	<b>634</b>	<b>3,412</b>
<b>Total Fixed Assets</b>	<b>14,787</b>	<b>293</b>	<b>(397)</b>	<b>1,444</b>	<b>1</b>	<b>16,128</b>

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

Listed Investments	1	-	-	-	1	2
M&G Charifund	51	-	-	-	-	51
Investments held by CCLA:						
CBF Fixed Interest	91	-	-	(6)	-	85
CBF Investment Fund	173	16	-	21	(2)	208
CBF Deposit Fund	653	127	(152)	-	-	628
	<b>969</b>	<b>143</b>	<b>(152)</b>	<b>15</b>	<b>(1)</b>	<b>974</b>

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

Investments held by CCLA:						
CBF Fixed Interest	52	-	-	(4)	-	48
CBF Investment Fund	32	1	-	4	-	37
CBF Deposit Fund	190	17	(57)	-	-	150
	<b>274</b>	<b>18</b>	<b>(57)</b>	<b>-</b>	<b>-</b>	<b>235</b>
Other Assets/(Liabilities)	1	-	-	-	-	1
<b>Total Current Assets</b>	<b>1,244</b>	<b>161</b>	<b>(209)</b>	<b>15</b>	<b>(1)</b>	<b>1,210</b>
<b>TOTAL</b>	<b>16,031</b>	<b>454</b>	<b>(606)</b>	<b>1,459</b>	<b>-</b>	<b>17,338</b>

## INDEPENDENT AUDITORS' REPORT TO THE CUSTODIAN TRUSTEES OF THE FUNDS

---

We have audited the non-statutory financial statements of Custodian Trust Funds for the year ended 31 December 2013 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).

We have been appointed as auditor under section 144 of the Charities Act 2011 and report in accordance with regulations made under section 154 of that Act. This report, including our opinion, has been prepared for and only for the Custodian Trustees as a body. Our audit work has been undertaken so that we might state to the Custodian Trustees those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Custodian Trustees as a body for our audit work, for this report, or for the opinions we have formed.

### Respective responsibilities of trustees and auditor

As explained more fully in the Statement of Custodian Trustees' Responsibilities set out on page 49, the trustees are responsible for the preparation of the non-statutory financial statements 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

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the charitable company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the trustees; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Report of the Custodian Trustees to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### Opinion on the non-statutory financial statements

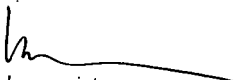
In our opinion the non-statutory financial statements:

- give a true and fair view of the financial position of the Custodian Trust Funds as at 31 December 2013 and of their incoming resources and application of resources for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Charities Act 2011.

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

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

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

  
haysmacintyre  
Statutory Auditor

15 May 2014

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.