

Gloucester Diocesan Board of Finance

Annual Report and Accounts

Year ended 31 December 2006



THE CHURCH
OF ENGLAND

DIOCESE OF
GLOUCESTER

TUESDAY



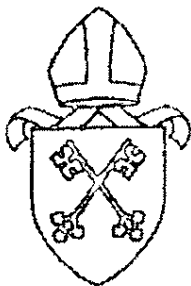
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COMPANIES HOUSE



board of directors

Rt Revd Michael Perham (President)
 Revd Christopher Finlay (Chairman)
 Diana Acland
 Revd Nicola Arthy
 Richard Bach
 Very Revd Nicholas Bury
 Hannah Cooke
 Nigel Chetwood
 Dr Steve Grindrod
 Revd Paul Harris
 Revd Canon Neil Heavisides
 Jean Hockett
 Anthony McFarlane
 Revd Graham Osborne
 Revd Dr Jennifer Parsons
 Margaret Price
 Revd David Primrose
 Ven Hedley Ringrose
 Tom Rucker
 Henry Russell
 Prof Jennifer Tann
 Revd Helen Sammon
 William Sargison
 Ven Geoffrey Sidaway
 Graham W Smith
 Rt Revd John Went

solicitor

Christopher Peak – Registrar
 Diocesan Registry
 34 Brunswick Road
 Gloucester GL1 1JJ

bankers

Barclays Bank plc
 288 Britannia Warehouse
 The Docks
 Gloucester GL1 2YJ

registered office

Church House
 College Green
 Gloucester GL1 2LY

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auditors

Mazars LLP
 Clifton Down House
 Beaufort Buildings
 Clifton Down
 Clifton, Bristol BS8 4AN

investment managers

CCLA Investment Management Ltd
 80 Cheapside
 London EC2V 6DZ

principal officers

Dr Kevin Brown – Secretary
 Benjamin Preece Smith – Director of Finance

Company limited by guarantee
 Registered number 162165

Registered charity number 251234

Directors' report

for the year ended 31 December 2006

I. Structure, Governance and Management

The Gloucester Diocesan Board of Finance (DBF) is a company limited by guarantee and a registered charity. Its governing instrument is the Memorandum and Articles of Association.

Its membership comprises

- The Bishop of Gloucester as president, ex-officio
- Each and every member for the time being of the Diocesan Synod
- Members co-opted to ensure that laity constitute a majority of members of the DBF

Elections and co-options take place every three years. The current triennium will run until September 2009.

The DBF, which meets three times each year, is the principal policy making body. It takes advice from its Board of Directors, constituted as the Bishop's Council, which examines issues in detail and makes recommendations. The Council also takes executive action in certain matters and deals with day to day issues. The membership of the Bishop's Council is as follows:

Ex-officio members

- The Bishop of Gloucester
- The Chairman of the DBF
- The Bishop of Tewkesbury
- The Dean of Gloucester
- The Archdeacon of Gloucester
- The Archdeacon of Cheltenham
- The Chairman of the House of Clergy of the Diocesan Synod
- The Chairman of the House of Laity of the Diocesan Synod
- The Chairman of the Diocesan Board of Education
- A nominated representative of the Houses Committee
- A nominated representative of the Diocesan Advisory Committee

Members elected by the DBF – House of Clergy

- Two clergy members of the DBF from the Archdeaconry of Gloucester
- Two clergy members of the DBF from the Archdeaconry of Cheltenham
- One Proctor in Convocation from among the members of General Synod

Members elected by the DBF – House of Laity

- Three lay members of the DBF from the Archdeaconry of Gloucester
- Three lay members of the DBF from the Archdeaconry of Cheltenham
- One lay member from among the members of General Synod

Co-opted members

- Up to two members may be co-opted by the Bishop's Council

Nominations

- Up to two members may be nominated by the Bishop

Trustees are recruited, as indicated above, through a mixture of ex-officio positions, elections and nominations. The Nominations Committee in conjunction with the Diocesan Secretary oversee membership elections.

The DBF's induction and training programme for trustees is currently under review.

The DBF was assisted in its work during the year by a number of committees.

- the Finance Committee (Chairman – The Reverend Christopher Finlay) acts in all matters relating to the management of the DBF's finances, including setting policy, framing the budget, critically reviewing the budget to ensure value for money and monitoring financial performance,
- the Audit Committee (rotating Chairmanship) reports to the DBF on matters relating to the auditors, the annual accounts and internal controls. It also acts as the risk management group,
- the Glebe Committee (Chairman – Malcolm Barlow) acts in all matters relating to the management of glebe properties and the strategic conversion of glebe assets to maximise returns,
- the Houses Committee (Chairman – Tony McFarlane) discharges the responsibilities of the DBF in its capacity as the Diocesan Parsonages Board and acts in all matters relating to the provision and maintenance of clergy houses

The DBF is the financial custodian for the Diocese of Gloucester, which is an administrative and pastoral area within the Church of England. The DBF therefore has important relationships with the national institutions of the Church of England, specifically

- The Archbishops' Council, to which it pays grants based on an apportionment system for funding national training of ordinands and the activities of the various national boards and councils, as well as General Synod
- The Church Commissioners, from which the DBF receives grants and which acts as the employer of diocesan clergy for tax and national insurance purposes. The DBF pays for clergy stipends through the Church Commissioners
- The Church of England Pensions Board, which provide pensions for clergy and some of the DBF's lay staff

Locally, the DBF works with parishes, which are legally independent bodies but which pay contributions, based on an apportionment system, to the DBF to fund its activities. The DBF is a tenant of the Dean and Chapter of Gloucester Cathedral, from whom it rents office accommodation

The DBF manages various charities on behalf of their respective trustees, for which grants and management charges are paid

2. Objectives and Activities

The principal objective of the Gloucester Diocesan Board of Finance ("the DBF"), as set out in the Memorandum of Association, is *"to promote and assist the work, objects and purposes of the Church of England for the advancement of the Christian religion in the Diocese of Gloucester"*

In pursuing this objective, the DBF acts as the financial executive of and employer for the Gloucester Diocesan Synod. As such it undertakes three principle activities

- It funds cost associated with the vast majority of Church of England clergy in the diocese,
- It is responsible for the custody and management of the synod's funds
- It provides services to other councils and committees within the diocese, primarily PCCs and schools

3. Achievements and Performance

The DBF has three main activities as set out in the "Objectives and Activities" section above

The work of the DBF is primarily supportive and enables other organisations to fulfil the ultimate purpose of its work. As a result most of the achievements of the organisation are "outputs" rather than "impact", that is to say they relate to the number of clergy posts funded, not how successfully those posts have advanced the Kingdom of God

With this slight reservation the following section is an attempt to provide a meaningful summary of the key outputs which the DBF has achieved in the past year. These are further summarised in tables at the start of each subsection. In order to indicate performance the achievement boxes have been colour-coded to reflect the following

To be celebrated	Green
To be congratulated	Yellow
To be improved upon	Red

This coding is subjective and in some circumstances the reasons for performance are beyond the control of the DBF. Readers are therefore advised not to simply use the summary tables in assessing the performance of the DBF. In case of some negative performance, most notably on clergy numbers, the underlying issues will take many years to address

Where an item is coded red it is intended to identify to readers where the DBF is aware of an issue and seeking to address the problem, the commentary will provide a meaningful understanding of how and when

A full management report for the year, containing all monitored KPIs and budgets within the DBF is available on request from Church House, Gloucester

3.1 Funding the Provision of Clergy

The cost of funding the provision of clergy accounts for around **70%** of DBF expenditure. For serving clergy it includes stipends, NIC, pension and housing costs as well as a variety of grants and expenses for certain office holders. It also involves support for developing new clergy through fostering vocations and supporting ordinands and curates.

In assessing achievement and performance the DBF can only comment on the numbers of clergy and the level of remuneration they are paid. This does not reflect the quality of ministerial service but simply the DBF contribution to the ministry, as noted above this is output, not impact.

Summary performance on clergy numbers		Achievement
KPI 1	Pastoral Need (Deanery MAP requirements in 2009)	Excess (11.4 posts)
KPI 2	Availability (Sheffield formula)	Excess (9.4 posts)
KPI 3	Affordability of clergy posts	Excess (6 posts)
KPI 4	Stipends to be paid in line with Archbishop's Council's recommendations	Met
KPI 5	Payment of recommended pension contributions for clergy	Met
KPI 6	Ensuring 90% of houses are ready for the start of a cleric's ministry	95%
KPI 7	New Curates (target allocation 4)	3
KPI 8	New Ordinands (target, based on population 4)	7

3.1.1 Number of Clergy

The number of clergy funded by the DBF is determined by three considerations

- Pastoral need
- Availability of clergy
- Ability to pay for clergy

Pastoral Need

Pastoral need is determined by the Bishop and his staff in discussion with parishes and deaneries. By the end of 2005 each deanery had agreed a plan for the deployment of clergy over the coming five years. This plan, known as a Mission Action Plan (or MAP), established clergy need for the Diocese by 2009 at 139 stipendiary ministers. As at 31 December 2006 there were 150.4 posts funded by the DBF.

This would imply that, looking purely from the DBF's remit of funding posts, the DBF is funding considerably more posts than have been identified as essential for pastoral need.

Availability

Full time stipendiary clergy availability is limited. A formula, known as the "Sheffield formula", determines a theoretically "fair" apportionment of stipendiary clergy to each diocese in England. The apportionment involves four factors for each diocese and uses the latest available statistics, weighted as shown in brackets.

Population	(8)	to reflect the number of persons for whom a pastoral responsibility is assumed,
Area	(1)	to reflect the larger distances covered in rural dioceses,
Membership	(3)	to reflect the number of Church members to be cared for. It is measured by: one-third Electoral Roll members plus two-thirds Average Weekly Attendance, adults, children and young people. ¹
Number of churches	(3)	to reflect the number of services that need to be provided in different churches

All clergy in parochial or diocesan posts count towards the allocation unless their responsibilities are national, provincial or cover more than one diocese. This formula is broadly accepted by most dioceses, although not universally or without reservation.

As at 31 December the allocation to Gloucester Diocese for 2006 was 141 (excluding three posts at the Cathedral). The DBF actually funded 150.4 posts, 9.4 posts over the Diocese's allocation. From the perspective of availability of clergy the DBF is therefore significantly over funding, to the potential detriment of other Dioceses.

Affordability

Despite reducing its ongoing deficit the DBF still saw a "loss" of £289k in its day-to-day activities in 2006. This approximately equates to the loss of 6 ministers and additional investment revenue from the sale of their houses. Therefore, in simple terms, the DBF is not currently able to afford the level of clergy it funds from its ongoing revenue.

Future trends

As noted above the deaneries of the Diocese have established a medium term plan for reducing clergy number over the next three years. This programme envisages reducing clergy numbers from 157.2 at the beginning of 2006 to 139 by the end of 2009.

3.1.2 Clergy remuneration

Stipends

The DBF is committed to setting stipend levels in line with national guidance. For 2006/07 the DBF again paid the level recommended by the Archbishop's Council for stipendiary clergy in the Diocese, being £20,480 for an incumbent. This includes the full commitment of the DBF to "Aspirations 1 and 2" of the Archbishop's Council's report "Generosity and Sacrifice".

Pension contributions

The DBF is committed to paying pension contributions to the national Clergy Pension Scheme for all stipendiary clergy. The pension contribution rate for 2006 was 33.8% of National Minimum Stipend, or £6,300 per full-time minister.

In 2006 the level of contribution this required was the subject of a national consultation. Gloucester DBF agreed to support the broad continuation of the scheme with some minor amendments which included limiting pension increases to a maximum of 5% and increasing the accrual rate for a full pension from 1/37 p.a. to 1/40 p.a. (i.e. for new joiners 40 years service would be required for a full pension rather than 37 as currently). This position has, in 2007, been adopted by General Synod, however with the inflation cap on pensions reduced to 3.5%.

Housing of clergy in the diocese

The housing of clergy is managed by the DBF's Property Department. The department has an annual budget of approximately £1m and has consistently spent to budget over a number of years. During 2006 the role of Diocesan Surveyor was brought in house to increase the amount of professional man-hours available to the department at no extra cost. This change has proved successful.

National guidance on the quality of housing provision is laid out in a Church Commissioner's publication entitled *Parsonages, A Design Guide* (known as the "Green Book"). This book refers to new build houses, with the principles being applicable where possible to existing stock or where a new build is not possible. The DBF ensures all new builds are built to at least Green Book standard. All other property is monitored for comparability to Green Book with a maintained register of the principle variations from this standard and actions identified required in each case.

As well as ensuring the DBF's clergy housing is suitable in design the DBF's property department works to maintain all property to a reasonable standard. The principal way by which this is ensured is an "incoming" review prior to the incumbent taking occupation of the house and five yearly "Quinquennial" inspections. Incomings are actively monitored to ensure that each house is prepared for each new incumbent. Of 22 incoming reviews in the year 3 were not complete by the time the incumbent took occupation. In two cases this related directly to decisions made by the incoming incumbent which prevented achievement and is not reflective on the property department's performance. In the one missed deadline the only item not completed was a utility room kick-board.

3.1.3 Curates and Ordinands

Curates

The Archbishop's Council indicates annually the number of recently ordained ministers which require a first curacy and indicates how many it believes each Diocese should take to ensure a fair distribution. There is generally some difficulty in ensuring curacies for all newly ordained ministers due, primarily, to financial constraints for many DBFs.

Gloucester Diocese's allocation for 2006 was 4 curates, However the Directors of the DBF agreed to accept and additional curate as an act of service to the wider Church. This is considered important despite losses on ongoing income and expenditure as the diocese believes that fostering and nurturing vocations is an essential part of the work funded by the DBF

Ordinands

It is generally accepted that there is a shortage of ordained ministers, as noted above in the comments on clergy numbers and the Sheffield formula. Whilst this may be countered in part by financial arguments on affordability this is, arguable a short term issue. Therefore it is an objective of the Diocese to encourage as many ordinands as it is able to support. This is supported by the DBF by contributions to national training programmes, local training programmes and ordinand support grants

The Diocese, supported by a DDO and other officers funded by the DBF, saw 7 new ordinands go to theological college in 2006. This represents 2.0% of the national total of 350 new ordinands, whereas the Diocese covers just 1.2% of the population – implying an average contribution would have been just 4

3.2 Management of Synodical Funds

Summary performance on clergy remuneration		Achievement
KPI 1	Have a surplus on ongoing income/expenditure	Deficit £289k
KPI 2	Increase Parish Share by Average Earnings Index (Dec 2006 3.7%)	3.0%
KPI 3	Investment assets Total return > 7%, being pension fund growth forecast	19.9%
KPI 4	Charitable Assets (Let >90% of all lettable clergy houses)	Met - 97%

Deficit

The DBF has run at a deficit on its "ongoing" activities for a number of years. This has been ameliorated in the short term by the sale of assets, however this is not a long term strategy. The DBF is looking to close the deficit gap in a number of ways

- It is seeking to maintain parish share giving at least in line with earnings, thereby securing income
- Reduced clergy numbers (see section 3.1.1) will reduce expenditure
- Supporting Church growth through the newly established "Development fund"
- Improving return on redundant assets through a development company to be established in 2007

Parish Share

Parish Share is the donations received by the DBF from parishes which primarily is used to fund clergy costs. With congregation numbers broadly static our aim in parish share is to keep increases in line with average earnings and to ensure an even cash-flow of receipts during the year.

In 2006 parish share increased by 5%, compared to AEI of 3.7%. This high level of increase may not be sustainable in the long term but it is an important plank in the general increase required to bridge the ongoing deficit gap in the DBF over the next few years.

The DBF also saw significantly more even cash flow from Parish Share in the year. During the year the DBF had nine months of Parish Share receipts at or above even cash flow levels, compared with just five such months in 2005 and three in 2004.

Investment Assets

The DBF holds investments of £23.5m. Of this £3m is in historic glebe (property), £1.5m is held in term deposits and £19m is in a liquid investment portfolio managed by CCLA. The CCLA funds are tailored to ensure full compatibility with Church of England ethical policies.

The past year saw a process of actively investing £1,500,000 from the deposit fund (cash) element of the CCLA portfolio into the investment fund (primarily equities). This has proved a beneficial move with the investment fund seeing a total return of 14.2% against deposit fund returns of just 4.77% at their year end high.

Overall the CCLA portfolio reported a 19.9% total return (primarily due to capital growth). This is significantly above the 7% long term investment forecast used by the clergy pension scheme's actuaries.

Charitable Assets

As well as investment assets the DBF maintains a large property portfolio as part of its primary activities. The DBF is very conscious of the value within this portfolio and seeks to ensure it is not lost. This is most effectively seen in letting of vacant properties.

During the year the DBF had available 31 clergy houses which were vacant for a lettable period. Of these 30 were let.

3.3 Provision of services to other organizations and councils

The provision of services by the DBF is primarily delivered through a departmental structure. Therefore the comments below and KPIs above are grouped by responsible department.

Dept	Objective 2006	Achievement
Ministry	Introduce a new "Christian Discipleship" training scheme	Pilot underway
Ministry	CME courses run/positive feedback (no comparison)	30/76%
Education	Open Bishop's College	Achieved
Education	Training (courses(no) participants(no) rating(%) 2005, 59 856 94%)	60:1020 95%
Social Res'bility	Reduce DBF mileage by 10% from 2005	Down 1.8%
Parish Resources	Develop standards in youth ministry	QYWI
Church Bds	Number of faculties (2005 142)	137
Communications	"Our Diocese" issued by 10 th of each month	Achieved

Ministry

The Ministry Department offers a number of support and training services to clergy and laity. Its work with curates and ordinands is noted above in section 3.1.3.

The main achievement in its training during the year has been the development of a new Education for Christian Discipleship programme for laity. This is currently running as a pilot scheme and is anticipated to be rolled out to all parishes in the near future. Whilst slightly behind the original timetable this is marked as a matter to be celebrated due to its expected future importance for ministry in the Diocese.

Within the main clergy training programme - Continuing Ministerial Education (CME) - the department ran 30 courses in the year. Feedback forms show 76% positive feedback and no negative feedback.

Education

The Education Department offers advice, training and support to 118 Church of England Primary Schools and, from 2006, one Church of England Secondary School. This assistance includes governor training, pastoral support, building project management and the excellent RE source centre in College Green providing an enormous range of materials for schools and other groups across the Diocese.

The department's big achievement in 2006, indeed its biggest achievement for many years, was the opening of the first Church of England Secondary School in the diocese since 1981. This was achieved with an enormous amount of effort from across the department and beyond and will continue to be a major focus of its work for years to come in order to ensure the Church delivers on its promise of raising standards and expectations at the site.

As ever the department has continued with its day-to-day support and monitoring functions. Many KPIs are maintained by the department to ensure the service level provision is at a constantly high level and are available for inspection on request. For brevity in this report it is offered for information that the school ran 60 courses across the diocese for staff (44) and governors (16) in which 1,020 people took part. These courses are highly regarded with an average 95% approval rating from participants.

Social Responsibility

The ongoing work of the Social Responsibility department is primarily one of networking and "soft" involvement. Focuses for the department in the past year have been the environment and looking towards the 200th anniversary of the end of the Trans-Atlantic slave trade in 2007. The Director has also been working with other DBF departments to develop a Christian Development company which could make a real contribution to local communities and societies through providing affordable houses, community facilities and environmental exemplar housing.

One measurement on the environmental commitments the department has been trying to get from the various diocesan organizations was a reduction in DBF mileage by 10%. Mileage in 2006 decreased by just under 2%. This is a target which will need further work and action from the DBF and its staff.

Parish Resources

The Parish Resources department has been subject to a much reduced staff for most of the year. The Children's Officer post remained vacant for the whole year and the Stewardship Officer post has been vacant since August.

The Youth Officer however has been extremely active on a number of fronts.

The main achievement in the year was the approval by Bishop's Council in November of a package of support for Youth Work in the Diocese. This package has set aside £90k of funding from the new Development Fund to assist in a delivering a strategic approach to Youth work within the diocese, see a "kite-mark" being introduced over the next three years for quality standards in youth work (QIYWI) and helping to increase the pay and conditions of youth workers in the Diocese, thereby supporting their professional status.

As well as this initiative the latter part of the year was focused on the largest Youth event held in Gloucester Cathedral - "Insomnia" which occurred in January 2007. Over 300 young people and 150 adults attended this spectacular event.

Church Buildings

The DBF funds the faculty system and Diocesan Advisory Committee (DAC) which operates as the conservation body for Church buildings.

The DAC approved a total of 137 faculties in the year (2005 142), with 37 of these being for works costing more than £10,000 (2005 31), indicating an increase in more complex and involved cases.

Communications

The Communications Officer fulfils a number of functions for a number of entities – acting for the DBF and the Bishop, as well as offering support to parishes and deaneries throughout the Diocese.

There was a change in the Communications Officer during the year which has delayed the introduction of a new web-site. However this is now well advanced and positive news should be reported on this front in the next annual review.

The changeover did not impact on the regular publications "Our Diocese", a monthly information sheet, and "Inspires" a tri-annual magazine with longer articles and reflections.

4 Financial Review

The DBF's surplus for the year reflects three main components.

Ongoing Activities

These are the DBF's core activities, as assessed for performance in the preceding section.

The DBF's main source of income is from contributions made by parishes within the diocese in accordance with a pre-agreed commitment. This income source is known as "Parish Share". In 2006 a new system for setting Parish Share was introduced, known as the "Cost/Mutual Support" model. This system informs deaneries and parishes of their nett contribution and invites donations based on this information, with wealthier parishes encouraged to contribute to other parishes through "Mutual Support". Partly as a result of this change Parish Share received in the year increased by 5.0%, comfortably above RPI, earnings increases and the DBF's expenditure budget increase for the year.

Parish Share is augmented by grants, fees and investment income. All these income streams were in line with budget expectations.

Expenditure was slightly below budget, with savings in the Ministry and Parish Resources departments and a lower number of parochial clergy than budgeted

Overall however the ongoing activities still resulted in a £289k deficit. The DBF is planning to convert this into a surplus over the next three years through a combination of maintaining earnings level increase in parish share, active campaigning on giving levels and the implementation of deanery MAP proposals which will result fewer clergy

Sale of Charitable Assets

One of the financial implications of reducing clergy numbers is an increase in the number of surplus houses held by the DBF. In 2007 the DBF disposed of five surplus houses, two of which were replaced with alternative houses. This activity resulted in an accounting "profit" of £0.9m and a cash inflow from tangible fixed assets of £1.0m

Investment performance and policy

The DBF maintains a review of its investments through the Finance Committee, which also monitors performance against market benchmarks and considers the adequacy of its investment mix. The Finance Committee retains the services of an independent investment advisor to ensure that it receives impartial advice. All non-cash investments are made in CBF Funds, which are common investment funds managed by CCLA Investment Management Limited. The DBF invests in the CBF Investment Fund, the CBF Fixed Interest Fund and the CBF Property Fund. The DBF considers that investing in these funds serves to spread risk through diversity and uses the investment management skills of the fund managers to achieve consistent performance. The mix of investment in the different CBF funds is determined for each of the funds of the DBF to achieve the desired goals. In most cases these goals are to achieve maximum total return.

Investment markets showed strong growth in the year and as a result, the value of our investments has risen significantly. Together with increased income streams due to sale of fixed assets in the year we can be very pleased with our investment performance over the past year. Total return averaged 19.9% across all funds,

Realised and Unrealised gains on investments in the year totalled £1.4m

The DBF intends to continue with its current holdings, as it believes that the total return achievable from its current mix will provide the best long-term returns. Any new money for investment (principally arising from the sale of glebe land and parsonages) will be held as cash to the extent that it may be required in the short term (three years or less) to cover operating deficits and identified capital expenditure requirements.

Reserves policy

The policy of the DBF is to hold between 4 and 8 months of parish share income in free reserves (i.e. for 2006 between £1.75m and £3.5m). This level is considered prudent to account for the cash flow deficit experienced each year resulting from parish share contributions being remitted irregularly during the year (whereas the DBF's expenditure is fairly constant on a month by month basis), and also to allow for unexpected occurrences. At the end of 2006, free reserves stood at £2.9m, which is comfortably within this policy range.

5 Plans for future periods

Deanery MAPs

In terms of its principal expenditure, licensed ministries, the Deanery MAP programme has a target to reduce stipendiary ministers within the deaneries by a further 9.5 by the end of 2009. At a marginal cost (including investment returns on the sale of housing) of approximately £45k per post this will, if fully implemented, make a "real terms" reduction in the DBF's expenditure of £405k by 2010.

Bishop's Council's Vision

Bishop's Council has recently completed a "vision" exercise to provide focus for the work of the DBF for the period 2007-11. This exercise has identified the following priorities for the next four years:

- **Worship and Prayer** *Offering worship that honours God and transforms lives*
- **Proclamation and Service** *Reaching out into our local communities*
- **Growing leadership** *Strengthening local leadership*
- **Nurturing Disciples** *Building up the people of God*
- **Stewardship** *Ensuring a stable future for a committed Church*

These priorities will impact support activities undertaken by the DBF before the end of 2007, however operational plans are yet to be agreed and therefore more specific indications of how the work will be affected is not available at present.

Development Company

The DBF is in the process of establishing a subsidiary development company which will begin trading in mid 2007. This will have a significant impact on the DBF's finances and statutory accounts from then on.

Defined Benefit Pension Scheme for lay staff

The DBF currently operates two pension schemes for lay staff, as set out in note 10 to the accounts. It is in the process of transferring all active and deferred members out of the stand-alone EIG scheme and into the nationally run CWPF scheme. As a result the former scheme is expected to be closed by the end of June 2007.

6 Directors' responsibilities in respect of the financial statements

The directors are required by company law to prepare financial statements, based on applicable accounting standards, which give a true and fair view of the state of affairs of the DBF as at the end of the financial year and of the result of the year and which comply with the Companies Act 1985.

The directors ensure that, in preparing the financial statements, suitable accounting policies have been used and applied consistently, and reasonable and prudent judgments and estimates have been made. The directors have a reasonable expectation that the DBF has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the accounts.

The directors are also responsible for ensuring that adequate systems of internal control are in operation, for maintaining adequate accounting records, for safeguarding the assets of the DBF and for preventing and detecting fraud and other irregularities.

7 Statements as to disclosure of information to auditors

The directors have taken all the necessary steps to make us aware, as directors, of any relevant audit information and to establish that the auditors are aware of that information.

As far as the directors are aware, there is no relevant audit information of which the company's auditors are unaware.

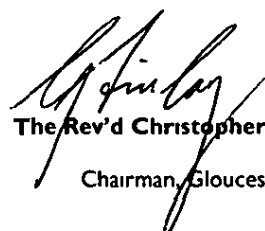
8 Auditors

A resolution to reappoint Mazars LLP as auditors to the Company and to authorize the Directors to fix their remuneration will be proposed at the Annual General Meeting.

+ Michael Gloucester:

+ Michael Gloucester:

President, Gloucester DBF


The Rev'd Christopher Finlay
Chairman, Gloucester DBF

Independent Auditors' Report to the Members of the Gloucester Diocesan Board Of Finance

We have audited the financial statements of Gloucester Diocesan Board of Finance for the year ended 31 December 2006 which comprise the Statement of Financial Activities, the Summary Income and Expenditure Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet, the Cash Flow Statement and related notes. These financial statements have been prepared under accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As described in the Statement of Directors' Responsibilities the directors, who also act as trustees for the charitable activities of Gloucester Diocesan Board of Finance are responsible for the preparation of financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view, whether the financial statements are properly prepared in accordance with the Companies Act 1985 and whether the information given in the Directors' Report is consistent with the financial statements. We also report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and transactions with the charity is not disclosed.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the charitable company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of state of the charitable company's affairs as at 31 December 2006 and of its incoming resources and application of resources, including its income and expenditure, in the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements.

Mazars LLP

Mazars LLP

Chartered Accountants and Registered Auditors

Clifton Down House

Beaufort Buildings

Clifton

Bristol BS8 4AN

8 June 2007

Accounting policies

These financial statements have been prepared in accordance with the Statement of Recommended Practice (SORP) "Accounting and Reporting by Charities" issued in March 2005, and applicable Accounting Standards in the United Kingdom. The principal accounting policies adopted are as follows:

a Accounting convention

The financial statements are prepared under the historical cost convention, modified to include the revaluation of investments.

The Board is a registered charity and so achievements cannot be measured by normal commercial criteria of profit and loss. Accordingly, in order to give a true and fair view, the directors have applied the provisions of section 226(5) of the Companies Act 1985 and have presented a Statement of Financial Activities instead of a Profit and Loss Account. This has been prepared in accordance with the SORP and in the opinion of the directors better reflects the special nature of the Board's activities.

b Incoming resources

Parish Share contributions by parishes are included in the financial statements when received.

Donations are recognised when received.

Legacies are recognised when there is reasonable certainty as to both entitlement and amount.

Grants are generally included in the financial statements when received, to ensure that there is reasonable certainty as to both entitlement and amount. However, in cases where the grant relates to a specific project, it is recognised when the project expenditure takes place.

Interest and dividends are included in the financial statements when received.

Rental income is recognised in the period to which the rent relates.

c Resources expended

All expenditure is accounted for on an accruals basis and has been classified under headings that aggregate all costs related to that category.

Where costs cannot be directly attributed to particular headings they have been allocated to activities on a basis consistent with the use of the resources. Overheads have been allocated to various cost headings primarily on the basis of the head count.

Grants payable are charged in the year when the offer is conveyed to the recipient.

Governance costs are those incurred in connection with the administration of the Board as an organisation and compliance with constitutional and statutory requirements.

d Depreciation

Depreciation on equipment is calculated on a straight line basis at annual rates estimated to write off the assets over their respective expected useful lives, as follows:

Office equipment	20%
Office furniture	12½%
Vehicles	20%
Telephone equipment	20%
Computer equipment	25%
Hire equipment	25%

No depreciation is provided on clergy houses. As the remaining useful life of these assets exceeds 50 years and a programme of planned maintenance ensures that the residual value does not fall below the carrying value, any depreciation would be immaterial. An annual impairment review is carried out in accordance with FRS15 and 11.

e Pensions

The Board operates two defined benefit pension schemes for its lay staff, and contributes to the Clergy Pension Scheme (also a defined benefit scheme) for serving clergy in the diocese. Costs are assessed in accordance with actuarial advice and based on the most recent actuarial valuation of the scheme. Pension costs and disclosures have been reported in accordance with FRS17.

f Tangible fixed assets

Office equipment is stated at cost less accumulated depreciation.

Clergy houses owned by the Board as corporate property are included in the financial statements at historical cost.

Clergy houses owned by benefices are included in the financial statements at a carrying value established by the directors and based on a professional valuation in December 2000. Houses acquired since that date are included at cost, and any major improvements are capitalised to the extent that the carrying value does not exceed the estimated net realisable value. Although the Board does not own these houses, it has the responsibility for maintaining them and receives any sale proceeds on disposal if the house becomes surplus under a pastoral scheme. Under FRS5 the Board considers that it has access to the benefits of these houses and also the associated risks and therefore needs to recognise them as assets in the financial statements.

g Fixed asset investments

Investments are stated at open market value at the balance sheet date. For units held in managed funds of the Central Board of Finance this is the published bid price. Investment properties, which comprise the glebe portfolio, are stated at directors' valuation. The valuation is arrived at after taking appropriate professional advice and is reviewed each year.

Certain short-term cash deposits, which are held for long term investment purposes, are included in fixed asset investments.

h Fund accounting

The resources of the Board are classified according to restrictions imposed on their use by donors or by legislation, and in accordance with the SORP, as follows:

- Endowment funds represent money that must be permanently held as capital, and may not be spent as income. Expendable endowment may, however, be spent as income under certain circumstances.
- Restricted funds may only be used for the purposes for which the money was originally gifted or bequeathed to the Board, or as expressed in the trusts under which the funds are held.
- Unrestricted funds are monies available for use at the discretion of the Board. The General Fund is for the day to day running of the Board, and is funded by the parish share (quota). However, certain funds have been earmarked for particular purposes, and these are termed designated funds. Such funds are kept separate for administrative purposes but do not constitute legally separate funds.

Statement of financial activities

for the year ended 31 December 2006

	Notes	General fund £000	Designated funds £000	Restricted funds £000	Endowment funds £000	Total 2006 £000	Total 2005 £000 (restated)
Incoming resources							
Voluntary income							
parish share contributions	1	5,240	-	-	-	5,240	4,990
church commissioners	2	28	-	-	-	28	110
grants, donations & legacies	3	299	256	-	-	555	523
Activities for generating funds	4	224	-	-	-	224	195
Investment income							
interest & dividends	5	699	31	94	-	824	825
glebe rents		-	-	56	-	56	47
Incoming resources from charitable activities							
statutory fees, chaplaincy & other income		372	-	-	-	372	360
Other incoming resources							
gain on disposal of tangible fixed assets		-	771	134	12	917	752
other		34	81	1	-	116	98
Total incoming resources		6,896	1,139	285	12	8,332	7,900
Resources expended							
Charitable activities							
provision of clergy	6	5,851	-	-	-	5,851	5,640
management of synodical funds		18	-	50	-	68	69
provision of support services to others	7	1,221	462	10	-	1,682	1,657
Governance costs	8	92	-	-	-	103	125
Total resources expended		7,182	462	60	-	7,704	7,491
Net (outgoing)/incoming resources	9	(286)	677	225	12	628	409
Transfers between funds	21	(148)	692	-	(544)	-	-
Net (outgoing)/incoming resources before gains/losses		(434)	1,369	225	(532)	628	409
Gains on investment assets	14	308	45	134	959	1,446	2,009
Gains on defined benefits pension scheme	12	32	-	-	-	32	(386)
Net movement in funds		(94)	1,414	359	427	2,106	2,032
Funds brought forward at 01 01 06		3,069	12,320	3,830	50,542	69,761	67,906
Prior-year adjustments	13						(177)
Funds carried forward at 31 12 06	17	2,975	13,734	4,189	50,969	71,867	69,761

Summary income & expenditure account

for the year ended 31 December 2006

	2006	2005
	£000	£000
Gross income	7,415	7,148
Total expenditure	(7,704)	(7,491)
Net expenditure for the year	(289)	(343)
Net realised gains on disposal of fixed assets	1,182	1,017
Transfers from endowment funds	-	-
Net profit for the year	893	674

All of the profits and losses shown above arise from continuing operations

The summary income & expenditure account is derived from the statement of financial activities on page 14. Gross income represents total incoming resources of £8,332k less the gain on disposal of tangible fixed assets of £917k. The statement of financial activities, together with the accompanying notes, provides full information on the movement of the Board's funds in the year.

Full historical cost information is not available for glebe land and certain benefice houses. Based on the earliest available values, the historical net loss for 2006 differs from that disclosed in the income and expenditure above, as follows:

	2006	2005
	£000	£000
Reported net profit for the year	893	674
Realisation of revaluation gains on investment assets in previous years	-	-
Historical net profit for the year	893	674

Statement of total recognised gains & losses

for the year ended 31 December 2006

	2006	2005
	£000	£000
Net profit for the year	893	674
Unrealised gain on revaluation of investment assets	487	682
Gain/Loss on defined benefit pension scheme	32	(386)
Total recognised gains for the year	1,412	970

Balance sheet

at 31 December 2006

	Notes	Total 2006 £000	Total 2005 £000 (Restated)
Fixed assets			
Tangible assets	13	47,224	47,328
Investments	14	23,521	22,499
		<u>70,745</u>	<u>69,827</u>
Current assets			
Debtors: amounts falling due after more than 1 year	15	60	214
Debtors: amounts falling due within 1 year	15	745	514
Cash at bank and in hand		2,133	1,403
		<u>2,938</u>	<u>2,131</u>
Creditors			
Amounts falling due within 1 year	16	(354)	(649)
Net current assets		<u>2,584</u>	<u>1,482</u>
Total assets less current liabilities		73,329	71,309
Creditors			
Amounts falling due after more than 1 year	16	(807)	(861)
Net assets excluding pension liability		<u>72,522</u>	<u>70,448</u>
Defined benefit pension scheme liability	12	(655)	(687)
Net assets		<u>71,867</u>	<u>69,761</u>
Reserves			
Endowment funds	17, 20	50,969	50,542
Restricted funds	17, 19	4,189	3,830
Unrestricted funds	17, 18	13,734	12,320
Designated funds			
General fund	17	3,630	3,756
Pension fund	17	(655)	(687)
		<u>71,867</u>	<u>69,761</u>

Approved by the board of directors on 16/5/07 and signed on its behalf by

Chairman



Statement of cash flows

for the year ended 31 December 2006

	Notes	2006 £000	2005 £000
Operating activities			
Common Fund contributions received		5,240	4,990
Other net cash outflows		(6,735)	(6,156)
	22	(1,495)	(1,166)
Returns on investment and servicing of finance			
Dividends received	5	599	546
Interest received	5	225	279
Interest paid	10	(21)	(30)
		803	795
Investing activities			
Purchase of tangible fixed assets	13	(643)	(1,380)
Sale of tangible fixed assets		1,640	1,486
Purchases of fixed asset investments	14	(1,505)	(686)
Sale of fixed asset investments	14	430	265
		(78)	(315)
Decrease in cash and cash equivalents in the year		(770)	(686)
Reconciliation of net cashflow to movement in net funds			
Funds at 1 January 2006			
Cash at bank		1,403	1,489
Deposits included in fixed asset investments		3,590	4,190
		4,993	5,679
Funds at 31 December 2006			
Cash at bank		2,133	1,403
Deposits included in fixed asset investments		2,090	3,590
		4,223	4,993
Decrease in cash and cash equivalents in the year		(770)	(686)

Notes to the accounts

for the year ended 31 December 2006

	Requested	Received in 2006		Total	Total
	in 2006	For 2006	Prior Years	2006	2005
	£000	£000	£000	£000	£000
I Common Fund contributions					
<i>By deanery</i>					
Gloucester City	470	453	13	466	471
Gloucester North	240	229	-	229	231
Bisley	283	271	13	284	245
Dursley	267	267	8	275	256
Forest North	237	233	14	247	250
Forest South	334	309	8	317	333
Hawkesbury	269	263	7	270	271
Stonehouse	375	372	9	381	376
Cheltenham	979	976	120	1,096	874
Campden	189	186	3	189	190
Cirencester	373	371	6	377	381
Fairford	262	252	3	255	250
Northleach	152	141	1	142	154
Stow	272	269	2	271	270
Tewkesbury & Winchcombe	455	428	13	441	438
Total	5,157	5,020	220	5,240	4,990

Between 1 January 2007 and 30 April 2007 £64k was received in relating to amounts requested in 2006

The shortfall in contributions for 2006 came to £137k.

Total common fund contributions received represent 97.3% of the allocation (88.6% in 2005)

	2006	2005
	£000	£000
2 Church Commissioners		
Guaranteed annuities and personal grants	7	78
Grant re Bishop's share of registrar's retainer	21	21
Miscellaneous	-	11
	28	110

Notes to the accounts

for the year ended 31 December 2006

	2006	2005
	£000	£000
3 Grants, donations & legacies		
Ecclesiastical Insurance Group grant	34	62
VSF grants	167	136
LTCS grants	112	105
Other grants	166	151
Donations	31	29
Legacies	45	40
	555	523
4 Activities for generating funds		
Rental of vacant housing	178	161
Rents from other Committees	44	32
Other	2	2
	224	195
5 Interest & dividends		
Income from fixed asset investments	599	686
Other interest receivable and similar income	225	139
	824	825
6 Provision of clergy		
National Church responsibilities		
Training of ordinands (vote 1)	194	182
Pooling of ordinand support costs	(14)	14
Mission agencies pension contributions	16	14
Diocesan clergy responsibilities		
Stipends	3,672	3,542
Housing	1,333	1,244
Selection of ordinands	156	117
Diocesan training and support	341	315
Other costs	153	212
	5,851	5,640

Notes to the accounts

for the year ended 31 December 2006

	Direct Costs	Overheads	2006	2005
	£000	£000	£000	£000
7 Provision of services to other councils				
Support of parish ministry				
Parish Resources	182	63	245	316
Churches	107	21	128	79
Tax efficient giving	-	-	-	9
Pastoral Committee	66	10	76	52
RCUC (restricted)	1	-	1	10
Church in society				
Social Responsibility	202	49	251	247
Education (designated)	370	92	462	426
Communications	65	12	77	78
Grants made payable (above)	121	-	121	114
Archbishops' Council costs	237	-	237	230
General management & administration				
Diocesan Office	-	81	81	31
Synod expenses	-	11	11	42
Diocesan Trust	-	2	2	11
Publications etc	-	-	-	21
Expenditure on redundant churches	-	-	-	14
Interest payable (note 10)	-	-	-	-
Other	-	1	1	19
	1,351	342	1,693	1,699

Notes to the accounts

for the year ended 31 December 2006

7 Provision of services to other councils

	Purpose	2006 number	2006 £000
Grants of more than £1,000 made to institutions in the year were as follows			
Pittville, All Saints	LT	1	20
Elmstone Hardwicke	LT	1	13
Cirencester	LT	1	10
Hardwicke	LT	1	10
Holy Trinity Tewkesbury	LT	1	10
St Mary & St Matthews Cheltenham	LT	1	10
Gloucester Historic Churches Trust	CR	1	8.5
St Stephens Cinderford	LT	1	8
Minchinhampton	LT	1	5
St Oswalds Gloucester	LT	1	5
Hillesley	LT	1	3
Temple Guiting	LT	1	3
Daglingworth	LT	1	2.5
Gorsley	LT	1	2.5
Quedgeley	LT	1	2.5
Taynton	LT	1	2
Baunton	LT	1	1.5
Oddington	LT	1	1.5
Stratton	LT	1	1.5
St Pauls Gloucester	LT	1	1
		20	120.5
Grants below £1,000		1	0.5
		21	121

Grants were made in the year for the following charitable purposes

	Purpose	2006 number	2006 £000	2005 number	2005 £000
Church repairs	CR	2	9	2	9
Landfill Tax Credit Scheme	LT	19	112	15	105
		21	121	17	114

Grants made under the Landfill Tax Credit Scheme are funded entirely by matching grants received from the Gloucestershire Environmental Trust. The grants received are shown as donations in the incoming resources section of the Statement of Financial Activities

Notes to the accounts

for the year ended 31 December 2006

	2006	2005
	£000	£000
8 Governance costs		
Diocesan Office	31	27
Auditor's remuneration	11	11
Legal and professional costs	50	45
	92	83

9 Net outgoing/incoming resources

Net outgoing/incoming resources are after charging:

Depreciation	23	26
Auditor's remuneration	11	11
	34	37

10 Interest payable

Interest on loans repayable by instalments within 5 years

Interest on loans wholly or partly repayable beyond 5 years

	-	-
	21	30
	21	30

Interest payable (note 7)

Included in expenditure for Licensed Ministries – VLL (note 6)

	-	-
	21	30
	21	30

Notes to the accounts

for the year ended 31 December 2006

2006 2005

£000 £000

11 Employee information

As well as employing staff, the Board also funds the stipends and associated costs of the parochial clergy. The aggregate costs of employed staff, including clergy in diocesan posts, were as follows

Staff	wages and salaries	1,035	951
	social security costs	78	71
	other pension costs	255	195
		1,368	1,217

The aggregate costs of clergy in parochial posts were as follows

Parochial stipendiary clergy	stipends	2,587	2,524
	social security costs	155	150
	other pension costs	798	765
		3,540	3,439

One employee received remuneration of between £50,000 and £60,000 in the year (2005 between £50,000 and £60,000)

Directors' remuneration

nil nil

Certain directors of the Board who are also clergy received benefits during the year from the Board as part of its normal charitable activity of providing a stipend and housing for clergy in the diocese. These benefits are disclosed as related party transactions in note 23 below

The average number of staff, including clergy in diocesan posts, was as follows

Staff	full time	29	28
	part time	19	25
	total	48	53
Parochial clergy		130	133

Notes to the accounts

for the year ended 31 December 2006

12 Pensions

The Board operates two non-contributory pension schemes for staff administered by the Ecclesiastical Insurance Group and the Church of England Pensions Board respectively. Both schemes are defined benefit schemes to provide benefits based on final pensionable salaries. The assets of both schemes are held separately from those of the Board.

The Ecclesiastical Insurance Group (EIG) scheme is an insured scheme, and contributions are adjusted each year in the light of bonuses declared and assumed future bonuses. A full actuarial valuation of the scheme, on which the amounts shown below are based, was carried out as at 31 March 2006. Contributions paid in the year totalled £61,000 (2004 – £41,000) at a net contribution rate of 27.92% of pensionable salaries (2005 – 13.6%).

The main financial assumptions employed in the valuation are

	2006	2005
Inflation	3.00%	3.00%
Rate of increase in salaries	4.00%	4.00%
Rate of increase of pensions in payment and deferred pensions	3.00%	3.00%
Rate used to discount scheme liabilities	5.00%	4.75%

The assets of the scheme are invested in a deposit administration fund with the EIG. The fair value of the assets, the present value of scheme liabilities and the resulting surplus are as follows

	2006 £000	2005 £000
Fair value of assets	1,264	1,280
Present value of scheme liabilities	(1,919)	(1,967)
(Deficit)/surplus of defined benefits pension scheme	(655)	(687)

The long term expected rate of return on the scheme assets is 6% (2004 – 6%)

The movement in the scheme surplus during the year is analysed below

	2006 £000	2005 £000
(Deficit)/surplus at 31 December 2004	(687)	(301)
Employer current service costs	(100)	(79)
Employer contributions	61	41
Actuarial losses	92	(338)
Finance (cost)/income	(21)	(10)
Past service cost	-	-
Deficit at 31 December 2005	(655)	(687)

Notes to the accounts

for the year ended 31 December 2006

12 Pensions (contd)

Under the transitional provisions of FRS17, the net scheme assets are not required to be included in the financial statements, and the above is disclosed for information only. Similarly, the following items would, but for the transitional provisions, be contained in the financial statements as follows

	2006 £000	2006 % of scheme assets	2005 £000	2005 % of scheme assets
Statement of Financial Activities:				
Current service cost charge	100		79	
Past service cost	-		-	
Total operating charge	100		79	
Expected return on pension scheme assets	73		72	
Interest cost on scheme liabilities	(94)		(82)	
Net finance income	(21)		(10)	
Statement of Total Recognised Gains and Losses:				
Difference between actual and expected return on scheme assets	43	3%	(12)	1%
Net experience losses on scheme liabilities	(44)	2%	(64)	3%
Impact of changes in financial assumptions used in valuation over the year	93		(262)	
Actuarial loss recognised	92	5%	(338)	17%

Gloucester DBF participates in the Church of England Defined Benefits Scheme (DBS), part of the Church Workers Pension Fund

At 31 December 2006 the Gloucester DBF had 16 active members and 8 deferred pensioner members in the Fund. The Gloucester DBF is unable to identify its share of the underlying assets and liabilities as each employer is exposed to actuarial risks associated with the current and former employees of other entities participating in the DBS. A valuation of the Fund was carried out as at 31 December 2004 and the Gloucester DBF's contribution rate is to be increased to 27.92% with effect from 1 January 2006.

Diocesan clergy are members of the Church of England Funded Pensions Scheme, which provides benefits on a defined benefit basis for that part of their pension that relates to pensionable service after 1 January 1998. Pensions in respect of pensionable service before 1 January 1998 will be paid by the Church Commissioners.

Notes to the accounts

for the year ended 31 December 2006

12 Pensions (contd)

The Board is unable to identify its share of the underlying assets and liabilities of the Church of England Funded Pensions Scheme as each employer is exposed to actuarial risks associated with the current and former employees of the other entities participating in the scheme. The latest valuation of the Scheme was carried out as at 31 December 2003. This revealed a shortfall of £91m, with assets of £196m and a funding target of £287m, assessed using the following assumptions:

- Investment return	6.8% p.a.
- Increase in pensionable stipends	3.8% p.a.
- Pension increases	3.8% p.a.

The last valuation of the Scheme was carried out as at 31 December 2003, and the Board's contribution rate increased from 29.5% to 33.8% of pensionable stipends with effect from 1 April 2005.

13 Tangible fixed assets

	Freehold property £000	Office equipment £000	Total £000
<i>Cost or valuation</i>			
At 1 January 2006	47,270	201	47,471
Additions	614	28	642
Disposals	(722)	(1)	(723)
At 31 December 2006	47,162	228	47,390
<i>Depreciation</i>			
At 1 January 2006	-	143	143
Charge for the year	-	23	23
Disposals	-	-	-
At 31 December 2006	-	166	166
<i>Net book value</i>			
At 31 December 2006	47,162	62	47,224
At 31 December 2005	47,270	58	47,328

Freehold properties include Glenfall House, the diocesan retreat and conference centre, at valuation. See note 16 for details.

The Board has vested in it two redundant churches. One is leased to the Methodist Church on a long lease at a peppercorn rent. The other is held pending disposal. No value is attributed to these properties.

Notes to the accounts

for the year ended 31 December 2006

14 Investments

	Properties	Investments	Cash	Total	Total
	£000	£000	£000	2006	2005
				£000	£000
Market value at 1 January 2006	3,621	15,288	3,590	22,499	20,669
Additions	5	1,500	1,500	3,005	686
Disposals	(429)	-	(3,000)	(3,429)	(600)
Unrealised investment gains/ (losses)	-	1,446	-	1,446	1,744
Market value at 31 December 2006	3,197	18,234	2,090	23,521	22,499
Historical cost at 31 December 2006		12,339	2090	14,429	14,429

All fixed asset investments are unlisted investments, and represent holdings in Central Board of Finance managed funds

No historical cost is quoted for investment properties as these represent historic glebe assets brought on to the balance sheet in 1994 at valuation, with the exception of the one addition in the year, a property held for resale included at cost.

(Losses)/gains on investment assets

Unrealised investment gains/ (losses), as above	-	1,446	-	1,446	1,744
Realised gains on disposal	-	133	-	133	265
Total investment gains/ (losses)	-	1,579	-	1,579	2,009

15 Debtors

	Due within 1 year		Due after 1 year	
	2006	2005	2006	2005
	£000	£000	£000	£000
Prepayments and sundry debtors	408	349	44	35
Staff car loans	5	7	-	2
Loans to parishes	177	118	124	177
Amounts due from the Church Commissioners	47	40	-	-
	637	514	168	214

Included in debtors is an amount of £48,000 (2005 - £35,000) due from related charities. These charities are administered by staff of the Board, but the trustees are separate from the directors of the Board.

Notes to the accounts

for the year ended 31 December 2006

16 Creditors

	Due within 1 year		Due after 1 year	
	2006	2005	2006	2005
	£000	£000	£000	£000
Accruals and sundry creditors	248	386	-	-
Loans	54	54	114	168
Value Linked Loans (Church Commissioners)	-	151	693	693
Grants payable	52	58	-	-
	354	649	807	861

Included in 'Accruals and sundry creditors' is a total of £46,000 (2004 - £43,000) due to related charities which are administered by staff of the Board and whose trustees are also trustees of the Board

Value linked loans from the Church Commissioners are repayable on sale of the property to which they relate. Interest was payable during the year at rates between 4.0% and 4.8% per annum. The average rate payable across all loans was 4.4% per annum. Any capital profit or loss arising on sale of the property accrues to the Church Commissioners and the Board in proportion to the equity invested.

	General fund	Designated funds	Restricted funds	Endowment funds	Total
	£000	£000	£000	£000	£000
17 Analysis of net assets by fund					
<i>Fund balances at 31 December 2006 are represented by:</i>					
Tangible fixed assets	59	12,420	-	34,745	47,224
Fixed asset investments	3,797	820	1,587	17,317	23,521
Current assets	1,127	670	1,103	38	2,938
Creditors	(322)	(836)	(3)	-	(1,161)
Inter-fund indebtedness	(1,031)	660	1,502	(1,131)	-
	3,630	13,734	4,189	50,969	72,522
Defined benefit pension scheme	(687)	-	-	-	(687)
	2,943	13,734	4,189	50,969	71,835

Inter-fund indebtedness arises as a result of transactions relating to certain funds being effected through the General Fund. Such indebtedness is settled periodically, usually by cash transfer.

The funds include the following unrealised gains on fixed asset investments:

Unrealised gains at 1 January 2006	1,477	99	298	3,908	5,782
Net gains on revaluation in the year	308	45	134	959	1,446
Unrealised gains at 31 December 2006	1,785	144	432	4,867	7,228

Notes to the accounts

for the year ended 31 December 2005

	Tangible fixed assets £000	Fixed asset investments £000	Current assets £000	Creditors £000	Inter-fund indebt- edness £000	Defined pension scheme £000	Total 2006 £000
17 Analysis of net assets by fund (contd)							
General Fund	59	3,797	1,127	(322)	(1,031)	(687)	2,943
<i>Designated funds</i>							
Development fund	-	275	481	(108)	130	-	778
Albright general	1,200	-	-	-	-	-	1,200
Albright grants	-	545	181	(1)	(26)	-	699
Houses capital	11,047	-	-	(693)	(269)	-	10,085
Houses improvement	-	-	-	-	301	-	301
Education	3	-	-	-	20	-	23
Lay initiatives	-	-	-	(24)	23	-	(1)
Church expansion grants	-	-	-	(10)	425	-	415
Viney Hill development	170	-	-	-	-	-	170
Other	-	-	8	-	56	-	64
Total	12,420	820	670	(836)	660	-	13,734
<i>Restricted funds</i>							
Housing for elderly clergy	-	87	13	-	-	-	100
Ordination training	-	178	-	-	-	-	178
Ministerial training	-	80	-	-	-	-	80
Glebe income	-	-	5	(1)	(15)	-	(11)
Diocesan pastoral fund	-	965	999	-	1,550	-	3,514
Stratton Davis fund	-	277	58	-	(35)	-	300
Other	-	-	28	(2)	2	-	28
Total	-	1,587	1,103	(3)	1,502	-	4,189
<i>Endowment funds</i>							
Pensions & assistance	17	84	-	-	(3)	-	98
Benefice property	33,423	-	-	-	(1,359)	-	32,064
Diocesan stipends fund	-	14,036	-	-	305	-	14,341
Glebe property	1,305	3,197	38	-	(74)	-	4,466
Total	34,745	17,317	38	-	(1,131)	-	50,969
All funds	47,224	23,521	2,938	(1,161)	-	(687)	71,835

Notes to the accounts

for the year ended 31 December 2006

	Balance at 1 Jan 2006 £000	Incoming resources £000	Resources expended £000	Net gains on assets £000	Transfers £000	Balance at 31 Dec 2006 £000
18 Designated funds						
Development fund	751	-	-	27	-	778
Albright general	1,200	-	-	-	-	1,200
Albright grants	651	30	-	18	-	699
Houses capital	8,769	772	-	-	544	10,085
Houses improvement	301	-	-	-	-	301
Education	-	337	(462)	-	148	23
Diocesan Conference (was 1997 surplus)	40	-	-	-	-	40
Lay initiatives	(1)	-	-	-	-	(1)
Church expansion grants	415	-	-	-	-	415
Viney Hill development	170	-	-	-	-	170
Other	24	-	-	-	-	24
Total	12,320	1,139	(462)	45	692	13,734

Unrestricted funds are monies available for use at the discretion of the Board. The **General Fund** is for the day to day running of the Board, and is funded by the parish share. However, certain funds have been earmarked for particular purposes, and these are termed designated funds. Such funds are kept separate for administrative purposes but do not constitute legally separate funds.

The **Development Fund** is maintained to fund loans to parishes and for making grants in respect of new churches and other major capital projects.

The **Albright Bequest** represents monies bequeathed by Miss Albright. It is divided into two funds. The general fund was used to provide an initial loan of £600,000 to the Glenfall House Trust (GHT) for the refurbishment of Glenfall House, and a subsequent loan of £155,000 to fund the building of new staff accommodation. The loans are secured on the freehold of Glenfall House which is owned by the GHT. Interest on the principal and interest due but unpaid after 3 months from the due date of payment accrues at a rate of 5%.

The terms of repayment are that the GHT shall in redemption pay in addition to the principal money and interest unpaid a sum equal to the amount (if any) by which the open market value of Glenfall House exceeds the total of principal and unpaid interest. If the principal money and interest exceed the market value of Glenfall House, then the sum payable on redemption will be restricted to the market value of Glenfall House. The directors are of the opinion that, as the ultimate benefits and liabilities of ownership remain with the Board of Finance, then the commercial reality behind the agreement is that Glenfall House is an asset of the Board, and that a right to use the house has been granted to the GHT. Glenfall House has therefore been recognised as an asset of the Board of Finance in accordance with FRS5. It is included in the balance sheet at a directors' valuation of £1,200,000 following a valuation carried out in 2000 by a qualified chartered surveyor.

The grant fund comprises an initial £400,000 set aside to generate an income to fund grants for parish development together with unexpended income. Grants from this fund have been suspended, and the income is used to support quota.

Notes to the accounts

for the year ended 31 December 2006

18 Designated funds (contd)

The **Houses Capital Fund** represents the cost, less outstanding loans, of houses owned by the Board to provide accommodation for assistant curates and team vicars

The **Houses Improvement Fund** exists to fund improvements to the housing stock, and is built up by allocations from the Diocesan Pastoral Account

The **1997 surplus** represents funds set aside for the next Diocesan Conference, and was renamed to indicate this purpose

An amount of £478,000 was also designated from the 1997 surplus for the funding of lay help in parishes. The **Lay Initiatives Fund** is divided between the deaneries in proportion to their quota apportionments, and is available for approved projects. The balance represents funds not yet used by the deaneries

The **Church Expansion Grants Fund** represents monies set aside from the Diocesan Pastoral Account to fund grants to churches which need to expand in response to rising population and increased use

Notes to the accounts

for the year ended 31 December 2006

	Balance at 1 Jan 2006	Incoming resources	Resources expended	Net gains on assets	Transfers	Balance at 31 Dec 2006
	£000	£000	£000	£000	£000	£000
19 Restricted funds						
Housing for elderly clergy	95	4	-	1	-	100
Ordination training	166	-	-	12	-	178
Ministerial training	78	-	-	2	-	80
Glebe income	(19)	58	(50)	-	-	(11)
Diocesan pastoral fund	3,214	211	(1)	91	-	3,515
Stratton Davis fund	270	11	(9)	28	-	300
Other	26	1	-	-	-	27
Total	3,830	285	(60)	134	-	4,189

Restricted funds may only be used for the purposes for which the money was originally gifted or bequeathed to the Board

The **Housing for Elderly Clergy Fund** derives from various bequests and is used to give assistance to retired clergy of the diocese in difficulty with their housing requirements

The **Ordination and Ministerial Training Funds** derive from various bequests, principally from the late Mrs M Harries. The income is used to fund ordination training and in-service training for clergy

Glebe income represents assets and liabilities arising from maintaining and deriving an income from glebe properties. The deficit on this account is an annual mismatch on the income and expenditure arising from maintaining this portfolio. For considering if the related fund has been overdrawn, in the sense that it has been utilised for non-restricted purposes, it is necessary to consider this fund in aggregate with the Glebe property fund reported under endowments. This would indicate that there has been no inappropriate use of funds.

The **Diocesan Pastoral Fund** is derived principally from the proceeds of sale of surplus parsonage houses as a result of pastoral reorganisations under the Pastoral Measure 1983. Under the Measure, the Fund must be used firstly in connection with expenses relating to pastoral schemes and redundant churches. To the extent that it is considered that any remaining funds are not required, or are not likely to be required, for these purposes, then the funds may be applied to any general purpose of the Board. Periodically, excess funds are allocated to designated funds.

The **Stratton Davis Fund** arises from a bequest received in 2001 from the estate of the late Mr David Stratton Davis. The terms of the settlement are that the fund may be used for the repair or restoration of churches and their fixtures and fittings in the diocese. The Board has decided initially to use the income to make an annual grant to the Gloucestershire Historic Churches Trust.

Notes to the accounts

for the year ended 31 December 2006

	Balance at 1 Jan 2006	Incoming resources	Resources expended	Net gains on assets	Transfers	Balance at 31 Dec 2006
	£000	£000	£000	£000	£000	£000
20 Endowment funds						
Pensions & assistance	88	-	-	10	-	98
Benefice property	32,607	-	-	-	(544)	32,063
Diocesan stipends fund	9,825	-	-	949	3,568	14,342
Glebe property	8,022	12	-	-	(3,568)	4,466
Total	50,542	12	-	959	(544)	50,969

Permanent endowment funds represent money that must be permanently held as capital, and may not be spent as income. Expendable endowment funds represent money that must be held as capital, but may be expended when certain conditions are satisfied.

The **Pensions & Assistance Fund** is permanent endowment represented by a house used to provide accommodation for retired clergy, and a cash balance arising from the sale of a second house.

The **Benefice Property Fund** represents the value of benefice houses. These houses are owned by benefices, but are recognised as assets by the Board under FRS5 – see Accounting Policy f on page 8 for details. The fund is classified as expendable endowment as under certain conditions the value of the houses may be realised and the proceeds used as income.

The **Diocesan Stipends Fund (DSF)** represents ancient endowments and other gifts and legacies. The Fund is governed principally by the Diocesan Stipends Funds Measure 1953 and the Endowment and Glebe Measure 1976, as amended. The Fund is mainly invested in CBF managed funds. Income generated from the Fund must be used to fund stipends. The Fund is expendable under certain circumstances on improvements to parsonage houses.

Glebe property represents glebe land previously held by incumbents but transferred to the Board under the Endowment and Glebe Measure 1976. Income derived from rents must be used to fund stipends. Proceeds of sale of glebe land must be transferred to the DSF.

21 Transfers between funds

	General Fund	Designated Funds	Restricted Funds	Endowment Funds
	£000	£000	£000	£000
Material transfers between funds are set out below:				
Reordering of benefice releasing a property for DBF use	-	817	-	(817)
	-	817	-	(817)

Notes to the accounts

for the year ended 31 December 2006

	2006 £000	2005 £000
22 Statement of cash flows		
Net incoming/(outgoing) resources for the year	628	409
Depreciation	23	25
(Increase)/decrease in debtors and prepayments	(77)	17
(Decrease)/increase in creditors and accruals	(349)	(70)
Investment income and interest paid	(803)	(795)
Surplus on disposal of tangible fixed assets	(917)	(752)
Revaluation of loans redeemed on disposal of tangible fixed assets	-	-
Cash outflow from operating activities	(1,495)	(1,166)

23 Contingent liabilities

Conditional grant	25	25
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The grant was from the Church Commissioners in respect of the provision of a house for the Bishop of Tewkesbury, and is repayable in the event that the house is no longer used for this purpose. The grant may, however, be rolled forward to a replacement house.

24 Financial commitments

Operating leases

Annual commitments in respect of equipment operating leases which expire

- within one year	2	2
- between two and five years	7	7

Capital expenditure

Contracted for but not provided for	-	-
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25 Related party transactions

During the year, the Board made a management charge of £6,537 (2005 - £6,000) to the Charity of Ann Edwards, a registered charity of which the Board is sole corporate trustee. The charge is in respect of costs incurred by the Board in providing administration services to the charity. The Board is entitled to recover these costs under the provisions of the governing instrument of the charity.

Certain directors are also holders of ecclesiastical office and receive a stipend, pension and accommodation to enable them to meet the duties of their office and not their duties as trustees. Stipends payable were in the range £20,480 to £29,260 for 2006. Pension contributions are as for the Church of England Funded Pension Scheme outlined in note 10. The number of directors receiving these stipends and benefits was 12 (2005 - 11). In addition two directors received reimbursement of expenses in connection with their ecclesiastical office.

Details of amounts due to and from related parties, which are included in debtors and creditors in the balance sheet, are given in notes 13 and 14 above. Directors' expenses for 2006 and 2005 were less than £1,000.