

Lichfield Diocesan Board of Finance (Incorporated)

**Annual Report & Financial Statements
for the year ended
31st December 2010**

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Chairman's Report

As the Annual Accounts are closed for the year ended 31 December 2010 we look back with gratitude and forward with hope and anticipation notwithstanding the uncertain economic environment that surrounds us.

We are grateful for the faithfulness and stoicism of the parishes who, despite these difficult times that has impacted on the income of their congregations, have supported the Diocese and paid their share to allow stipends to be paid and the work of the Church to flourish. The Report and Financial Statements reflect the work that has taken place.

The Board does not take this support lightly or for granted. I reported last year that it will be important to work together within the disciplines of realistic financial forecasts and the setting of clear priorities if, together, we are to continue to successfully pursue our objectives of *Going for Growth*, and that one of the main challenges will be to ensure limited central resources are used to maximum effect by considering the work of the Diocese as a coordinated whole.

The Board is aware that the support from central church finances is likely to be cut in the years ahead and has embarked on a wide-ranging consultation across the Diocese under the banner *Plain Speaking*. The aim is to ensure that taking into account the level of share parishes are willing and able to pay, that resources are deployed so that the work of the church throughout the Diocese of Lichfield is able to continue to flourish. It is a demanding challenge and we will be faced by difficult choices, but working together through the grace of God we can look forward with hope and confidence.

During the year the Venerable John Hall retired as Archdeacon of Salop and as Deputy Chair of the Board. His support, wisdom and innate common sense will be greatly missed and we wish him the contented retirement he has so richly deserved.

On behalf of the Board I express heartfelt thanks to all clergy, churchwardens, PCC's and parishioners for all your work and support throughout the past year. It has been greatly appreciated.

Peter Sharpe
Chairman

26 May 2011

Auditors' report

Independent Auditor's Report to the members of Lichfield Diocesan Board of Finance (Incorporated)

We have audited the financial statements of Lichfield Diocesan Board of Finance (Incorporated) for the year ended 31 December 2010 which comprise the Statement of Financial Activities, the Balance Sheet, 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 auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charitable company and its members 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 Trustees' Responsibilities Statement set out on page 16, 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 (APB'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 Trustees' Annual 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.

Independent Auditor's Report to the members of Lichfield Diocesan Board of Finance (Incorporated)

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 2010, 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

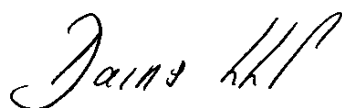
Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Trustees' Annual 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



Andrew Morris FCA (Senior Statutory Auditor)

For and on behalf of
Dains LLP

Statutory Auditor
Chartered Accountants

Fort Dunlop, Birmingham

26 May 2011

Trustees' Annual Report For The Year Ended 31 December 2010

The trustees, who are also Directors for the purpose of company law, present their combined Trustees' report and Directors' report, together with the audited financial statements, for the year ended 31 December 2010

This report refers to the Diocese of Lichfield except for Section 1 and is set out as follows -

- 1 Summary information about the structure of the Church of England
- 2 Structure, governance and management
- 3 Reference and administrative details of the Diocese of Lichfield
- 4 Aims, objectives and activities
- 5 Achievements and performance
- 6 Financial review
- 7 Plans for future periods
- 8 Funds held as Custodian Trustee for others
- 9 Appointment of Auditors

1. Structure of the Church of England

Summary Information

The Church of England is organised as two provinces, each led by an archbishop (Canterbury for the Southern Province and York for the Northern). Each province comprises dioceses of which there are 43 in England. Lichfield Diocese is one of these and belongs to the Southern Province

Each diocese in England is divided into parishes. Each parish is overseen by a parish priest (usually called a vicar or rector). From ancient times through to today, they and their bishop are responsible for the "cure of souls" in their parish.

Her Majesty the Queen, who is 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 24 senior bishops sit in the House of Lords.

The Church of England is Episcopally-led (there are 108 bishops including Diocesan Bishops and Assistant, Area and Suffragan Bishops). It is governed by General Synod as its legislative and deliberative body at national level, making decisions on matters of doctrine, the holding of church services and relations with other churches. General Synod passes Measures, which, if accepted by Parliament, have the same effect as Acts of Parliament. It is made up of three groups or Houses of members, the House of Bishops, and the House of Clergy and of Laity, and meets in London or York at least twice annually to consider legislation for the broader good of the Church.

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.

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

The Church Commissioners manage the historic assets of the Church of England, spending most of the income on pensions for the clergy. The costs of Episcopal administration through the Diocesan, Area and Suffragan Bishops are met by the Church Commissioners.

The Church of England Pensions Board was established by the Church Assembly in 1926 as the Church of England's pension authority and to administer the pension scheme for the clergy. Subsequently it has been given wider powers, in respect of discretionary benefits and accommodation both for those retired clergy from stipendiary ministry and for widow(er)s of those who served in ministry, and the administration of pension schemes for lay employees of Church organisations.

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

The Cathedral

Lichfield Cathedral is the mother church of the diocese and is legally constituted as a separate charity currently exempt from Charity Commission registration and supervision. Copies of the Trustees' report and financial statements for the Cathedral may be obtained from the Office of the Dean and Chapter, The Close, Lichfield.

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

2. Structure, Governance and Management

The Diocese of Lichfield serves a population of approximately 2 00 million covering 1,744 square miles throughout Staffordshire, the northern half of Shropshire and much of the Black Country. The Diocese has 274 Benefices, 423 Parishes and 578 Churches.

The Diocese is arranged as four archdeaconries, in three Episcopal Areas, with a total 28 deaneries.

Company status

The Lichfield Diocesan Board of Finance was incorporated as a company on 14th May 1929 under the company number 00239561 in accordance with the Diocesan Boards of Finance Measure 1925. It is a company limited by guarantee not having share capital and registered as a charity on 25 January 2005 with the charity number 1107827.

It is governed by its Memorandum and Articles of Association as amended by Special Resolutions dated 28th April 1960, 6th February 1968, 18th June 2003 and 13th March 2004.

Principal activities

The principal activity is to promote, assist and advance the work of the Church of England in the Diocese of Lichfield and elsewhere, by acting as the financial executive of the Diocesan Synod. It oversees the resourcing of ministry within the Diocese and the financing of the work of the various diocesan bodies (constituted under ecclesiastical statute or established voluntarily by the Bishop and Diocesan Synod), which also have the object of advancing the aims of the Church of England in the Diocese and elsewhere.

There has been no change in those activities during the year.

Organisation

Diocesan Governance

The Diocese is governed by the latest Standing Orders approved on 29th June 2006 and subsequent amendments. Its statutory governing body is the Diocesan Synod, which is elected with representation from all parts of the Diocese.

Diocesan Synod

The Synod has broadly equal numbers of clergy and lay people meeting, normally three times a year, together in Diocesan Synod with the Diocesan Bishops and Archdeacons. Its role is to -

- consider matters affecting the Church of England in the diocese,
- act as a forum for debate of Christian opinion on matters of religious or public interest,
- advise the Diocesan Bishop where requested
- deal with matters referred by General Synod;
- provide for the financing of the diocese

Every member of Diocesan Synod is also a member of the Lichfield Diocesan Board of Finance ("the Board") The members of the Standing Committee of Diocesan Synod (Bishop's Council) comprise the Board of Trustees of the Board and under Company Law the Board of Directors The Board of Directors under Company Law have a personal liability of £1 in the event of the LDBF being wound up

The membership of Diocesan Synod and therefore Bishop's Council is part ex-officio, part elected elections are held every three years, the last occasion being in October 2009

The current Synod will serve until 31 July 2012, when after the elections, the newly elected Synod will serve from 01 August 2012 to 31 July 2015

Membership as at 31 December 2010

President	The Diocesan Bishop
Chairman	Mr P Sharpe
Deputy Chairman	The Venerable J Hall (to 26 Nov 10)
Chair of the House of Clergy	The Rev J Allan
Chair of the House of Laity	Mr J Wilson

Ex-Officio members

The Diocesan Bishop	The Rt Revd J Gledhill (President)
The Bishop of Wolverhampton	The Rt Revd C Gregory
The Bishop of Stafford	The Rt Revd G Annas
The Bishop of Shrewsbury	The Rt Revd M Rylands
The Archdeacon of Lichfield	The Venerable C Liley
The Archdeacon of Walsall	The Venerable C Sims
The Archdeacon of Salop	Vacant
The Archdeacon of Stoke	The Venerable G Stone
The Dean of Lichfield Cathedral	The Very Revd A Dorber

General Synod representatives

The Venerable C Sims*	Mrs P Allen**
The Revd P Farthing	Mr D Beswick**
The Revd Preb P Hawkins**	Mr C Corbet**
The Revd M Hobbs	Mrs J Monckton
The Revd M Ireland	Mr C K Tan
The Revd S Pratt**	Mr J Shand
	Mr J Wilson**

*Also ex-officio

** Also elected Deanery Representatives

House of Laity Ex Officio

Diocesan Chancellor	His Honour Judge M Coates
Chair of the Diocesan Board of Finance	Mr P Sharpe *
Chair of the Diocesan Advisory Committee	Mr K Hartley
Chair of the Diocesan Board of Education	Mrs E Townsend

Elected members

Each Deanery Synod elects 1 clergy and 1 lay member who are members of the Diocesan Synod. A varying number of additional clergy and additional lay members (who need not be members of the Diocesan Synod) are elected from each of the 28 Deaneries, depending on the number of members on the electoral rolls

Lichfield Archdeaconry

Lichfield	The Revd J Allan RD*	Mr E Green
	The Revd D Leake	Mrs J Hope
	The Revd D Newsome	Mr G Kimpton
	The Revd F Olney	Mrs P Leake
	Vacant	Mr N Rutter
Penkridge		Mr J Wilson**
	The Revd I Cook RD	Mr A Townsend
	The Revd M Coulter	Mr R Jones
	The Revd S Finn	Mr A Townsend
	The Revd S Whitcombe	Vacant
Rugeley	The Revd S C Davis	Mrs C J Brown
	The Revd J Leonardi	Mrs J Francis
	The Revd L Vasey-Saunders	Mr G Joynson MBE
Tamworth		Mrs G Joynson
	The Revd O Harrison	Mr D Litchfield
	The Revd D McDonough	Mr D Prichard
	The Revd J Trood RD	Mr C Westbrook
	Vacant	

Salop Archdeaconry

Edgmond/Shifnal	The Revd E Ward	Mr D Beddows
	2 Vacancies	Mr A Charles
Ellesmere		Mr R Kettlewell
	The Revd P Edge	Mr L Warrilow
Hodnet	The Revd A Netherwood	Mr S Ballantyne
	The Revd C Beech	Mr J Rose
	The Revd L Chapman	Mr G Chapman
	Vacant	Mr R W Currell
Oswestry		Mr R Revell
		Vacant
	The Revd P Darlington	Mr M Brennan
	The Revd S Jermy	Mr M Davie
	The Revd C Penn	Mrs I Gull
		Mrs B Harbron

Shrewsbury	The Revd P Cansdale The Revd C McBride The Revd J Willis	Mrs R Friend Mr I Hall Mrs G Leah Mrs M Marston Mr L Smith Mr D Broome Mrs R Chaplin Mrs R Page Mrs C Camplin Mr C Corbet 2 Vacancies Mrs M Candlin Mr A Osbourne
Telford	The Revd V Sweet RD 3 Vacancies	
Wem & Whitchurch	The Revd R Haarhoff RD The Revd D Pomery	
Wrockwardine	The Revd Preb D Chantrey RD The Revd G Goodwin	
Stoke Archdeaconry		
Alstonefield	The Revd A Ballard The Revd P Skillings	Mr R Critchlow Vacant
Cheadle	The Revd P Beckett The Revd S Osbourne RD The Revd I Thurston	Mr P Bowran Mr G Burgess-Parker Mr M Lomax Mr D Beswick** Mrs N Eyre-Walker Mr C Jones Mrs M Winfield Mr K Oliver Mrs J Pearson Mr S Slatcher Mr D Wright Mr S Clifford Mr G Gill Mr J Maddison 2 Vacancies Mrs D Abram Mrs M Austen Mrs B Metcalf Mr J Clark
Eccleshall	The Revd J Graham The Revd A Hetherington	
Leek	The Revd Preb L Price The Revd R Woods 2 Vacancies	
Newcastle	The Revd G Gardiner RD The Revd M Maxwell The Revd B Wilson 2 Vacancies	
Stafford	The Revd S Abram The Revd G Fowell The Revd P Graysmith The Revd P Kelly The Revd P Thomas RD	
Stoke North	The Revd C Broad The Revd T Carter The Revd S Pratt The Revd J Stather	Miss A Phillips Mrs M Snape
Stoke	The Revd S Jones The Revd D Lingwood RD The Revd P Lockett The Revd A Osborne	Mr G Baynham Mr C Lilley Mr S Rushton Mr M Whittaker Mr B Fletcher Mr I Forster Dr P Graetz
Stone	The Revd P Dakin RD The Revd P Kingman	

Tutbury	The Revd M Freeman The Revd N Irons The Revd S Willetts Vacant	Mrs M Fitchett Mr T Foster Mr J Wedd Vacant
Utttoxeter	The Revd K Govan The Revd B Leathers 2 Vacancies	Mrs J Gent Miss B Stubbs Mrs J Ward

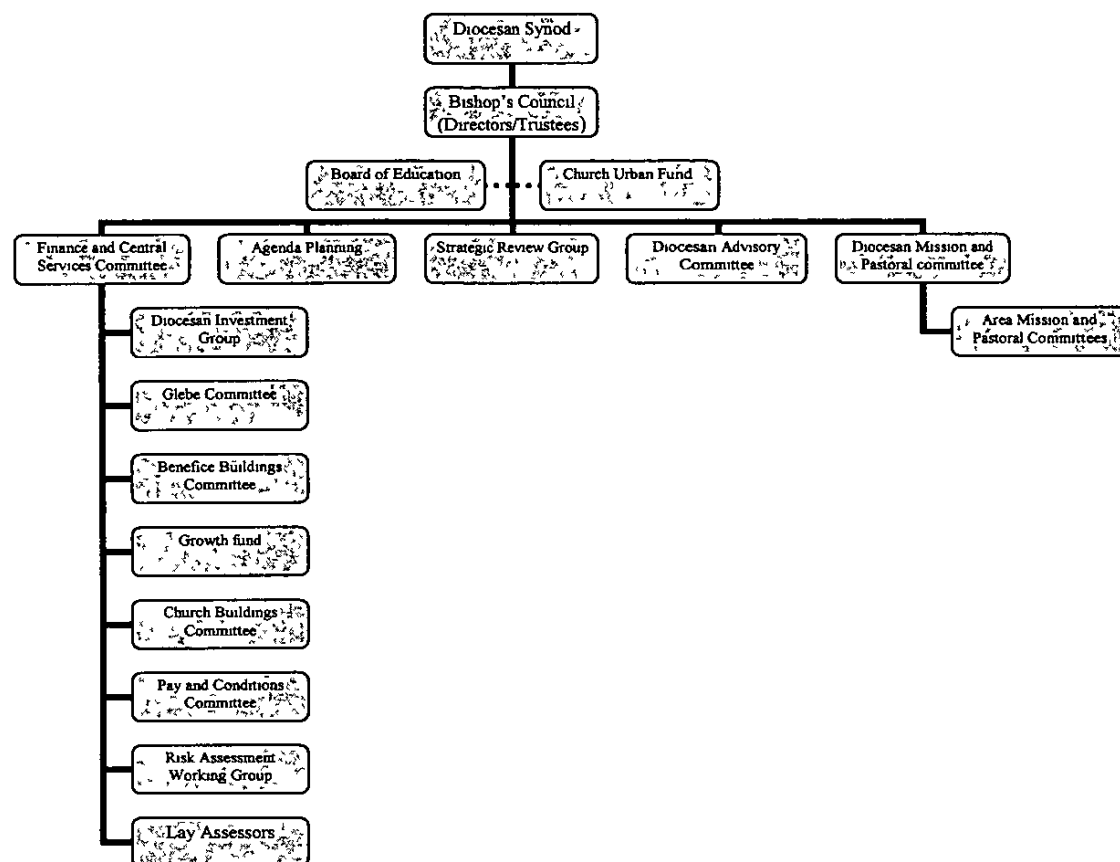
Walsall Archdeaconry

Trysull	The Revd P Brown The Revd J Hartswell The Revd J Perry The Revd R Reeve Vacant	Mrs P Allen Mr D Baxter Mrs L Hingley Miss L Liffen Mr C Randles Mrs S Tilt
Walsall	The Revd A Bartlam The Revd M Kinder The Revd K Lowther The Revd C Ramsay The Revd M Rutter RD Vacant	Nr N Beck Mrs D Carter Dr K Masters Mr D Perkins Mr M Ward
Wednesbury	The Revd A Gwillim The Revd R Inglesby RD The Revd D Marsh	Dr G Pearce Vacant
West Bromwich	The Revd R Farrell The Revd P Sellick The Revd A Smith RD Vacant	Mrs H Bloxham Mrs C Pegler
Wolverhampton	The Revd P Hawkins The Revd S Mansfield The Revd I Poole The Revd S Schofield 2 Vacancies	Mr E George Mrs M Nicholls Mr J Sturgeon Mr D Ward Vacant

Nominated members

Mrs E Binsley
Mr N Bradley (Manager of Christian Giving)
The Revd G Fisher (Director of Parish Mission)
Mr D Harman (Chair of BBC)
Mr J R L Hill (Director of Finance)

Decision Making Structure



Diocesan Synod has delegated the following functions to the Board of Directors/Trustees (Bishop's Council) -

- Planning the business of Synod including preparation of agendas and papers
- Initiation of proposals for action by the Diocesan Synod and provision of policy advice
- Transacting the business of the Diocesan Synod when not in session
- Management of the funds and property of the Diocese
- Preparation of annual estimates of expenditure through the Budget
- Advising on action needed to raise income necessary to finance expenditure
- Oversight of expenditure by bodies in receipt of Diocesan Synod's funds against estimates of expenditure approved by Diocesan Synod
- Advising Diocesan Synod of the financial aspects of its policy and on any other matters referred to it
- Appointing members of committees or nominating members for election to committees, subject to the directions of Diocesan Synod
- Carrying out any other functions delegated by Diocesan Synod

The Board of Directors (Trustees) has delegated responsibility for the day-to-day management of the company to the Chief Executive Officer/Diocesan Secretary who is supported by a number of heads of departments and their staff.

Bishop's Council

The members of the Bishop's Council are the Board of Trustees. Bishop's Council consists of 12 ex officio members, including the Diocesan and 3 Area Bishops and the four Archdeacons, 8 clergy elected by the house of clergy from among their members and 12 lay persons elected by the members of the house of laity representing deaneries, 1 co-opted member and a maximum of 3 members nominated by the Diocesan Bishop.

Committee Structure

Finance and Central Services Committee (FACS) - oversees the day-to-day financial activity which receives regular reports on Parish Share receipts, liquidity, staffing levels and both capital and revenue expenditure. The Committee also oversees the Budget process and assists in submitting the Diocesan Budget and Annual Financial Statements to the Board of Directors (Trustees).

Their terms of reference include -

- agreeing Accounting Policy
- recommending the Reserves Policies to the Bishop's Council
- to monitor overall diocesan liquidity
- monitor monthly management accounts
- to appraise, review and critically analyse the work of its sub-committees
- to set the Financial Strategy in accordance with the strategic diocesan policies
- to improve financial communications
- to monitor and recommend the Annual Financial Statements
- to monitor and recommend the Diocesan Budget

There are a number of sub-committees that influence the operations of the Board.

The following are sub-committees of the Finance and Central Services Committee -

Benefice Buildings Committee (Statutory), which is responsible for determining policy and making major decisions concerning the management of parsonage houses in each benefice, including setting the policy for repairing and maintaining all parsonage team vicarages and houses owned by the Board. It also makes recommendations to the Diocesan Investment Group (see below) concerning the purchase and disposal of all houses owned by the Board, as well as identifying and recommending to the Diocesan Investment Group potential development sites.

Glebe Committee (Statutory), which is responsible for determining policy and making decisions concerning the management of Glebe Land. It also makes recommendations to the Diocesan Investment Group concerning the investment of land and annual returns of such investments for the benefit of the Diocesan Stipends Fund.

Diocesan Investment Group, which is responsible for overseeing all the Investments and Assets of the Board in order to ensure that the reserves of the Board are utilised efficiently and to the best benefit of the Diocese, both in the short term and medium to long term. The Group recommend the expected Investment Income the Board can expect each year in line with the current Diocesan Financial Strategy

Lay Assessors Committee, which is responsible for the oversight of the Parish Share formula. This includes making recommendations about the management of arrears and the operation of the current Parish Share formula

Church Buildings Committee, which is responsible for the management of loans to parishes required either to maintain or to improve Church Buildings and Halls

Risk Management Committee, which is responsible for identifying and monitoring risk to the organisation.

Pay and Conditions Committee, which is responsible for overseeing the working conditions & remuneration of Lay Staff and Central Sector Ministry

In addition there are two other Sub Committees of the Finance and Central Services Committee, which consider applications for grant funding as follows:

Faith in the City Action Committee, which is responsible for the management of grants from the Lichfield Church Urban Fund and for forwarding applications to the National Church Urban Fund. The Committee reports annually to the Trustees of the Fund – the Bishop's Council. Grants are awarded to urban parishes for projects aimed at addressing issues of deprivation

Diocesan Growth Committee, which is responsible for the award and distribution to parishes for Growth initiatives across the Diocese in Deaneries and Parishes, including reviewing and analysing the effectiveness of the grant with the aims and objectives of the project and in accordance with the Deanery or Parish Mission Action Plan and to encourage new and/or 'Fresh Expressions' of Christian faith

In addition there are **other Statutory Committees** that report directly to Diocesan Synod -

Diocesan Mission and Pastoral Committee, which is responsible for approving pastoral reorganisation, taking into account available clergy numbers and making use of new patterns of ministry. It is responsible for assisting in making better provision for the Cure of Souls in the Diocese and oversee arrangements for pastoral supervision and care. Since August 2009 this Committee is also responsible for the oversight of Redundant Churches and for overseeing and finding appropriate alternative uses for church buildings, which have been declared redundant

Diocesan Advisory Committee, which advises on matters affecting churches and places of worship such as the granting of faculties, architecture, archaeology, art and the history of places of worship, the use and care of places of worship and their contents, and the care of churchyards

Diocesan Board of Patronage, which is constituted under the provisions of the Patronage (Benefices) Measure 1986. It is sole patron or joint patron of a number of benefices.

Agenda Planning, to ensure a smooth flow of business to the Bishop's Council and Diocesan Synod aiming for lively, focused debate and to review periodically Synod's Standing Orders

Finally there are also two Groups whose role is to ensure there is cohesion and joined up thinking across the spectre of the Diocesan organisation and report directly to the Bishop's Council -

Bishop's Staff – A monthly meeting of Senior Staff (Bishops, Archdeacons, Dean, CEO/Diocesan Secretary and Director of Women's Ministry), who pray together for the mission and set the vision for the diocese. The meeting considers the pastoral, disciplinary issues or special needs of parishes and decides on the action to be taken. They are also responsible for ensuring the co-ordination across the Areas and divisions so that policies are applied equitably across the diocese as well as remaining within the overall Stipend Budget

Strategic Review Group - As a group it brings vision and finance together to ensure the accountability of Senior Officers and cohesive working relationships between departments and oversee their adherence to financial and non financial targets (individual department strategic objectives)

Appointment of Trustees (Directors)

Trustees (and therefore Directors) are appointed by election every three years, with the exception of the ex-officio members. The last election was in October 2009

Trustees were given induction training at the first meeting of the new triennium and receive ongoing training as appropriate. The training is tailored to the individual needs of the trustees and may include introductions to church, company and charity law, an overview of the current programmes and plans of the diocese and an introduction to any special areas of the diocese with which they will be working (e.g. Board of Education, Parsonages Board). Trustees are encouraged to visit diocesan operations. Meetings are held around the diocese either in church buildings or at Christian Centres. Some senior staff have job titles incorporating the title "Director", but they are not Directors of the Company for the purpose of company law and so therefore do not count as "charity trustees"

Statement of Trustees' Responsibilities

The Trustees are responsible for preparing the Trustees' annual report and the financial statements in accordance with applicable law and regulations

Company and charity law requires the Trustees to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the charity and of the incoming resources and application of resources, including the income and the expenditure, of the charity for that period. In preparing these financial statements, the Trustees are required to

- observe the methods and principles in the Charities SORP,
- select suitable accounting policies and then apply them consistently,
- make judgments 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 will continue in operation

The Trustees are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the charity and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the charity and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

Provision of information to auditors

Each of the persons who are members of board of Trustees at the time when this Trustee's Annual report is approved has confirmed that

- so far as that member of the board of Trustees is aware, there is no relevant audit information of which the charitable company's auditors are unaware, and
- that the board of Trustees has taken all the steps that ought to have been taken as a board in order to be aware of any information needed by the charitable company's auditors in connection with preparing their report and to establish that the charitable company's auditors are aware of that information

Website

Further details on the Lichfield Diocesan Board of Finance and its programmes can be obtained from the website www.lichfield.anglican.org. 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 United Kingdom governing preparation and dissemination of financial statements may differ from legislation in other jurisdictions

Custodian Trustees

The Diocese is fortunate to have a separate legal entity in the Lichfield Diocesan Trust (see Connected Charities) to act as Custodian to parish funds. There are however six trusts (2009 6) that have been transferred to the main Board to act as Custodian. These relate to the former Moore Memorial and Tyrell Selwyn Trusts, where the income is to be used to assist financially members of the Clergy. The fund is divided into four distinct funds, one allocated to each Archdeaconry. In addition there is a trust to support Women's Ministry and also the capital fund held to support the Diocesan Bishop's Discretionary Fund. The total funds held in the Custodianship of the Board as at 31 December 2010 was £256,138 (2009 £239,347) see page 59

Related Parties

The Board has to comply with Measures passed by General Synod of the Church of England and is required to make certain annual payments to the Archbishops' Council towards the running costs of the National Church. The stipends of the Diocesan and Area Bishops are borne by the Church Commissioners and are therefore not included in these Financial Statements.

Parochial Church Councils (PCCs)

The Diocese is required by Measure to be custodian trustee in relation to PCC Property and certain endowment Trust funds but the Board has no controls over PCCs, which are independent charities. The Diocese has a separate Charitable Company called the Lichfield Diocesan Trust that operates as Custodian Trustee in these circumstances. The administration costs of the Lichfield Diocesan Trust are borne by the Board and these administration costs are shown in the financial statements. However the accounts of PCCs and deaneries do not form part of these financial statements.

PCCs are able to influence the decision-making within the Board of Finance and at Diocesan Synod level through representations to those bodies and through the input of their Deanery Synod.

Subsidiary undertakings

The Board has no trading or other charitable subsidiary companies as at the year-end, nor were there any plans so to undertake.

Connected charities

The Directors and Trustees of the Board consider the following to be connected charities -

Lichfield Diocesan Board of Education – a registered charitable company, which has responsibility for 205 Church schools across the Diocese, provides pastoral and professional support to all its schools and has a particular commitment to enhancing the quality of provision for religious education, collective worship and spiritual, moral, social and cultural development of all pupils. The Board of Education also helps to promote this work through a

Trading Subsidiary, (Lichfield Diocesan Education Services Limited) that operates a Service Level Agreement Only the grant paid to the Board of Education is enclosed within these financial statements

Lichfield Diocesan Trust – a registered charitable company that acts as Custodian Trustee on behalf of the Diocese as stated above Only the grant given to the Trust to cover Administration costs is included in the financial statements The Diocesan Trust also operates a central Gift Aid Department to assist parishes in reclaiming Gift Aid Again only the costs of administering the scheme and commission received are enclosed in these financial statements

Another connected charity with which the Board co-operates in pursuit of its charitable activities is -

Mercian Trust – a separate registered charitable company, with a trading subsidiary called Mercian Trust Trading Limited The purpose of the company is

“to provide access to human and financial advice and resources to help the Parishes of the Diocese of Lichfield and the people of the communities they serve to develop projects which will provide facilities to address the issues of exclusion, isolation and exploitation of people from all walks of life who are oppressed by poverty, regardless of colour, race or creed ”

Although the Board has no financial investment in the company it provides certain Senior Staff to act as Trustees and Directors of the company

Pension Scheme

The Church of England Pensions Board administers pension arrangements for the Clergy and Lay Staff The schemes operated are non-contributory pension schemes and the financial statements show the contributions made in the year for the individuals concerned, and the liabilities of the Defined-Benefit Scheme.

1 Church of England Funded Pensions Scheme - The Lichfield Diocesan Board of Finance participates in this scheme, available for clergy and licensed lay workers Currently the Diocese has 312 members (2009 317) in the scheme out of a total membership of approximately 9,000 (2009 10,000) active members

The Church of England Funded Pensions Scheme is a defined scheme but the Lichfield Diocesan Board of Finance is unable to identify its share of the underlying assets and liabilities – each Diocese/employer in the scheme pays a common contribution rate A Valuation of the Scheme was carried out as at 31st December 2009. This revealed a shortfall of £262m (£141m at Dec 2006), with assets of £605m and a funding target of £867m, assessed using the following assumptions

- An investment strategy of
 - For investments backing liabilities for pensions in payments, an allocation to gilts, increasing linearly from nil at 31 December

2009 to 2/3 by 31 December 2029, with the balance in return seeking assets and

- For investments backing liabilities prior to retirement, a 100% allocation to return seeking assets

- Investment returns of 4 40% pa on gilts and 5 90% on equities,
- RPI inflation of 3 8% (and pensions increases consistent with this),
- Increase in pensionable stipends of 3 8% pa, and
- Post-retirement mortality in accordance with 80% of the S1NA tables, with allowances for future improvements according to the "medium cohort" projections, and subject to a minimum annual improvement in mortality rates of 1 5% for males and 1 0% for females

For Schemes such as the Church of England Funded Pensions Scheme, paragraph 9(b) of FRS 17 requires the Lichfield Diocesan Board of Finance to account for pension costs on the basis of contributions actually payable to the Scheme in the year

Following the results of the 2006 valuations, the Lichfield contribution rate was set at 39 7% of pensionable stipends with effect from 1st April 2008. The contribution rate was subsequently increased to 45% of pensionable stipends with effect from 1st January 2010, reflecting unfavourable investment experience and changes in financial market conditions. Following the valuation of the Scheme as at 31 December 2009, and some agreed changes to benefits, the contribution rate has been set at 38 2% with effect from 1st January 2011

The next valuation of the Scheme will be due as at 31 December 2012

2 Church of England Defined Benefits Scheme (DBS) - The Board participates in the DBS, part of the Church Workers Pension Fund. During the year to 31st December 2010, the Lichfield Diocesan Board of Finance made contributions of £406,614 (2009 £312,232) and this has been taken as the pension cost shown in these accounts, as explained below

It is not possible for an individual employer to determine its share of the underlying assets and liabilities because 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. A valuation of the Fund was carried out as at 31st December 2007 and the Board's contribution rate was revised to 24 9% with effect from 1st January 2009 and a deficit of £550,000 repayable over five years commencing 1st January 2009 which is included in these financial statements

As at 31st December 2010 the Board had 42 (2009 43) active members and 27 (2009 28) deferred pensioner members in the Fund

Risk Management

In order to identify the major risks to which the Board is exposed, a full risk assessment review has been carried out under the headings of Governance & Management, Operations, Financial, Environmental/External Factors and

Compliance with Law & Regulation A detailed risk register has been compiled and a total of 113 (2009 112) potential risks have been identified and assessed as to the likelihood of their happening and the potential impact on the Board were they to occur. Only six of these identified risks (2009 6) have the potential of both a high risk impact and a high likelihood of occurrence. Existing and new control systems have been identified to limit these risks and these have been documented in the risk register. The Trustees have approved this document and are able to confirm that they are satisfied that adequate control actions and monitoring processes are in place to mitigate the charity's exposure to major risks.

The Risk Management Committee review the risk register annually and report to the Trustees whether it is satisfied with its findings and makes recommendations as to areas for further work in subsequent years.

Category of Risk	No of Risks Identified	No deemed High in Likelihood and Impact
Governance and Management	25	1
Operational	31	1
Financial	28	1
Environmental and External	16	3
Compliance	13	-

3. Reference and Administrative Details of the Board

In accordance with the Companies Act 2006 and the Statement of Recommended Practice: Accounting and Reporting by Charities issued in March 2005 (SORP 2005), the Trustees (for the purpose of charity law) and Directors (for the purpose of company law) during the year and as at the date of signing were as follows -

President	The Bishop of Lichfield
Chair	Mr P Sharpe (Chairman)
Vice Chair	The Archdeacon of Salop (to 26 Nov 2010)
Ex – Officio	The Bishop of Shrewsbury The Bishop of Stafford The Bishop of Wolverhampton The Dean of Lichfield The Archdeacon of Lichfield The Archdeacon of Stoke-upon-Trent The Archdeacon of Walsall The Revd J Allan RD Mr J Wilson Mrs E Townsend
Elected	The Revd Preb D Chantrey The Revd Preb G Gardiner The Revd M Kinder The Revd E Snowden (to 30 Sept 10) The Revd P Thomas Mr D Beswick Mr P Bowran Mrs D Carter Mr A Charles Mr J Clark Mr C Corbet Mr R Currell Mr G Joynson MBE Mr D Perkins Mr M Revell Mr J Rose
Nominated by the Bishop	Mrs J Price
Co-opted member	Mrs J Beedon,

Principal Officers & Advisers

Chief Executive Officer &

Company Secretary Mrs J Jones BSc FCIPD

Director of Finance Mr J R L Hill FCMA

Registered office: St Mary's House, The Close, Lichfield, WS13 7LD

Auditors: Dains LLP, Third Floor, Fort Dunlop, Fort Parkway,
Birmingham B24 9FD

Bankers: Lloyds TSB PLC, 22 Conduit Street, Lichfield WS13 6JS

Legal advisers: FBC Manby Bowdler LLP, Routh House, Hall Court,
Hall Park Way, Telford TF3 4NQ

Investment Advisers CCLA Investment Management Ltd 80 Cheapside
London EC2V 6DZ

Surveyors: EFG Harris Allday, 33 Great Charles Street, Birmingham
Wood Goldstraw & Yorath, Churchill House, Regent
Street, Hanley, Stoke-on-Trent ST1 3RH (to Jun 2010)
Mr C Glenn – Internal Diocesan Surveyor

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

4. Objectives and Activities

Public Benefit

The directors and therefore the trustees of the Board are aware of the Charity Commission's guidance on public benefit in *The Advancement of Religion for the Public Benefit* and have had regard to it in their administration of the Board.

The Board believes that, by promoting the work of the Church of England in the Diocese of Lichfield, it helps to promote the whole mission of the Church (pastoral, evangelistic, social and ecumenical) 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 members and for anyone who wishes to benefit from what the Church offers and
- Promoting Christian values, and service by members of the Church in and to their communities, to the benefit of individuals and society as a whole

Aims

The Board aims to promote, facilitate and assist with the work and purposes of the Church of England for the advancement of the Christian faith in the Diocese of Lichfield and elsewhere

The Board's strategy for achieving its objectives is to maintain the sound financial structure needed to enable it to continue supporting the clergy through the payment of stipends, managing parsonages and other ministerial housing and also by providing other facilities and resources in support of ministry of both clergy and lay people in parishes across the Diocese

The key activities over the last twelve months continued to include supporting Mission and Ministry across the Diocese in all the parishes, both encouraging growth and introducing fresh expressions of faith, assisting with individual and clusters of Mission Action Plans to enable the growth of the future church

The support of Mission and Ministry within parishes included all clergy training, housing, stipends, pension and all other expenditure supporting parish-based ministry. In addition the Board also continued to support the Central Church by making its required contribution in full to the National Church Institutions

In order for the Diocese to maintain a sound financial structure a revised financial strategy was introduced in June 2008. The strategy focused on Affordability and Sustainability to ensure continuity from the success of the previous strategy, but also incorporated Accountability to bring the reporting structures in line with the recommendations set out in the accounting regulations SORP 2005

Statutory Functions

The Board has responsibility for the management of glebe property and investments to generate income to support the cost of stipends

5. Achievements and Performance

In March 2010, Diocesan Synod were presented a fresh approach to “joined up thinking” and “Putting Parishes First” by the Chief Executive Officer. This was welcomed and followed up by an Annual Report to Bishop’s Council in February 2011, setting out the Aims and Objectives of each Area of Work across the diocese

Mission

Objectives:

- 1 Encourage local parishes in evangelism, mission and growth through the provision of support, guidance and resources.
- 2 Assist local churches to produce Mission Action Plans and help the Diocesan Mission Action Plan strategy
- 3 Organise, encourage and resource Back to Church Sunday
- 4 Develop and coordinate a Mission Team to assist with local mission initiatives, wider church initiatives (V Fest and Stafford Show).
- 5 Coordinate the use of consultants for churches and training events
6. Organise and resource Mystery Worshippers
- 7 Coordinate and support Bishop’s Weekend Missions
8. Develop training to equip the churches. e.g. Larger and Mid-Size Churches Conferences, nurture courses etc. Review of the Larger Churches’ Process in order to be more effective in meeting the needs of different size churches
- 9 Establish a regular email with resources, top tips, prayer requests and mission events to those who have agreed to receive this
- 10 Run a one year Evangelism Course to develop leaders in Evangelism and Mission for churches and for the Diocese
- 11 Encourage renewal in the churches and leaders of the Diocese
- 12 Encourage Fresh Expressions at parish level as a means of reaching groups who do not attend church and may be unavailable on Sunday mornings. Involvement in the Mission Shaped Ministry Course and Line Manager for the Administration and Development Officer

Achievements and performance

During the course of 2010 Local Mission made good progress in all of the areas above. Specific areas for comment:

Stafford Area have completed a year of Growth Visits by The Bishop, Archdeacon and Director of Mission to encourage Mission Action Plans (MAPs). This will continue in 2011. Plans have been made to develop this in the Salop Area in 2011. In Stoke and Salop Parish Development Advisers (PDAs) help churches with MAPs as Mission Companions. Local Mission has taken on the oversight of the PDAs. The Director of Mission has also been involved in Growth Visits in the Lichfield Archdeaconry and numerous visits to individual churches to help the MAP process.

Simon Chesters from CPAS has been used as a Consultant with the Leek parishes and Rev'd Michael Mitton has been used in the Larger Churches Process (below). Rev'd Robert Warren has moved home and due to distance is not as easily available.

There have been six mission weekends this year.

A Mid-Churches Conference took place on May 22nd at Rising Brook Church with about 120 in attendance. Three consultation groups have been established in the Larger Churches Process and more are planned. These smaller groups of 6 or 7 churches meeting with an outside consultant every six months are able to look at issues relevant to their size or tradition and develop relationships to support each other. Training courses have been developed, with the Ministry Dept, in healing, deliverance and psychological wholeness, all in the context of mission.

The weekly email called LEMnAID (Local Evangelism Mission Network AID) is sent out to over 500 subscribers.

The One Year Evangelism Course was successfully completed in 2009-2010 but has not run in 2010-2011 due to a lack of people wanting to come on the course.

Rev'd George Fisher has taken on the role of Chair of the Diocesan Renewal Group and has been engaging with several Catholic clergy to look at renewal for their churches.

Mission Shaped Ministry has operated in Shrewsbury (Sept 2009-July 2010) and a new course has been set up in Stoke for Sept 2010 – July 2011. There are possibilities for a course in the Black Country later in the year.

Rev'd Richard Moy has been employed to oversee Pioneer Ministers and he is line-managed through LME.

Ministry

Objectives and Achievements

The construction of a Ministry team and restructuring of roles to fulfil the diocesan ministry requirements including ministry development. Vocations and alternative forms of ministry.

Local Ministry

- Exploration of new training pathways for OLM (Ordained Lay Ministry) and Reader training, and an evaluation of the best partnership for diocesan candidates, following failure of new OLM course to receive Curriculum Approval. This included the commencement of process of developing Queen's—Lichfield pathways with the Queens Foundation, Birmingham.
- Continued training of OLMs and Readers

IME 4 – 7

Phase 2 of implementation of Assessment of Curacy

Ministerial Development Reviews (MDR)

Phase 1 of implementation of MDR, as part of the introduction of the new Clergy terms of Service

Continued Ministerial Development (CMD)

Implementation of rolling programme for new Incumbents and those returning from sector ministry. Appointment of Ministry Development Advisors

Diocesan Director of Ordinands (DDO)

Increase in number of youth vocations to 58% of stipendiary candidates
Increase in number of candidates overall (stipendiary, NSM, OLM) being prepared for BAP Youth Vocations weekend at Dovedale House
Full allocation of stipendiary curates (13) taken

Transforming Communities

Objectives:

1. To facilitate the Christ-like transformation of local churches engaging with their communities
2. To support partners expressing God's love for this world
3. To discern the movement of the Spirit addressing issues of social care, justice and environmental concern

Achievements and performance

The current Director was appointed from 1st November, prior to which routine matters had been handled by the research assistant, or dealt with by other diocesan officers. Work during November and December was dominated by an induction programme, a presentation to Bishop's Council and the planning of an inaugural open meeting in January for those associated with the ministry of transforming communities

Education

Objectives

The work with schools in the diocese is carried out under the auspices of the Lichfield Diocesan Board of Education – a connected charity.

Between 2007-10, the Board worked towards its Strategic Plan objectives, summarised as (i) promoting the distinctive Christian character of CE schools, (ii) securing ongoing development (through structural changes within the education system, capital investment and school provision); (iii) promoting the vocation to teach and developing succession planning strategies to secure future (Christian) leaders. A new Strategic Plan for 2011-13 was approved by the Board in October 2010 (see Section 7 below)

Within the overall Strategic Plan 2007-10, the following objectives were pursued in 2010 -

- (i) Deliver high quality services to CE schools, maintaining relationships, and extending the take up of the Service Agreement, where possible
- (ii) Ensure CE schools have the capacity and enthusiasm to develop their distinctive Christian character
- (iii) Maximise investment opportunities in CE schools within the scope of capital budgets
- (iv) Commit staff resources to the Feasibility Stage for the development of St Peter's Academy, Stoke-on-Trent
- (v) Manage issues relating to school provision, including federation and potential school reorganisations
- (vi) Take necessary action in relation to Government initiatives and legislation
- (vii) Work closely with the National College for Leadership in developing succession planning initiatives
- (viii) Support the development of new strategic plans for Dovedale House
- (ix) Review DBE staffing requirements
- (x) Develop a new DBE Strategic Plan for 2011-13.

Achievements and Performance

The Board considers that it has broadly met its objectives for 2010. A full report on the Board's activities will be published in its Report and Accounts for 2010, which will be available in the Spring

The following points should be noted -

- The Board maintained excellent relationships with its schools and led numerous professional development and training events for headteachers, RE co-ordinators and foundation governors, in addition to providing customised advice to schools on their Collective Worship, RE, values and ethos. The Board deployed officers to join LA "Core Groups" in addressing educational underperformance in a small number of CE schools in an Ofsted category.

- At the end of 2010, 166 schools (81%) were participating in the LDBE Service Agreement scheme. During the year, a number of new schools came into the scheme, whilst some schools withdrew. In overall terms the numbers remained static (166 (81%) in 2009).
- 47 schools received denominational (SIAS) inspections, of which 12 (26%) were judged to be Outstanding, 29 (62%) were Good, and 6 (12%) Satisfactory.
- The Board assisted 35 CE schools in recruiting and appointing new headteachers (a 17% turnover).
- Through the Barchester Scheme, the Board managed £2.4m in capital works to Voluntary Aided schools. One project, supplemented by £2.2m national Primary Capital Scheme funding, allows for the expansion of St Mary's CE (A) Primary School, Tunstall, to become a two form entry school. The Board contributed project management time to a number of Voluntary Controlled capital schemes (£5.5m to replace Christ Church CE (C) Primary School, Walsall, £4m to partly rebuild Birchills CE (C) Primary, Walsall, £7m to adapt/refurbish four VC schools in Shropshire, £1.8m to two projects in Wolverhampton, and £0.8m to achieve a single site for St Michael's CE (C) Primary School, Lichfield).
- The Board contributed significant time and expertise to a number of "Buildings Schools for the Future" secondary school projects, comprising the £17m project for the refurbishment and rebuilding of The King's CE (A) School, Wolverhampton, and the £20m project for St Peter's Academy in Stoke on Trent. The latter project advanced significantly during 2010, including the development and approval of the Education Brief, the development of a sample architectural design scheme for the new buildings, work on the complex legal documentation, various public consultations, and work towards developing the Staffing Structure and job descriptions.
- The Board is working towards registering all trustee-owned school land.
- The Board advised on a number of school federations and liaised closely with Shropshire over the development of its new School Organisation Policy, and with Staffordshire in considering the nature of school provision in the Staffordshire Moorlands.
- The Director of Education (as Chair of the DDEs' Association and a member of the National Society Council) worked closely with the National Society in developing national CE policy and guidance in respect of Academies established under the Academies Act 2010. At the year end, one CE school in the Diocese (i.e. Belgrave CE (C) Primary School, Stoke on Trent) was pursuing conversion to Academy status. The potential conversion of Bluecoat CE (A) Comprehensive School, Walsall, to become an Academy was also being considered at the end of 2010.
- Alongside other DBEs in the Midlands, the Board worked with the National College for Leadership in developing and promoting pre- and post-NPQH (National Professional Qualification for Headship) training programmes, and encouraged the take up of these schemes.
- The Board worked alongside the Diocesan Chief Executive in reviewing the future needs and opportunities for Dovedale House.
- In October 2010, the Board appointed the Revd Huw Bishop (formerly Principal of St Peter's Collegiate School, Wolverhampton) in a part-time

(two days per week) consultancy capacity to assist the Director in dealing with strategic issues

The Diocesan Board of Education approved a new Strategic Plan 2011-13

Administration

The Diocesan Office is the hub of the administration across the diocese and provides support and assistance to the parishes and Diocesan officers. This section includes the IT support and Database, Internal and External Communications and HR advice, as well as overall management oversight of the administration function and fulfilment of the statutory financial functions for the Board of Finance, Diocesan Trust and Board of Education.

Putting Parishes First – is a section that offers support and provides services to assist parishes in their Ministry and Mission functions. This section includes Internal Communications and Parish Resource Advisers. Parish Resource Advisers have been put into place to provide strategic financial support and assistance. This new section includes Gift Aid, Christian Giving, Fund Raising and Church Building Support.

Achievements and performance

During 2010 the Diocesan Office met all of its legal obligations and continued to provide a high level of service in respect of Clergy Stipends and payroll services including an extended payroll service to parishes.

HR advice has been offered to all the parishes and the Chief Executive has visited many deaneries to explain the services and support the central Diocesan office has to offer. This has begun to dissolve the “them and us” culture that had developed in previous years and we will continue to work on this during 2011.

Ian Law was appointed Internal Communications Officer to help with making communications from the centre and across the diocese more effective. This is a new role and further developments are expected in the coming months. Crucially the Diocesan Office is very much the central point of feedback from parishes and accumulates and disseminates the information. We use the information gathered to feed strategic debates within the Senior Staff Team and Council. The aim of Putting Parishes First is to encourage joined up thinking across the limited resources the Diocese has at its disposal.

- Putting Parishes First (Services to Parishes)

Objectives

- 1 To ensure that the Central Diocesan Office provides an effective and efficient service to parishes providing the information and support that parishes require
- 2 To support parishes in Practising Generosity and improve tax efficient giving across the diocese

- 3 Using good internal communications to help parishes understand diocesan costs, in particular those that provide for stipendiary clergy, and enable them to implement new and innovative ways of Giving
4. To provide support in financial planning and budgeting for future years – and ensure that visits from diocesan officers provide an overall review of parish requirements, not just isolated issues
- 5 To assist on best use of Church Buildings and assisting in grant or fund raising activities

Achievements and Performance

In the last twelve months work has been undertaken to bring together the work of Christian Giving, Gift Aid, Church Building Support and Lay Assessors to bring all the elements of support together. Internal Communications has a pivotal role in this particularly by providing a pack of leaflets to support work done locally – these can be individualised for each parish.

In the final quarter of the year an Energy Saver Plan was launched that enabled parishes and clergy to minimise utility expenditure. In effect this is a free energy health check.

Statutory and Legal (secretariat)

Objectives

- 1 Ensure that all committees are aware of their Terms of Reference and provide summarised reporting mechanisms
- 2 Committee Agendas must reflect the responsibilities designated to them, and provide minutes that encapsulates the main areas of discussion and action points
- 3 Implement the new Ecclesiastical Terms of Service Measure, ensuring a high level of communication to diocesan clergy
- 4 Provide and maintain advice on Child Protection issues
- 5 Ensure that CRB checks are carried out on all required personnel effectively and confidentially
- 6 Ensure faculties are processed correctly and work is undertaken to the correct specifications
- 7 Ensure parishes are aware of current legal and financial regulations

Achievements and Performance

All Committee Terms of Reference have been revised and a new system of streamline accountability has been agreed. A considerable effort has been made to plan focused and interesting agendas for all committees including Bishop's council and Diocesan Synod. We have moved from Hansard style minutes to briefer summaries and action points. We continue to work on this to ensure a sensible balance.

At the beginning of 2010 the Senior Staff undertook three comprehensive road shows to introduce the detail of the Ecclesiastical Services Measure (the introduction of Common Tenure) to clergy. Subjects covered included Statements of Particulars and Role Descriptions, MDR and CMD provision and the new Grievance and Capability Procedures.

In addition Role Description Workshops were held in every deanery introducing the concept of mutual expectation to both clergy and their leading laity.

During the autumn all Freeholders were written to, inviting them to opt into Common Tenure if they wished and all clergy automatically moving to Common Tenure were sent a draft Statement of Particulars.

It has been a difficult year for Child Protection with the new Government changing plans for the Independent Safeguard Authority at the very last moment. New issues of "Protecting All God's Children" and "Promoting a Safe Church" have now been issued by the Church of England and will enable us to give updated training to parishes on the protection of both children and vulnerable adults. In addition a helpful booklet called "Safeguarding Guidelines Relating to Safer Recruitment" will allow us to advise parishes about precisely who to CRB check.

We continue to process vast numbers of CRB forms, the count for 2010 was 1500!

The DAC continues to work collaboratively with the parishes in the care of their churches and to undertake education of newly appointed ministers unfamiliar with DAC procedures and the faculty jurisdiction.

They strive to provide helpful and up to date advice wherever possible and continue to present petitions to the Chancellor in an even and unbiased way.

In preparation for the current DAC Secretary's retirement we have been able with the help of an English Heritage Grant to recruit a successor who is able to offer fund raising advice to parishes whilst at the same time preparing for a seamless transition.

In the autumn the financial team ran a series of Area work shops for clergy and treasurers to hear their concerns and to communicate new strategic initiatives and services that are planned for the future.

Communications

Objectives

The communications department underwent a period of change during 2010 with the introduction of Ian Law who moved from the disbanded Parish Funding Unit to head up internal communications within the diocese. This was part of the wide ranging review which took place to ensure the central support services of the diocese were putting parishes first.

This introduction of a Head of Internal Communications followed considerable thought over the past few years about how the diocese could communicate more effectively, and a recognition that while our external communications and media relations were good, we we're not so good with our communications with the parishes

In the months following Ian's introduction he has explored existing methods of communications within the diocese and also within other dioceses. Some changes have already taken place, as demonstrated by the more professional marketing of the Archbishop's visit to our diocese.

More change will follow in the months ahead as Ian reviews the diocesan Bulletin and websites

Achievement and Performance

Crisis Management- Two issues required significant crisis management support during the year, both of which began in 2009

The first was the aftermath of a mistake in Walsall Wood which saw a body buried in the wrong grave. The consistory court hearing and its subsequent judgment attracted widespread national media interest and coverage

The second was the trial and subsequent conviction of Dominic Stone, formerly Team Vicar in the Uttoxeter Area Team, for downloading indecent images of children

Other less profile issues dealt with during the course of the year included the Appeal to the Court of Arches by Eccleshall Parish and the increasing incidents of metal thefts from churches

There was also a number of high profile funerals during the year for which support was given to parishes

Church on Fire.- The media interest surrounding the Archbishop's visit took up a considerable amount of time and resources. This proved to be a wise investment as the visit resulted in considerable positive media coverage across the diocese

Lichfield is unique amongst Church of England dioceses and struggles to obtain coordinated coverage because the seat of the bishop and diocese (Lichfield) isn't a media centre, and there are five regional daily newspapers covering very distinct areas across the region. This means it is very difficult to generate positive stories which can run across the diocese

The Archbishop's visit generated the largest sustained positive coverage across most of the media outlets which serve the diocese - with the exception of East Staffordshire which wasn't included in the Archbishop's itinerary - for at least 10 years

The Archbishop was interviewed by BBC radios Stoke, Shropshire and WM, and his interview on WM, live from the diocese's studio facility in Lichfield, was

picked up by national and international media and resulted in significant coverage over the days which followed

The visit was covered extensively by the Birmingham (Black Country Mail), the Express and Star, Shropshire Star and the Stoke Sentinel

Positive Coverage

In addition to the Archbishop's visit, the diocese generated positive media coverage for a number of stories and issues over the course of 2010

This included the announcement, consecration and arrival of Geoff Annas as Bishop of Stafford, the campaign for younger ordinands and the exploits of the Lichfield Diocesan Clergy Cricket Club in the Church Times Cricket Cup

Operational performance

By the end of January 2011, the Diocese had received 93.85% (93.72% in 2010) of the requested Parish Share in the year and has met all of its financial obligations to continue resourcing diocesan needs as these arise, including the support of the Ministry, provision of well-maintained houses for clergy, meeting National Church responsibilities, and enriching and facilitating many other aspects of church life throughout the Diocese of Lichfield, such as retreats and cultural and spiritual gatherings

Reserves Policy

When forming and reviewing the reserves policy, the Board has to take into consideration that the reserves fundamentally serve two purposes. Firstly, the level of retained reserves generates income that helps with additional income throughout the year, thus easing some of the burden on the parishes. Secondly, there needs to be sufficient reserves available to assist with the erratic cash flow that is experienced throughout the year. This in turn can be divided into two sections – a) liquidity or short-term reserves and b) contingency funds/ going concern – to allow the Board to operate in times of crisis

The Board has considerable responsibilities including the remuneration of over 320 parochial stipendiary clergy, the upkeep of over 390 houses and the employment of over 50 full or part time staff

The Board has identified in its risk management review that it is heavily reliant on Parish Share contributions and suspects that parishes may find it increasingly difficult to maintain the required level of payment – this will only be exacerbated by the current economic climate. It is therefore important that the DBF adopts a reserves policy as well as an investment policy that takes liquidity seriously into consideration

Approximately 70% of the income available for day-to-day activities is financed from the Parish Share, and only 10% from Investment Income, although this increased significantly in recent years from 3%.

Free (Unrestricted) Reserves – liquidity

In the early months of recent years, the receipt of Parish Share has fallen to two months in arrears. In the last 12 months, the Board witnessed arrears exceeding £2m for the first time in over five years. As the Board is not an organisation that can raise additional funds at short notice, it should retain a minimum Free Reserve equivalent to two months Parish Share (i.e. £1 968m), (2009 £1.941m)

As the Board does not budget for a surplus, the Trustees take the view that each year the level of Free Reserves should be reviewed, and when possible, the opportunity taken to strengthen or maintain the position beyond the minimum level. This is only possible if the financial performance allows a positive Net Movement in funds or if the Unrestricted Investments increase in revaluation each year. The Board has tried to reduce the burden on the parishes by reducing the level of increase of Share requested across the Diocese through the Diocesan Budget in recent years, by utilising other reserves and increasing the level of self generated income from historical resources and investments.

The Parish Share increases have reduced in each of the last three years from 4% down to 2%, and a further fall to 1.5% increase has been included in the 2011 Budget. These reductions in Parish Share increases have been despite the significant increases in Clergy Pension contributions.

In light of the economic climate and following discussions with various parishes and deaneries it is felt prudent to strengthen the Free Reserves as the opportunity to do so has arisen. Due to the decline in the interest rates available and a volatile Global Economic Market, resulting in greater yields the Board has reduced the level of cash (liquidity) to maintain, and then increase the required level of Investment Income, in order to reduce the burden on parishes in accordance with the financial strategies, the Trustees have agreed to increase the Free Reserve from 2.65 months at the end of 2009 to 3.04 months (i.e. £2 996m), (2008 £2 654m).

The Free Reserves are defined as Unrestricted Current Assets plus Investments less Liabilities, and the calculation is as follows -

	£m
Investments	1.585
Current Assets	3.850
Liabilities	(3 439)
Total Free Reserve	2 996

This level of Free Reserves gives the Board some flexibility in future years against potential increases in expenditure or a fall in income. A strong reserves base allows the diocese more flexibility in dealing with such issues, for example it can allow a phased introduction of any such change in circumstance in future years. In the meantime additional income generated by the Free Reserves will allow additional funds to be made available within the budget each year, thus reducing the burden on parish income further.

It is anticipated that in future years, this level of reserve will be maintained and possibly be slightly increased by ensuring future budgets represent break-even scenarios, and by increasing income received through investments etc, and from Designated Funds

For many years the Board has operated well below this level of reserve. However the recent financial strategies and an excellent maintained response from the parishes (although it is noted that the share receipts have fallen in recent times) in ensuring a higher percentage of Parish Share is paid in the year, has enabled the Board to start moving forward on a more sustainable footing. This has allowed support for additional curates, Growth Fund and other innovative work to be carried out across the diocese as well as reductions in the increase in Parish share

In addition to the unrestricted Free Reserve, the majority of other funds under the Board's control fall into the *Restricted* category and, as such, do not form part of the Board's *Free Reserves*. However there are three Restricted Funds that support annual income for day-to-day activities namely -

Pastoral Fund (Restricted)

Under the Pastoral Measure 1983 section 78(3), dioceses are allowed to use this fund for the repair of parsonage houses and for the payment of clergy stipends. It is the Board's policy to apply the fund as follows

- a) Invest liquid assets, the income from which will support the Parish Share;
- b) Retain the balance to cover expenditure for other liabilities of the Pastoral Fund, such as redundant churches' costs and the purchase of new houses for clergy, as well as covering any shortfall on the Ashworth/Lowe Stipends Fund

Diocesan Stipends Fund (Restricted)

In accordance with the Diocesan Stipends Fund Measure 1953, as amended by Section 9, 35(1) and (2), 47 (4) and schedule 8 of the Endowments and Glebe Measure 1976, and various other later Measures, the reserves in the Diocesan Stipends Fund (or Stipends Capital) must be retained, with the income made available towards meeting the cost of Clergy Stipends in the year. Therefore, the income generated assists with reducing the burden on the parishes through the amount required in Parish Share

This fund is also used for purchasing Curates Houses and Team Vicarages, and it receives the proceeds of sales of any Glebe Land

Stipend Trust Reserve

This fund originates from the transfer of Endowment and Glebe Measure Stipend Trusts previously vested in the Custodianship of the Lichfield Diocesan Trust but under the management of the Lichfield Diocesan Board of Finance. The income can only be used to pay stipends

In order to increase the income available to the Board and meet the increasing financial liability the Board is facing through continual triennial pension increases, it had been agreed that an additional £5m would be raised by 2007 through the sale of excess housing stock. This target was reached at the end of 2008. How future Pension Costs are to be met is currently being reviewed by the Investment and Finance Groups, in conjunction with Staffing Projections and Housing Stock Requirements. It is estimated that a further £2.5m of capital may need to be raised in the short term to ensure sufficient income can be raised internally to ensure that the current Parish Share levels can be retained and managed expenditure levels sustained.

Designated Funds

Apart from the *Unrestricted Fund*, the other funds considered as part of the Board's reserves are the *Designated Funds*. These are reserves that have been "ring-fenced" for specific purposes, although the Directors of the Board have discretion at any time to transfer the reserves back to the unrestricted category.

However, these *Designated Funds* have, on the whole, originated either from specific events or are part of historical financial policies to protect and further the work of the Board. There are two exceptions and this *Designated Fund* forms part of the Diocesan Reserve policy as follows -

Stipend Reserve

This reserve originates from legacies left to the Board - *Ashworth/Lowe Stipends Fund (Designated Fund)* and *Fothergill Bequest (inc other Legacies) (Designated Fund)*. The legacies were left to the Board for general purposes and a stipends reserve fund created to hold sufficient funds in cash or 'near cash' to cover the cost of 6 months' clergy stipends. With the transfer of National Insurance and Pension liabilities from the Central Church, the reserve varied between 4 and 5 months of the accumulated Stipend costs.

Policy

With the creation of the Free Reserve and the relevant limits, it was agreed that the Stipend reserve be reset at a minimum of 4.7 Months of the Stipend, NI and Pension Costs (£4.58m), (2009. £4.56m). It is also believed to be an appropriate level of investment to generate a required amount of income to assist with the Diocesan Budget income.

Year End Position

In order to maintain the capital value of the Reserve in line with regular increasing Pension liabilities, and, to a lesser extent, stipend increases, the reserve is heavily invested in equities and other 'capital growth' investments.

Naturally, due to the global economic problems, the reserve had been significantly devalued, and in 2009 it was agreed to add the Restricted Stipend Trust Reserve to this particular reserve as well as creating a Stipend Reserve Designated Account. The reason for the creation of the additional designated

funds is to give the Board added flexibility. Any excess reserve in later years as a result of capital growth or following amendments to the Reserve Policy may be transferred, either to Unrestricted Funds or to the Designated Fund for future allocation by the trustees.

With the recovery in the equity markets witnessed in the final quarter of last year the **Stipend Reserve** as at 31 December 2010 was valued as follows -

Ashworth/Lowe (Designated)	£3 171m
Fothergill and other Legacies (Designated)	£0 223m
Stipend Reserve (Designated)	£0 485m
Stipend Trust Reserve (Restricted)	<u>£1 113m</u>
Total Stipend Reserve	<u>£4 992m</u>

This total equates to **5.10 months of Stipends, NI and Pension costs (2009: 4.82 months)**. The trustees have agreed that in light of continued uncertainty and volatility in the global equity market to accept this excess in the reserve of £0 412m and not to release any funds at this time.

In accordance with the Accounting Regulations, the Board is required to express the **purposes** of each of the Designated and Restricted funds and these are given on pages 85 to 91.

Other Designated Reserves

In accordance with the required reporting requirements, the trustees are required to state when Designated Reserves are likely to be expended, if applicable -

- *Ashworth/Lowe* – see *Stipend Reserve* above
- *Chairman's Fund* - a small fund used to receive the Queen Victoria Clergy Fund to help clergy with holiday expenses
- *Pension Fund 1994* - the income is used to support the Diocesan Growth Fund. It is possible the capital may be required in future to support future increases in Clergy Pension costs
- *DBF Designated Funds* – a small fund used to assist in the purchase of Board Houses as opposed to Glebe or Benefice property
- *ABC Mission Fund* – a fund used to support the Church Without Walls Project in the Stoke and Newcastle Deaneries. The post is currently vacant and the small residual funds are donations received towards the project and will be transferred to the project early 2010
- *Swanwick Conference* – bi-annual event. Designated funds to raise income to finance the Conference. The next Conference is in 2012.
- *Diocesan Growth Fund (Designated)* - £0 605m – Unrestricted funds that are set aside to generate income to help finance projects from the Growth Fund. If the Growth Fund ceases to exist, then the capital may either be added to the Diocesan Surplus Fund or Unrestricted Funds.
- *Vacancy in See* – this reserve is used when the Diocesan Bishop's post is vacant
- *Lambeth Conference* – to help finance the next conference in 2018

- *Fothergill and other legacies* – see Stipend Reserve
- *DBS Pension Provision* – Pension deficit to be financed over the next four years to 2013
- *Stipend Reserve designated* – see Stipend reserve
- *Future Liabilities Provision* – to be used to smooth the next clergy Pension increase in 2010 and later years and any other increase in liabilities
- *Designated General Funds*:- After the General Reserves policies have been secured, excess funds have been transferred into this Designated Fund, and the trustees have considered applications and allocated funds according to specific areas of work. These areas of work remain outside the overall diocesan budget and are therefore time limited. Once the funds are exhausted for a specific area of work then the respective work ceases or it must be incorporated into the diocesan budget. In 2006, £0.181m was transferred into this fund, an additional £0.541m in 2007 and a further £0.351m in 2008. During projects and various additional work in the year including Church on Fire and a slight over spend in the Wedding Project funds have been transferred between this designated fund and Future Liabilities Provision, including the appointment of two additional curates in 2010. The total funds and allocations are as follows:-

2006 Allocation	Original Allocation £'000	Balance at Dec 10 £'000	2011 £'000	2012 £'000	2013 + £'000
0 25% Share Reduction	75	25	25	-	-
Growth Fund Continuation Funding	50	-	-	-	-
Mission Action Plans	20	-	-	-	-
Back to Church Sunday	10	-	-	-	-
Clergy Health Checks	4	-	-	-	-
Equip and Train Course	6	6	6	-	-
Cross Talk	6	-	-	-	-
Church Urban Fund Feasibility Study	10	4	4	-	-
2007 Allocation					
0 25% Share reduction	75	-	-	-	-
Clergy Pension Provision	100	-	-	-	-
Additional Curate in 09	99	67	33	34	-
Capping Share increases	53	16	16	-	-
IT Support	25	-	-	-	-
Parish Giving Link	3	3	3	-	-
Clergy Health Checks	7	1	1	-	-
Back to Church Sunday	15	-	-	-	-
Growth Fund Continuation	60	-	-	-	-
Mission Action Plans	20	7	7	-	-
Shallowford House	25	-	-	-	-
Windows Replacement	50	25	25	-	-
Wedding Project	23	-	-	-	-
Dovedale House	9	4	3	1	-

2008 Allocation					
Local Ministry Review	30	30	10	10	10
Growth Continuation	90	90	30	30	30
Education/Youth Post	75	75	25	25	25
Place or Worship Support Officer	102	68	34	34	-
Unallocated	63	63	21	21	21
Transfer from Future Liabilities					
2 Additional Curates 201	198	132	66	66	-
Future Liabilities Provn	98	98	98	-	-
Total Reserves	1,401	714	407	221	86
Deferred Creditors	-	9	-	-	-
Designated Reserve per accounts	-	705	-	-	-

Investment Powers

The Board is granted power to invest in suitable investments under its Memorandum and Articles of Association. As a charity, the Trustees have a duty of care to take such advice as is appropriate before investments are undertaken. This advice is sought from the Central Board of Finance (CCLA) in London and EFG (Harris Allday), Private Bankers in Birmingham who provide a free Nominee service. The Diocesan Investment Group considers the advice and the assets available at their discretion and then makes recommendations to the Finance and Central Services Committee.

Investment Policy

The Board's investment policies are based on two key principles -

- Ethical Investment – this includes ensuring that investments are held in companies which have high standards of corporate governance and act in a responsible way towards stakeholders
- Long-term responsibilities – the trustees are aware of their long-term responsibilities in respect of the Restricted and Unrestricted reserves and as a result follow a prudent approach to investment decisions

Investment policy for long-term funds is aimed primarily at generating a sustainable income, with due regard to the need for the preservation of capital value, and the possible need to realise investments to meet operational needs. The Board does not have a policy of generating income at excessive or high risk – known as “purchasing income”, where high returns are guaranteed at the expense of capital.

The Glebe Land Investments are held for the purpose of raising income to achieve the maximum contribution possible to clergy stipends on an ongoing basis. The Glebe Land is under review and it is anticipated prime land will be

sold if it is deemed to be economically viable in obtaining a better rate of investment return

Unrestricted and Restricted fund investments are invested to balance income, liquidity and the maintenance of capital

In summary, the Board's overall policy is to maximise income while preserving the real value of its funds. As a member of the Christian Ethical Investment Group, the Board adheres to the principle of seeking not only good financial returns but also high ethical standards from companies which use its money

It is currently the Board's policy to hold the majority of its investments in CBF investments, to provide a diverse portfolio. During 2005, the Diocesan Investment Group's recommendation, subsequently approved by the Directors, was to rebalance the Board's investments between the CBF Investment Fund (60%), Property Fund (15%), UK Equity Fund (15%) and the balance in cash (10%). Due to the current economic climate, the Diocesan Investment Group have had a more conservative approach, and more funds have been held in high-earning cash-accounts, to protect any new capital from the downward trend in the Global Stock market

During 2009 with falling interest rates and a stock market with low and well valued share prices, after consultation with the CCLA and the Diocesan Brokers it was agreed to change the split of investments from early 2010 to CBF Investment Fund (60%), Property Fund (15%), Global Equity Fund (15%) and a balance in cash (10%). The move was to re establish the required level of income and maximise the potential for capital growth in the current climate. In light of the continued low interest rates and the predictions from the City that these would only move marginally in the short term, the Diocesan Investment Group do not use deposit or Cash as part of the Investment Portfolio at the current time. This also protects the capital from high inflation. As a result the 10% from the recommended portfolio allocation has been transferred to Equities, thus increasing that proportion to 25% in the short to medium term. It was agreed that two meetings a year with the CCLA and EFG would be arranged and the portfolio split be reconsidered periodically to ensure that the Board's investment policy reflected the changing economic climate and global markets. This has been ratified by the Board of Directors.

The CBF's own ethical policy (which the Board endorses and follows) includes the following

"We aim to invest in companies that

- * will develop their business in the interests of shareholders,*
- * demonstrate responsible employment practices,*
- * are conscientious concerning issues of corporate governance,*
- the environment and human rights;*
- * are sensitive to the community in which they operate "*

The CBF avoids investing in any company where a major part of its business is gambling, or the production of armaments, tobacco or alcohol products, nor does it invest in any company that promotes pornography. To avoid

identification with any political viewpoint, the CBF does not invest in companies which publish newspapers

Proportion of investments (excluding Land and Money Market Investments) at 31 December was as follows -

	CBF Inv Fund	Property Fund	FISF	Equities
2010	59.71%	16.84%	-	23.45%
2009	58.47%	18.64%	6.25%	16.64%
2008	61.92%	22.88%	-	15.20%
2007	60.12%	24.38%	-	15.50%
2006	62.59%	24.97%	-	12.44%

To counteract the fall in interest rates the Diocesan Investment Group moved some funds into the CCLA Fixed Interest Securities fund (FISF) as a short term measure to increase income in 2009. The fund offered a good short term yield however due to the capital being linked to the Government quantitative easing policy, it was important to monitor the capital value movements to avoid significant capital losses. As a result the Board moved out of this investment in the first month of 2010.

Proportion of Investments per fund at 31 December 2010 was: -

	Size of Fund £m	CBF Inv Fund	Property Fund	Equities	Other
Unrestricted	1,585	28.74%	10.06%	61.20%	-
Ashworth	3,182	77.77%	10.28%	11.95%	-
Fothergill	0,196	60.65%	19.87%	13.48%	-
Trust reserve	1,301	61.01%	-	39.99%	-
Stipend Cap	2,457	37.96%	48.99%	13.05%	-
Clergy widows	0,599	100.00%	-	-	-
Pastoral	4,535	49.98%	12.14%	22.89%	14.99%
Loan Fund	1,039	64.38%	15.97%	19.65%	-
Bridgebuilders	0,141	87.96%	12.04%	-	-
Int Dec Sch	0,184	44.27%	27.18%	28.55%	-
Endowment	0,289	59.06%	19.01%	21.93%	-
Land Sales	2,777	51.04%	21.82%	27.14%	-
Stip Tst Res	1,167	90.46%	-	9.54%	-

The above table helps to show the strategy per fund, which is calculated on the need for long-term growth, income generation and cash flow requirements. A heavy weighting in the Investment Fund indicates the need for growth over income. A heavy weighting in the Property Fund indicates a need for growth but there is greater emphasis on income generation. Equities offer a balance between the two – however this option offers 'slightly lower growth potential and slightly reduced income generation'.

Money Markets

For the financial periods 2008 to 2009, the financial markets experienced the well-publicised 'credit crunch', difficulties due to the housing markets and associated mortgages and debts in the US economy, and the related effect on the UK financial sector, followed by the Global recession. The Bank of England responded in the last quarter of 2008, with unprecedented reductions in interest-rates, to try and stimulate the economy. This naturally lowered the interest-rates that banks needed to offer to attract much needed corporate cash.

The introduction of the quantitative easing policy increased the level of cash available and consequently the rate at which banks borrow internally, known as the LIBOR, came more into line with the bank base rate of 0.5% since early 2009. Fortunately the Board had locked into some attractive longer term investment options which meant that the effect of this fall in Money Market Rates did not fully impact until the second quarter of the year. With the Global Stock market remaining volatile during these uncertain times the Board was forced to initially take some lower rate fixed stock for a short period of time. However to counteract this fall in income, the decision was made to make short term investments in the CCLA Fixed Interest Stock. The Stock remains vulnerable to movements in liquidity markets and once the Bank of England gave an indication that the quantitative easing policy was to end the stock started to show indications of losing capital value at which point early in 2010 the stock was sold.

The return of some stability in the Stock markets has enabled some funds to be transferred as explained earlier in this section and whilst the Board has made significant income gains in the Money Markets in recent times the Diocesan Investment Group feel that the time is to move away from these into Equities and in particular Global equities to reflect the change in the current economy.

2010 saw a mixture of events with the end stream of decline in equity markets followed by a recovery, especially in the second half of the year which saw capital values rise by around 15.11% - the FTSE in the last six months rose by 19.99%. During this time there have been periods of volatility, but it appears that when the DBF has moved the funds the markets have been more at a lower point and all purchases have grown in value.

A major feature of the market recovery over the last 12 months has been a marked improvement in levels of corporate profitability, due to the widespread cost cutting exercises and de-leveraging of balance sheets implemented by companies. This resulted in a sharp increase in the level of dividends especially in the second half of the year and further dividend growth anticipated over the forthcoming year. One of the challenges now facing companies is to manage the shift to a more growth orientated strategy and expansion in revenues.

It is important to note that whilst domestic economic growth in the UK is expected to remain relatively subdued for some time, a high proportion of UK companies' earnings are generated from overseas markets and global based businesses are therefore likely to offer more attractive investment returns

The following table shows the balance of funds at the year end and clearly shows the reduction in Corporate Deposits and transfer of funds, predominantly into Equities. It was felt there was some value in the Property Fund, which offers a good return and with some capital value. The Other category represents two Residential properties that the Board purchased during 2010 as Investments.

	CBF Inv Fund	Property Fund	Equities	FISF	Other	Money Markets
2010	52.77%	14.88%	20.72%	-	3.21%	8.42%
2009	43.35%	13.82%	12.33%	4.64%	-	25.86%
2008	40.10%	14.82%	9.84%	-	-	35.24%
2007	43.68%	17.72%	11.26%	-	-	27.34%

Investment Performance

Overall Performance

Investments are held in both Glebe Land and through investments on the Stock Market. The total value of investments (excluding short term cash deposits and Money Markets) was £27,766m (£22,082m in 2009). The total income return for the year was 4.77% (2009: 4.82%), and the total return on investments for the year was +11.75% (2009: +11.62%).

These figures exclude the revaluation of the Glebe Land. This is compared to the FTSE 100, which over the same period saw a Total Rate of Return of 15.11%, however a better indicator would be against the WM Co Charity Fund index (CFS) of 12.1% in the same period.

Glebe Land

Included in the Board's Investments are £8,333m (£6,459m in 2009) of Glebe Land, which is represented by a mixture of predominantly agricultural, some farm holdings and some small pieces held under grazing licences.

For the last three years the Glebe Land portfolio has been under review, with the relevant pieces of land (or Terriers), being identified into potential development and income generation categories. Significant work has been done in the last two years working with Agents and Local Authorities in promoting identified parcels of land, in order to potentially develop the land for sale.

In 2007 significant work had been performed to identify the category which each parcel of land owned by the Board in order to carry out a revaluation exercise. This represented the first revaluation of these particular assets since their introduction into the annual accounts in 1998. This allowed a register of assets to be drawn enabling an annual revaluation. In 2010 the revaluation exercise increased the value of the land by £1,892m (ignoring any potential

valuation) This resulted in the Total Annual Return on Board Investments being +18.32% for the year (2009 +7.92%)

Gross rents received against this land in the year were £0.175m (2009 £0.159m) an income yield of 4.25% (2009 3.80%), before revaluation, and an income return of 3.64% (2009 2.47%) after revaluation. This compares with the benchmark yield of 3.0% for such long-term investment assets

Performance Averages

Taking the above information into consideration, over the last three years, the average income return by the Board is measured at 4.52%, and over the last five years at 4.10%. This is set against a benchmark of 4.0%

The total return on investment securities over the last three years shows an average return of 0.91% and over five years 4.06%. This is set against a desired benchmark of an 8% average over a sustained period of time – a minimum of 5 years. It must be taken into consideration in 2008 the Total Return showed -20.65% due to the rapid decline in share values

Change in size of Investment Portfolio

The Investment portfolio has increased in size over the last five years, and particularly in 2007 and 2008 as the Diocesan policy of reducing the housing stock related to the reduction in clergy numbers, has added over £5m to the investments. Although additional surplus houses have been identified to be sold to generate new investment capital, due to the decline in the housing market, the Diocesan Investment Group placed a moratorium on the sale of property. This moratorium was eased in the second half of 2010. There is now a far greater emphasis on sustainable self-generated income, using the Board's historic assets to maximise their potential, in order to ease pressure on parishes and lessen the reliance on third-party income. In 2002, it was estimated that £1.25m of sale proceeds were required to assist with the liquidity issues facing the Diocese, and in 2005, a further £5m was requested to generate income against future stipend and Pension costs. This latter £5m mark was reached in 2008.

The performance per specific fund is as follows -

	YIELD	YIELD	TOTAL RETURN	TOTAL RETURN
	2010	2009	2010	2009
	%	%	%	%
Unrestricted	3.92	3.54	14.36	14.92
Ashworth	4.92	5.58	11.66	13.66
Fothergill	5.26	5.39	11.59	11.76
Other Legacies	6.83	6.46	10.58	9.57
Trust	4.35	5.76	13.72	19.58
Stipend Capital	5.63	4.46	10.52	6.49
Clergy Widows	4.50	4.66	11.37	13.62
Pastoral	4.37	4.38	11.74	10.09
Loan Fund	5.13	5.24	11.68	12.74

	YIELD	YIELD	TOTAL RETURN	TOTAL RETURN
	2010	2009	2010	2009
	%	%	%	%
Bridgebuilders	5.22	5.17	11.99	12.79
Interior Dec Scheme	2.67	4.96	3.67	14.29
Endowment	5.22	5.35	11.66	12.48
Glebe Land Sales	5.25	4.54	11.53	9.96
Stipend Trust Res	4.56	4.65	11.60	16.51
Church Mission	6.73	4.96	13.92	14.29
Ord Candidates	4.67	4.96	11.87	14.29

Future Investment Review

In light of the current Diocesan Financial Strategies and the extraordinary economic times that have been experienced in the Global Economy, the Diocesan Investment Group has been far more proactive over the last six months identifying windows of opportunities within certain investment markets and taking advice from various bodies about the current investment strategy.

The review will take into consideration the duplication of funds within the CBF (for example, the CBF Investment Fund holds shares in the CBF Property Fund), and the need to equate the correct ratio of diversification to meet current demands. With the continuation of low interest rates, there is a feeling that there is plenty of value in equities, which are giving larger returns due to the collapse in the capital value. However, there remains a great deal of volatility in the market, and the preferred process is moving investments between funds in blocks over a period of time as opposed to trying to make larger changes in the portfolio on the off chance that the timing of the movement has maximised the potential.

This does leave the Investment Group with the challenge of raising additional income in the present economic climate, whilst protecting the longer term capital value of the assets. With the freeze on the sale of property due to the downward trend in the property market resulting in no new funds being added to the portfolio, some difficult decision making is required to meet the short-term income targets set within the Financial Plan. It has been identified to meet all the aims and objectives, the key is to ensure the Asset Allocation is well balanced to meet the increasing demands in different sectors (capital and income) and constantly monitor and review.

It is appreciated that the benchmarks and requirements within annual diocesan budgets will have to be monitored throughout this process, and will be part of the overall review.

6. Financial Review

Overall financial position

The Financial Statements have been prepared under the accruals concept of accounting standards. This means that income and expenditure attributable to the period have been included even though it may not have been received or paid at the Balance Sheet date.

Income before revaluation adjustments totalled £17 729m (2009: £16 732m) and expenditure amounted to £17 835m (2009: £17 516m)

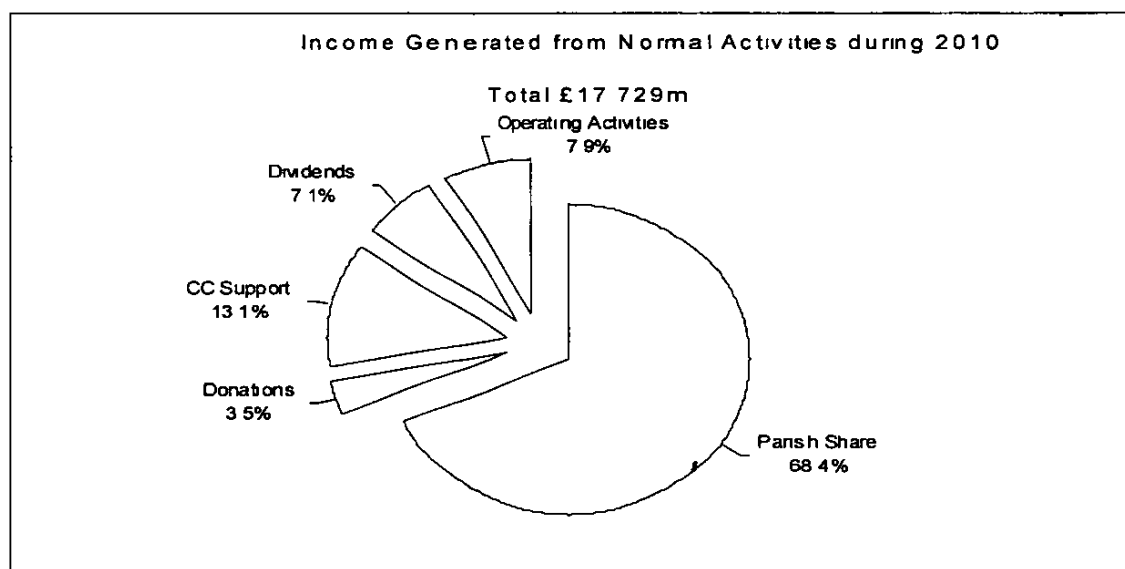
The Statement of Financial Activities (SOFA) for the year shows net outgoing resources of £0 106m (2009: £0 784m), before revaluations. These figures include the surplus on sale of property in the year of £0 870m (2009: £0 069m)

After the revaluation adjustment, the net movement in funds amounted to a surplus of £3 341m (2009: £0.270m). During the year the total fund balances increased from £68 323m to £71.664m

There was a net overall cash inflow of £0.671m (2009: Cash Outflow £0 530m), mainly due to the movement in corporate deposit investments back into the equity markets, plus increasing liquidity in the day to day activities

	£'000
Net resources expended on normal operations	(106)
Gain on revaluation of investments	3,177
Gain on sale of Investments	270
Net movement in funds	3,341

Income (See Accounting Policies Note 1(c) on page 67)



NB The above chart excludes the profit on sale of property and Funds Introduced

Voluntary Income

1. Parish Share

The Parish Share represents the principal source of income for the Diocese. In 2010, a total of £11 647m was requested from the parishes in comparison to £11 503m in 2009. By 31 December 2010, a total of £10 592m had been received, providing a collection rate of 90.94%. This compares to 90.54% collection in 2009.

By 31 January 2011 the collection rate was 93.85%, compared with 93.72% last year.

The receipts by Deanery compared to assessment are shown in the table below -

Arrears	Units	2010 Parish Share Req'd £'000	Previous Years' Share Arrears £	2010 Parish Share Arrears £	Total Net Arrears Dec 10 £	Total Net Arrears Dec 09 £
Lichfield Archdeaconry						
Lichfield	25	801.2	13,002	32,963	45,965	50,100
Penkridge	13	471.2	19,000	20,084	39,084	40,212
Rugeley	14	513.0	3,821	32,198	36,019	27,074
Tamworth	13	351.4	-	9,546	9,546	25,186
Total	65	2,136.8	35,823	94,791	130,614	142,572
Salop Archdeaconry						
Edgmond & Shifnal	24	438.4	8,679	14,931	23,610	61,694
Ellesmere	14	163.2	7,636	3,955	11,591	15,221
Hodnet	17	239.5	-	8,418	8,418	8,448
Oswestry	18	336.4	-	9,030	9,030	1,400
Shrewsbury	18	643.6	-	11,156	11,156	7,639
Telford	11	363.9	33,550	15,153	48,703	40,797
Wem & Whitchurch	19	279.2	7,144	28,077	35,221	13,143
Wrockwardine	12	101.0	-	8,622	8,622	11,962
Total	133	2,565.2	57,009	99,342	156,351	160,304

**Stoke
Archdeaconry**

	Units	2010	Prev	2010	Total	Total
		Parish	Years'	Parish	Net	Net
		Share	Arrears	Share	Arrears	Arrears
		Req'd			Dec 10	Dec 09
		£'000	£	£	£	£
Alstonefield	15	102.1	20,972	2,064	23,036	31,812
Cheadle	12	313.8	17,210	27,290	44,500	52,909
Eccleshall	18	292.3	3,568	16,769	20,337	6,068
Leek	14	467.4	4,098	35,032	39,130	37,453
Newcastle-Under-Lyme	18	608.7	65,000	47,730	112,730	80,805
Stafford	21	479.8	35,497	67,156	102,653	67,331
Stoke-on-Trent	11	510.8	185,680	86,421	272,101	269,565
Stoke North	12	322.3	39,754	29,063	68,817	48,117
Stone	9	264.3	3,984	15,215	19,199	21,522
Tutbury	17	377.4	65,051	26,829	91,880	87,211
Uttoxeter	17	244.7	30,126	25,162	55,288	37,335
Total	164	3,983.6	470,940	378,731	849,671	740,128

**Walsall
Archdeaconry**

Trysull	13	756.4	23,724	42,747	66,471	123,570
Walsall	17	971.2	70,262	115,429	185,691	139,983
Wednesbury	11	284.6	1,248	54,433	55,681	82,564
West Bromwich	9	194.8	16,061	23,420	39,481	40,247
Wolverhampton	20	754.4	35,180	35,226	70,406	86,614
Total	70	2,961.4	146,475	271,255	417,730	472,978
Grand Total	432	11,647	710,247	844,119	1,554,366	1,515,982

The above table takes into consideration any write-offs agreed by FACS and Bishop's Council, and applied to the parishes concerned provided they meet the agreed conditions. The above figures also include creditors of £5,586 – i.e. Share paid in advance.

2. Income from the Archbishops' Council

Support from the National Church still forms a significant part of the Board's income at 13.1% (2009 13.6%). Lichfield is one of only a few dioceses, which receive support exceeding £1m and only one of seven that receive in excess of £1.5m, and the fifth highest receiver. The Board is aware that many dioceses no longer receive any support at all and is most grateful therefore for the help it receives.

	£'000
Stipend Allocations	1,751
Additional Ministry and Mission Allocation	151
Parish Mission Funding	240
Total Received from National Church in support	2,142

3. Other Voluntary Income

This category includes donations and legacies from both internal funds and third parties. In the year income amounted to £0.574m (2009: £0.523m). The main purposes for this area of income are as follows -

	£'000
Stipends	396
Church Without Walls (Fresh Expressions project in Stoke Area)	4
Double Glazing	11
Church Urban Fund (help for projects in urban priority areas)	65
Clergy Widows and Orphans	22
Church Building Supports Officers	20
Bishop's Lent Appeal (for local and international projects)	41
Bishop's Ordination Fund (help for ordinands in training)	15

There were a number of significant individual donations, which are acknowledged with gratitude:

	£'000
Walter Stanley Trust (towards clergy costs in West Bromwich)	157
Ecclesiastical Insurance Group (EIG)	190
West Bromwich Building Society (Church Urban Fund)	59

In addition, the Board is extremely grateful to Mr Robbins, Revd P Swann, Mrs Primrose, Revd L Wheeler and the Diocesan Bishop who have supported the work of the Board and of the Growth Fund with regular monthly donations, and also to Messrs Hawkins and Fletcher who have likewise supported the work of the Board with individual donations throughout the course of the year.

4. Income from Activities for Generating Funds

This section includes income generated from ordinary activities operated by the Board. It includes rent received from vacant parsonages and glebe (Curates Houses and Team Vicarages), plus commission received from operating a central Gift Aid Scheme.

The renting out of vacant houses allows the diocese to benefit from additional income whilst the property concerned is not required for a short period of time as a result of an interregnum or pastoral reorganisation. It also has the additional benefit of protecting the asset from vandalism and general deterioration should the property be vacant for a lengthy period of time.

The Diocesan Gift Aid Scheme enables parishes to reclaim tax efficient giving via the Diocese, as opposed to dealing with the HMRC direct. The Scheme charges a 4% commission on tax reclaimed to assist in covering the costs of running the scheme. In the last twelve months a total of £1.108m has been reclaimed and distributed back to parishes compared to £1.170m in the previous year. The latest estimates show that tax-efficient giving across the diocese is approx 55% although on planned giving the figure is closer to 65%.

During the year a total of £0.247m was generated in the year, compared with £0.218m in 2009. Although details are shown in Note 5 to the Financial Statements, the reason for the increase in income is due to the more pro active policy on ensuring vacant properties were leased out where ever policy. With the down turn in the property market and the decision not to sell in the current market, this led to a larger portfolio of renting. Later in the year the moratorium on property sales was eased as the market showed signs of recovery in certain areas.

5. Investment Income

Over the last year, the Diocese generated £1.166m through dividends, interest received and Glebe Land rents. This represents an increase on 2009 when £1.146m was generated. With interest rates remaining at a low rate, the diocesan investment Group has been pro active in moving investments to ensure that more income is generated than expected in the current climate. This has included the introduction of structured products, ensuring that the Board protected the long term capital, whilst interest rates are low and inflation at a higher rate than predicted. The higher inflation erodes the capital value in real terms if funds are left in cash or on deposit – however this has to be balanced against the liquidity required by the Board.

This change is reflected with interest earned falling further to £0.05m from £0.09m – which reflects less cash being held on deposit, plus a reflection of the liquidity issues the Board faced through the middle of the year due to the increase in Share arrears, that exceeded £2m for the first time since 2005.

This is also reflected in the fall of the Investment Income from £0.160m to £0.072m. As Corporate Deposits matured the decision was made not to reinvest in such accounts – partly due to the uncertainty surrounding the banking situation in Ireland where a considerable amount of the Deposits were invested, and partly due to the lower LIBOR rates that were now on offer. It was always the intention of the Investment Group to lower the amount held on Corporate Deposits, it was a short term policy to make the most of higher LIBOR rates in the last two years. Investments are now concentrated more on longer term, higher yielding investments.

The rents received from Glebe Land increased from £0.159m in 2009 to £0.188m in 2010.

Detail is provided in note 6 to the financial statements.

6. Incoming Resources from Charitable Activities

This section includes the income generated through Statutory Fees and other income that is received from activities undertaken by the Board over the last twelve months.

During this period the total income generated fell slightly to £1.304m from the figure of £1.408m in 2009.

In addition to the Parish Share, the parishes also contributed a further £0.889m in statutory fees, due to services undertaken by the parish clergy within the diocese - a fall from £0.969m in the previous twelve months.

Chaplaincy Income also fell marginally from £0.118m to £0.106m. As did the income from the Church Commissioners in respect of Guaranteed Annuities and other similar grants rose, from £0.137m to £0.132m.

During 2005 the Church Commissioners decided to cease paying Guaranteed Annuities. Under this policy, the majority of clergy agreed to relinquish their Annuity under the Endowment and Glebe Measure. This did not mean a reduction in their stipend; it was compensated for by an increase in contribution from the diocese through their stipend fund. The savings made by the Church Commissioners allowed them to increase the Stipend Allocation to receiving Dioceses.

This policy also meant that all new appointments from July 2005 did not receive any Guaranteed Annuities. The receipt by the Diocese of £0.137m was represented by certain clergy who retained their Annuity towards their stipend plus other contributions from Pension funds and historical funds towards certain appointments. It is envisaged this amount will fall gradually over the forthcoming years as the annuities decline.

Miscellaneous Income under this section is represented by sales and other income generated by various activities, such as conferences and courses. Over the last twelve months this increased from £0 095m in 2009 to £0 138m in 2010. The reason for this increase was due to more events being run that generated income, including the visit of the Archbishop of Canterbury in November 2010 and courses run under Mission Shaped Ministry

Also in this section is the very generous contribution from Guildford Diocese towards an additional curate that Lichfield Diocese appointed in 2007. The contribution represents only six months compared to a full year in 2009, as the agreement came to an end in June 2010. The Board is most grateful for this support for the work in the Stafford Episcopal Area

7. Other Incoming Resources

This section deals with funds that have been introduced in the year and Surplus from the Sale of Tangible Assets

As part of the overall strategy to wind up many of the smaller trusts in the Lichfield Diocesan Trust, in order to reduce the workload and administration of the Trust. Some of these trusts relate to the work of the Diocesan Board of Finance and have been transferred into the name of the Board during the course of the year

In 2008 a significant number of small trusts under the endowment and Glebe Measure 1976 and 1978 were transferred into the name of the board in 2010 further stipend trusts were identified and transferred. These trusts can only be used for the augmentation of a clergy stipend and are therefore restricted under the Stipend Trust Reserve described on page 35

In addition in accordance with an Order of Council in 1975, it was identified that a property in West Bromwich should have been transferred from the name of the Incumbent to the Diocesan Board of Finance. The property was valued at £150,000 and included as Funds Introduced in 2010

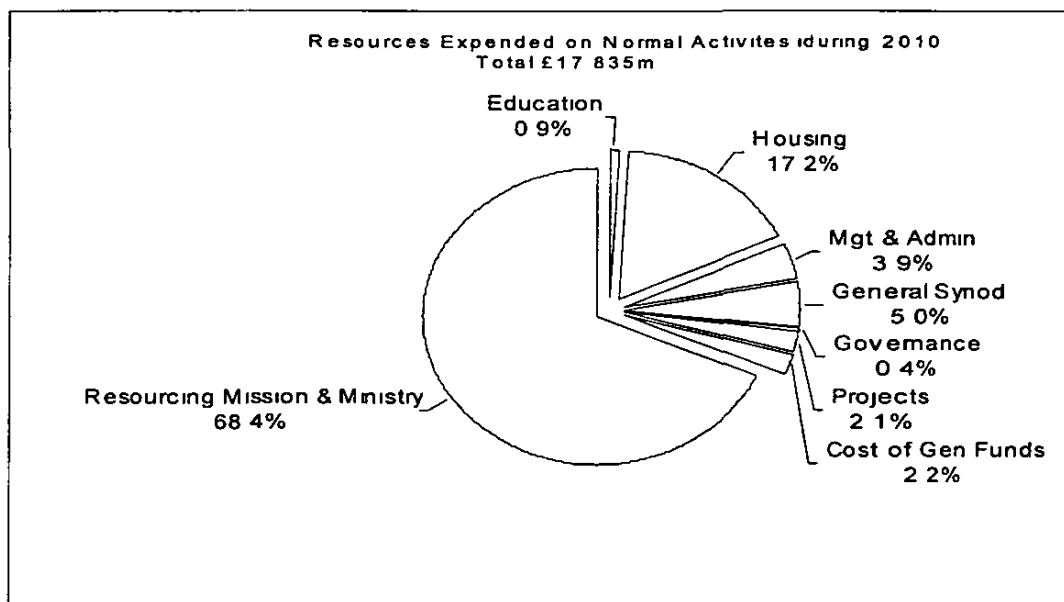
In total £0 196m (2009 £0 212m) was transferred to the Board in new funds as follows -

	£'000
Stipend Trust Reserve	46
DBF Designated Property	150

Due to the easing of the moratorium placed on the sale of property in the second half of 2010 the surplus on the sale of property rose to £0 870m (2009 £0 069m)

Expenditure (See Accounting Policy note 1 (d) on page 67)

Total resources expended in the year were £17.835m (2009 £17 516m)



These are analysed as required by SORP under the three broad headings

- Cost of Generating Funds
- Charitable Activities
 - Includes Contributions to Archbishops' Council
 - Resourcing Ministry and Mission
- Governance Costs

Cost of Generating Funds

Unlike many organisations in the charity sector, the Board spends only a nominal amount in this area (2.2%). The work of the Christian Giving Unit, the costs of which form the main part of this heading, involves enabling parishes to become financially viable by establishing good practice in budgeting, and carrying out financial reviews as well as identifying sources of funding for parish capital projects. In addition they assist with the encouragement of tax efficient giving and to encourage increased giving.

Also included are the costs of the central Diocesan Gift Aid Scheme and other small costs incurred to generate funds for the Restricted Fund, such as the Lent Appeal and Ordination Fund.

In addition, Investment Management Costs are shown under this section. Although the Board uses a Nominees account with stockbrokers in Birmingham, this work does not incur any management costs. Any administration costs incurred in buying or selling investments are added to the cost of the investment. The same applies to funds held with the CBF.

However, Agents' Commission and associated costs in renting or leasing out vacant houses and Glebe Land are included. In the year the diocese incurred expenditure of £73,066 (2009 £67,573)

In addition, more work was done on the Glebe management portfolio including the Land Registration. There was also the continued work on some prime Glebe Land in preparation for future sale costing £72,282 (2009 £78,820).

Charitable Activities

1. Contributions to Archbishops' Council

In the year the Diocese made a contribution of £897,025 (2009 £896,784) towards the Budget of General Synod. This cost includes a contribution of £361,885 (2009 £365,502) towards training future clergy and £315,891 (2009 £308,228) towards National Church Responsibilities.

2. Expenditure on resourcing Ministry and Mission

The majority of the Board's expenditure is in this particular area. In total £15,928m was expended in 2010 compared with £15,574m in 2009.

The costs are separated between *direct* costs i.e. parochial ministry; and *support* costs e.g. management and administration.

Details are given under Note 12 to the Financial Statements. Other expenses under Parish Ministry £483,360 (2009 £384,857) include the following. -

	£'000
Extra Parishes expenses	43
Sequestration Costs	60
Training Ordinands	159
Stipend Grants towards Projects or Contribution to shared posts	199
Rural Dean/Team Rector Expenses	13
Criminal Records Bureau	10

Expenditure on Diocesan Projects

Included under this section are grants paid to parishes to assist with local projects and also grants given to organisations supported by the Diocesan Bishop through the annual Lent Appeal.

During 2010 £204,299 (2009 £323,856) was awarded in grants from the Diocesan Growth Fund. This Fund was set up in October 2004, partly funded by interest from the Designated Fund and a grant from the Archbishops' Council for Mission Initiative Projects. The first triennial allocation of funds was exhausted early in 2007. It was agreed that the second triennial allocation would continue to support the Growth Fund and this was exhausted early in

2010 A third triennial allocation of funds has been announced and it has been agreed that the funds be used to continue to support the Growth fund for 2011 to 2013. It is expected some where in the region of £750,000 will be received between 2011 and 2013. This allowed more grants to be awarded from 2010. The combination of the designated funds, and the funds from the Archbishops' Council, plus continuation-funding being supported from General Designated Funds, means that in total £1 735m has been awarded from the Growth Fund. At the end of the year, £0 539m represented funds to be paid out in future years and is, therefore, included in deferred creditors. Grants are accounted for in the year they are awarded in accordance with the required accounting regulations.

Grants awarded from the Lichfield Church Urban Fund, £123,264 (2009: £43,099) are for projects in Urban Priority areas.

The Diocesan Bishop's Lent Appeal awarded grants of £40,250 in 2010 compared with £45,000 in 2009. The grants awarded were £6,750 to each of Christian Aid, Church Missionary Society and USPG plus £20,000 to Dovedale House.

The Board made no Political Grants or Donations in 2010 (2009 - nil)

Governance Costs

In accordance with the reporting regulations, more emphasis is being placed on measuring the costs of governance to charities. Included within this particular section are such costs as Auditors' fees and General Synod Representation, as well as the costs of preparing and attending meetings. In the year the total expenditure on such costs was £65,302 compared with £73,510 in 2009.

Other Resources

This section includes the expenditure on maintaining and disposing of redundant church buildings and provisions for doubtful debts.

7. Plans for the Future

With the provision for shortfall in income now embedded within the Diocesan Budget, the trustees will continue to set annual budgets on a break-even basis – subject to maintaining Free Reserves at the target level and using any additional income to try and smooth the future impact of Clergy Pension increases. The trustees will continue to look at setting priorities of work to ensure the Mission and Ministry are correctly resourced in furthering the aims of the charity. In addition, the trustees will continue to seek to hold down Parish Share increases in order to allow local funds to be spent on mission activity.

The ongoing objective is to resource diocesan needs, as determined by Synod and informed by local and National Church Institutions

General

Long Term Sustainability

Although considerable work has been undertaken to place the diocesan financial position on a more secure financial footing, there remains a concern on how sustainable the current level of expenditure and therefore current levels of Ministry is.

In addition in June 2010, the Church Commissioners announced that whilst the Stipend Allocation, the second largest source of income was to rise in the next three years (2011 to 2013) – this was very much giving Lichfield a short period of time to review it's longer term financial health and strategy – sustainability based on current self generated income and levels of expenditure

With concerns already over the ability to retain the current level of expenditure in the medium to longer term, this news has meant that the diocese needs to address the issue of long term sustainability over the coming year in order to ensure that any required change is communicated and managed, and implemented by the end of 2013 at the very latest

A recent exercise showed that approximately 50% of all parishes were making deficits year on year to meet their liabilities – which raised questions over the sustainability of the current level of share being requested

In addition there are concerns over the predicted fall in Stipendiary vocations over the next ten years with more clergy retiring than currently going through Ordination training.

This resulted in an event called "Plain Speaking" being held in February 2011 where the issues were addressed to the Trustees and Rural deans and Lay Chairs across the diocese. At this event it was communicated that the diocese was undertaking a full review of every parish using a model similar to the one used by the diocese of Toronto, when the same issues were being faced. This model looked at the health of resources and mission in every parish and

plotted them on a graph to monitor those parishes who were Sustainable, Static, Strategic and Struggling

From this meeting and exercise the following was drawn up by the Archdeacon of Stoke as a map taking the Diocese forward in March 2011.-

At its best, the Church of England combines being 'episcopally led' with being 'synodically governed' In other words, Bishops and 'those-in-authority' work alongside the 'elected representatives' of the people Likewise PCC representatives work side-by-side with the Area Bishop (and patron) when working together to appoint a new priest Local energy combines with a wider vision The Bishop's voice is heard alongside the parish's vision

'Plain Speaking' was the title given to an event held recently on a Saturday morning when Rural/Area Deans, Lay Chairs and Bishop's Council members met with senior staff and diocesan officers to 'speak plainly' about a sustainable future for God's church The diocese of Lichfield shares with the national Church of England the vision of sustaining 'a Christian presence in every community' But, as Archbishop Rowan never tires of saying, the church of the future will 'be different' from what we have inherited So what issues will emerge as together we face this future? And what should be the priorities of the Diocese towards a sustainable future?

- 1 Plain Speaking has started a process whereby the voices of each parish can be heard. In this conversation, the perspective of the diocese as a whole will also be heard. Together, at the Bishop's Council in November 2011, and in Synod early in 2012, some strands will be brought together, and a direction agreed **So priority one is for everyone to have a voice.**
- 2 But having ceased a period of general numerical decline, how can we now sustain healthy church life? How can we flourish in Christian mission? How can we better offer public worship that brings people (and ourselves) to the foot of the cross? And what can we do to sustain this great vision for our national church - a sustainable, flourishing, accessible and healthy Christian presence in every place? **Priority two is mission.**
- 3 In 'Going for Growth', we continue to emphasise the 'Mission Action Plan' as where the rubber hits the road in each church. The goals for the diocese remain 'growing disciples', 'reaching new generations' and 'transforming communities' Recognising that this work arises from God's character and generosity, we are committing ourselves in addition to 'discover the heart of God' as our basic motivation, and 'practising generosity' as our reasonable response **Priority three is healthy growth, numerical and spiritual.**

- 4 'Worship' and 'Mission' define the purposes of our church buildings 'Ministry' is the word for those who are called by God to undertake tasks, and leadership, towards these overall goals. Priests, who are also baptised members of the people of God, preside over the local community 'in a spirit of persuasive and courteous leadership' Their role is to empower the ministries of many others **Priority four is healthy shared ministry and flourishing church leadership.**
- 5 Some of our priests will be stipendiary. Others will be self-supporting In the next decade about 40% of the former and over 60% of the latter will have reached retirement age In this diocese we thank God for a steady stream of people of all ages discerning God's call to ordained ministry We will continue to pray for, and encourage this sign of life within the Body But the numbers of available priests may well in the future fall short of the number we have had in the past **Priority five therefore is to be realistic about the role and the place of the stipendiary ministry in the 'different' church of the future.**
- 6 Pensions for stipendiary clergy are expensive At the end of 2013, this diocese will have used up a transitional fund that has 'softened the blow' of pension increases So as we move towards 2014, we must again be realistic about what we can afford We can either increase our income (i.e. raise the Share), or decrease what we spend (i.e. have fewer stipendiary clergy) **So priority six is clarity about what we can afford and sustain, clarity about our continual need for personal generosity, and clarity about how we make decisions now that allowing for possible reductions in our stipendiary clergy later.**
- 7 At the same time, some work has been going on to devise an alternative way of calculating the financial 'Share' for each parish A new 'system' will identify the costs of ministry, while retaining a just emphasis on mutual care. **Priority seven will be to complete this work and offer it for wider scrutiny to see whether it gains favour.**
8. We are united therefore in wanting to encourage the 'Christian presence in every community' to be flourishing and sustainable in the mission they carry out, and in having the resources they need to do so To that end we will identify within each deanery parishes needing support, and by 'putting parishes first', direct shared resources to provide that help and encouragement **Priority eight therefore is to understand the current position. This will in turn help (but not dictate) the decision-making process by the Bishops as they deploy the resources at their disposal.**

To help us in this process, in the company of some other English dioceses, we are borrowing a model from the Canadian diocese of Toronto It entails making a judgement about the 'finance' and 'mission' strength of each parish The former assessment is based on the accumulated data from annual

accounts held at St Mary's house (a parish is plotted on a scale from 'sustainable' to 'struggling') The latter is derived from an assessment of each parish by senior staff that spearheads the mission action planning process (a parish is designated 'sustainable' or 'static') These data are then plotted onto a grid, and each parish falls within one of four categories Sustainable, Strategic, Static or Struggling An arrow is then attached to each parish indicating the trend in their current financial or mission development

'Plain Speaking' commits us all to undertake this kind of self-examination as a first part of a process towards planning for the future Using the Toronto grid and data available to us

- a) each Area Team will make a judgement about each parish,
- b) through deaneries, a similar process will take place
- c) with the hope that each parish can own its current position
- d) and how it proposes, with encouragement, to develop from here ..

Before the Bishops Council at the end of November 2011, there can be a sharing of what has been learned through this process, and how this conversation contributes to decision-making undertaken by Bishops and the Mission/Pastoral committee We know that church will be 'different' in the future We may not agree about our 'priorities' – but that is what Plain Speaking is all about! May God accompany us on this journey May we continue to benefit from Plain Speaking – at the deanery and parish levels as well as at the Diocesan level – and find a sustainable pattern for mission and ministry.

8. Custodian Trustees

The Board acts as Custodian Trustees to six specific funds totalling £256,138 as at 31 December 2010 In five circumstances the funds held represent the capital from trust funds where the income is paid to locally held accounts to be distributed at the discretion of either the respective Archdeacon or the Diocesan Bishop. The one exception is the fund held to support Women's Ministry that is operated through the Board's books to award grants to assist with the training of Women Ministers

Fund	Balance at 31 December 2010
Archdeacon of Lichfield Disc Fund	£26,551
Archdeacon of Stoke Disc Fund	£55,100
Archdeacon of Salop Disc Fund	£24,405
Archdeacon of Walsall Disc Fund	£85,422
Bishop of Lichfield Disc Fund	£38,105
Women's Ministry	£26,655

9. Appointment of Auditors

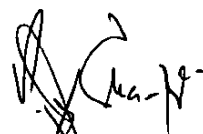
The Auditors, Dains LLP, will retire at the Annual General Meeting and offer themselves for re-appointment. A resolution to reappoint Dains LLP as auditors to the company and to authorise the Trustees to fix their remuneration will be proposed at the Annual General Meeting.

By Order of the Board



Julie Jones
Chief Executive Officer
Diocesan Secretary

26 May 2011



Peter Sharpe MBE
Chairman

STATEMENT OF FINANCIAL ACTIVITIES FOR THE YEAR ENDED 31 DECEMBER 2010
Including Income & Expenditure Accounts

	Notes	Unrestricted Funds		Restricted funds	Endowment funds	Total Funds 2010	Total funds 2009
		General £'000	Designated £'000	£'000	£'000	£'000	£'000
INCOMING RESOURCES							
Incoming Resources from Generated Funds							
Voluntary Income							
Parish Contributions	2	11,230	-	-	-	11,230	10,955
Archbishops' Council	3	1,902	-	240	-	2,142	2,201
Other	4	375	35	164	-	574	523
Activities for Generating funds	5	247	-	-	-	247	218
Investment Income	6	241	184	727	14	1,166	1,146
Incoming resources from Charitable Activities							
Statutory fees, Chaplaincy & Other	7	1,278	10	16	-	1,304	1,408
Other Incoming Resources	8	-	150	916	-	1,066	281
Total Incoming Resources		15,273	379	2,063	14	17,729	16,732
Resources Expended							
Costs of Generating Funds							
Cost of Generating Voluntary Income	9	130	-	95	-	225	173
Investment Management Costs	10	109	-	54	-	163	150
Charitable Activities							
Contributions to Archbishops' Council	11	897	-	-	-	897	897
Resourcing Ministry & Mission	12	14,473	329	1,126	-	15,928	15,574
Education	13	157	-	-	-	157	157
Diocesan projects	14	-	-	383	-	383	430
Governance Costs	15	64	1	1	-	66	73
Other Resources expended	16	10	-	6	-	16	62
Total resources expended		15,840	330	1,665	-	17,835	17,516
Net incoming resources before transfers		(567)	49	398	14	(106)	(784)
Gross Transfers between funds	18	749	232	(967)	(14)	-	-
Net Incoming resources before other recognised gains and losses		182	281	(569)	-	(106)	(784)

	Notes	Unrestricted Funds		Restricted Funds	Endowment Funds	Total Funds 2010	Total funds 2009
		General £'000	Designated £'000	£'000	£'000	£'000	£'000
Other recognised gains (losses)							
Gains on revaluations of investments for charity's own use		145	213	2,800	19	3,177	1,031
Gain in Investment Assets		6	-	266	(2)	270	23
Net Movements in funds	20	333	494	2,497	17	3,341	270
Reconciliation of funds							
Total funds 01 January 2010		2,910	5,470	59,671	272	68,323	68,053
Total Funds at 31 December 2010		3,243	5,964	62,168	289	71,664	68,323

All incoming resources and resourced expended derived from continuing activities

The notes on pages 66 to 92 form part of these financial statements

BALANCE SHEET

Company Number : 00239561

BALANCE SHEET AS AT 31 DECEMBER 2010

	Notes	2010 £'000	2009 £'000
Tangible Assets	23	36,663	36,840
Investments	24	27,766	22,082
		<u>64,429</u>	<u>58,922</u>
Current Assets			
Debtors	25	2,385	2,742
Investments	26	1,788	4,788
Cash at Bank and in hand		5,262	4,591
		<u>9,435</u>	<u>12,121</u>
Creditors amounts falling due within one year	27	1,740	2,117
Net current assets		<u>7,695</u>	<u>10,004</u>
Debtors falling due in more than One Year	25	697	682
Total Assets less Current Liabilities		<u>72,821</u>	<u>69,608</u>
Creditors falling after more than one year	27	1,157	1,285
Net assets		<u>71,664</u>	<u>68,323</u>
The funds of the Charity			
Endowments	28	289	272
Restricted	28	62,168	59,671
Unrestricted			
General	28	3,243	2,910
Designated	28	5,964	5,470
Total funds		<u>71,664</u>	<u>68,323</u>

The notes on pages 66 to 92 form part of these financial statements

Approved, authorised and issued by the Board of Trustees on 26 May 2011


Peter Sharpe MBE
Director / Trustee / Chairman of the Board of Finance

CASHFLOW STATEMENT

	2010	2009
	£'000	£'000
Net Incoming Resources before transfers	(106)	(784)
Profit on sale of Investments	270	23
Normal Trading Profit	<u>164</u>	<u>(761)</u>
Net Incoming Resources from Normal Operating Activities	164	(761)
Depreciation	913	903
Net Gain on sale of Tangible Assets	(870)	(67)
Net Gain on sale of Investments	(270)	(23)
Interest and dividends receivable	(978)	(987)
Interest Payable	15	17
Decrease in Debtors	304	4
(Decrease)/Increase in Creditors	(454)	405
Net Cashflow from operating activities	<u>(1,176)</u>	<u>(509)</u>
Returns on Investments and servicing of finance		
Interest and dividends received	978	987
Interest Paid	(15)	(17)
	<u>963</u>	<u>970</u>
Capital expenditure and financial investment		
Expenditure on tangible fixed assets	(966)	(567)
Sale of tangible fixed assets	1,100	212
Purchase of Investments	(4,414)	(2,308)
Net Movement in Short Term Investments	3,000	2,085
Sale of Investments	2,177	75
Movement in Parish Loans (Advanced and repaid)	38	(433)
	<u>935</u>	<u>(936)</u>
Net cash inflow/(outflow) before financing	<u>722</u>	<u>(475)</u>
Financing		
Loans Repaid – Property Mortgages	(51)	(55)
	<u>(51)</u>	<u>(55)</u>
Increase/(Decrease) in cash	<u>671</u>	<u>(530)</u>

ANALYSIS OF CHANGES IN NET DEBT

	As at 01 January 2010 £'000	Cashflow £'000	As at 31 December 2010 £'000
Cash at Bank	4,591	671	5,262
Debt			
Loans from Church Commissioners	572	(51)	521
	572	(51)	521
Net debt	5,163	620	5,783

Reconciliation of net cashflow to movement in net debt

	2010 £'000	2009 £'000
Decrease/(increase) in cash during the year	671	(530)
Cashflow from decrease in debt and financing	(51)	(55)
	620	(585)
Net debt as at 01 January	5,163	5,748
Net debt as at 31 December	5,783	5,163

1. Accounting policies

(a) *Basis of Preparation*

The Financial Statements have been prepared under the historical cost convention, but modified for the revaluation of investments and in accordance with applicable United Kingdom accounting standards, the Companies Act 2006, the Charities Act 1993 and adhering to the revised Statement of Recommended Practice Accounting by Charities (2005) effective from April 2005. The Financial Statements are prepared on the accruals concept and Going Concern basis thus assuming the Charitable Company will continue in business and the accounting policies mentioned have been consistently applied.

(b) *Fund Accounting*

Lichfield Diocesan Board of Finance has various types of funds for which it is responsible, and which require separate disclosure. All donations are considered Unrestricted unless specifically stated by the donor.

Unrestricted Funds

Unrestricted Funds comprise the accumulated surplus or deficit on the Statement of Financial Activities which are available for use at the discretion of the trustees of the Board in furtherance of the objectives of the charity.

Designated Funds

If part of an Unrestricted Fund is earmarked for a particular project it may be Designated as a separate fund but the designation has an administrative purpose only and does not legally restrict the trustees' discretion to apply the fund.

Restricted Funds

Restricted Funds are funds subject to specific trusts, declared by the donor(s) or with their authority, but still within the objects of the charity. Restricted Funds may be Restricted income funds, which are expendable at the discretion of the trustees in furtherance of some particular aspect(s) of the objects of the charity. Or they may be capital funds, where the assets are required to be invested, or retained for actual use, rather than expended.

Permanent Endowments

A capital fund where there is no power to convert the capital into income is known as a Permanent Endowment Fund which must be held indefinitely. This concept of "permanence" does not however necessarily mean that the assets held in the Endowment Fund cannot be exchanged nor does it mean that they are incapable of depreciation or loss. The Permanent Endowment Fund cannot, however, be used as if it were income, i.e. to make payments or grants to others. Where assets held in an Endowment Fund are exchanged, their place in the

fund must be taken by the assets received in exchange "Exchange" here may simply mean a change of investment, but it may also mean, for example, the application of the proceeds of sale of endowment land and buildings in purchase or improvement of other property

(c) *Incoming Resources and Investment Income*

All incoming resources are included in the Statement of Financial Activities when the charity is legally entitled to the income and the amount can be quantified with reasonable accuracy and there is certainty of receipt (see page 46)

Voluntary Income

Parish share:-

The Parish Share for the year ended 31 December 2010 is shown as the total Parish Share less specific provisions for doubtful debts for the current and prior years, in accordance with the accruals concept. The Management Accounts show the actual amount of Parish Share received in the year, irrespective of year of allocation, less specific amounts written off

Activities for Generating Funds

This will include income generated from ordinary activities operated by the Board, including Rent received on vacant properties and funds generated via the central Gift Aid scheme and are recognised on an accruals basis

Investment Income

This includes dividends and interest generated in the year including accrued investment income for the period to the year end and is recognised on an accruals basis.

Incoming Resources from Charitable Activities

This will include Statutory Fees from Weddings and Funerals received in the year and accrued income for funds received after the year-end that refer to services up to and including 31 December

(d) *Recognition of Liabilities*

Expenditure is included on the accruals basis and has been classified under headings that aggregate all costs related to the SOFA category. Grants payable are charged in the year when the offer is conveyed to the recipient, except in those cases where the offer is conditional on the recipient satisfying performance or other discretionary requirements to the satisfaction of the Board. Grants offered subject to such conditions,

which have not been met at the year end, would be noted as a commitment, but not accrued as expenditure

Resources Expended - (see page 53)

Cost of Generating Funds

These costs represent a small part of the expenditure and reflect the costs incurred in helping parishes to become more financially viable through good practice and stewardship

Charitable Activities

This includes contributions to the National Church through the General Synod, as well as the cost of ministry in the parishes and the associated support costs, either centrally via the Diocesan Office or support staff such as Central Sector Ministers. The Diocese is not responsible for the costs of the Bishops. This is borne by the Bishopric Department in London, and is therefore not included in these Financial Statements

Governance Costs

These costs represent the cost of Audit and Committee representation

(e) *Support Costs and Allocations*

Where costs cannot be directly attributed to particular headings they have been allocated or apportioned to activities on a basis consistent with the use of resources. Central support costs are apportioned on the basis of estimated usage of resources at the Diocesan Office. The apportionment in 2010 can be summarised as follows -

1% - Cost of Generating Voluntary Income
94% - Resourcing Ministry and Mission
5% - Management and Administration

(f) *Depreciation and Amortisation*

(i) Freehold Property

Financial Reporting Standard 15 "Tangible Fixed Assets" (FRS15) states that tangible fixed assets do not need to be revalued unless the charity adopts a policy of revaluation. Where a revaluation policy is not adopted, however, the assets must be depreciated at rates appropriate to their economic life.

Due to the expense involved in revaluing houses, it is the Board's policy to depreciate them based on their book values at 31 December 2000, or on their cost for those purchased after that date, over a period of 50 years.

(ii) Leasehold Property

The original cost of Leasehold Property is amortised over the period of the lease. The lease of St Mary's House, Lichfield expires on 29 September, 2065. Capital improvements to leasehold property are depreciated over the remaining period to the next rent review. It is anticipated that further major refurbishment will be necessary to St Mary's House by the end of the next rent review in September 2016. The rent per annum until the review in 2016 is £14,000 (2009 £14,000)

(iii) Office Equipment

Office equipment is depreciated at 20% on a straight line basis, with no depreciation being provided in the year of purchase or disposal

(g) *Investments*

Investments are re-valued annually and are shown in the Balance Sheet at Market Value. Any Unrealised Gains or Losses for the year are credited or debited via the Statement of Financial Activities

(h) *Glebe Land*

As reported in the Trustees Annual Report, the Glebe Land has been under review over the last three years to categorise each "terrier". The categories include potential development, future development, good investment land, and potential short-term sale. A full revaluation will be performed every 5 years with a desktop valuation being performed annually. The last full revaluation was performed as at 31 December 2010

2. Property

(a) *General*

The Board takes a vigorous approach to the management of its housing stock. Where properties fall vacant for a short-term period, every endeavour is made to find suitable third-party tenants. This has the double benefit of providing rental income (£206,792 gross in 2010, £167,211 in 2009) which supplements the Parish Share and also keeps vandalism to a minimum.

In accordance with the current Diocesan Financial Strategy, where houses are not likely to be required due to the reduction in stipendiary clergy numbers, they are sold and the proceeds invested to produce additional investment income to offset against the Parish Share, and also to fund the upgrade of the remaining housing stock.

(b) Mortgages and charges on property

A number of properties are currently funded by mortgage from the Church Commissioners at both fixed and variable rates of interest. The total capital outstanding at the year end was as follows

Property Type	Fixed	Variable	Total	2009
	£	£	£	£
Benefice Houses	2,312	56,294	58,606	81,057
Glebe Houses	-	165,927	165,927	194,237
Board Houses	-	-	-	-
Total	2,312	222,221	224,533	275,744

Eight properties (Board houses) are funded by Value Linked Loans (VLLs) from the Church Commissioners. Unlike the mortgages above, capital is only repayable upon sale of the properties. Upon such sale, the proceeds will be remitted to the Church Commissioners in proportion to their 'equity stake' in the property. The amounts involved are as follows

Number of Properties	CCs' Proportion	Board Proportion	Amount	2009
			£	£
0 (0)	Less than 50%	More than 50%	-	-
2 (3)	51% - 99%	1% - 50%	236,706	236,706
4 (4)	100%	Nil	197,000	197,000
Total			433,706	433,706
Total Equity Sharing Loan Funding of the above			291,500	291,500

(c) Property Reserve

The Property Reserve represents the cost of property in the beneficial ownership of the Board, the funding for which came from Restricted Reserves. Upon any subsequent disposal of these properties, the proceeds would be expected to revert to the original source of funding.

(d) Endowment & Glebe Measure 1976 Houses

The houses subject to this Measure are acquired with the approval of the Church Commissioners. Following the implementation of FRS 5, it has been necessary to incorporate property which has been in the ownership of the Board for a considerable number of years but for which no "cost" value is known. These properties have been included at what is considered a "reasonable" value, viz the lower value of the appropriate Council Tax band.

(e) Benefice Property Fund

Again, due to the implementation of Financial Reporting Standards Number 5, "Reporting the Substance of Transactions". Benefice properties have been included in the Balance Sheet (1994 was the first year of their inclusion) These properties have been included at cost or the lower value of the appropriate Council Tax band.

(f) Glebe Land Capital Fund

Glebe Land of almost 2,100 acres was included on the Balance Sheet for the first time in 1998 using an average agricultural land valuation 2,017 acres remain at the Balance Sheet date. It is accepted that there are likely to be certain holdings with development potential but until such time that they are considered for disposal when the market value will be professionally ascertained, the more prudent agricultural value will be used This land was revalued for the first time in 2007 – see note 1(f)

(g) Redundant Church Property Fund

The Redundant Church Property Fund which represents redundant churches vested in the Board was also included in the Balance Sheet for the first time in 1998 The properties have been professionally valued and included in the accounts at two-thirds of that value The Board is responsible for the maintenance of these properties and any costs are borne by the Pastoral Fund

There are also seven properties that the Board have interest in, although they have been transferred and vested in the Churches Conservation Trust (CCT) These properties are as follows -

Battlefield
Patshull S Mary
Shrewsbury S Mary
Wroxeter S Andrew

Longford
Preston Gubbals
Stirchley S James

These are not included at any value and should any financial transaction take place in the future then the proceeds will be treated as either funds introduced or gain on sale of tangible asset depending on the circumstances of the transaction

Notes to the Accounts

	Unrestricted Funds		Restricted Funds	Endowment funds	Total Funds 2010	Total Funds 2009
	General £'000	Designated £'000	£'000	£'000	£'000	£'000
2 Parish Contributions						
Parish Share Contributions Requested	11,647	-	-	-	11,647	11,503
Less Parish Share written off not provided for	(213)	-	-	-	(213)	(200)
Less Increase in Provision for Doubtful Debts	(204)	-	-	-	(204)	(348)
	11,230	-	-	-	11,230	10,955
 Provision for Doubtful Debts						
Total Parish Share Arrears as at 31 December 2010					1,554	1,515
Arrears received in January 2011					(354)	(380)
					1,200	1,135
 Provision for Doubtful Debts as at 01 January 2010					1,135	883
Written off in the year					(139)	(96)
					996	787
 Increase in Provision for Doubtful Debts in the year					204	348
 3 Voluntary Income from Archbishops' Council						
Selective Allocation	1,751	-	-	-	1,751	1,747
Additional Mission and Ministry Allocation	151	-	-	-	151	209
Parish Mission Fund	-	-	240	-	240	230
Youth Evangelism Grants	-	-	-	-	-	15
	1,902	-	240	-	2,142	2,201
 4 Other Voluntary Income						
Ecclesiastical Group	190	-	-	-	190	165
Walter Stanley Trust	157	-	-	-	157	129
Donations	6	11	118	-	135	169
Gift Aid Reclaim	1	2	5	-	8	9
Training Income	15	-	-	-	15	15
Legacies	-	-	22	-	22	5
Other	6	22	19	-	47	31
	375	35	164	-	574	523
 5 Income from Activities for Generating Funds						
Gift Aid Commission	40	-	-	-	40	51
Rental Income from Parsonages	92	-	-	-	92	90
Rental Income from Glebe Houses/DBF	115	-	-	-	115	77
	247	-	-	-	247	218

	Unrestricted Funds		Restricted Funds	Endowment Funds	Total Funds 2010	Total Funds 2009
	General £'000	Designated £'000	£'000	£'000	£'000	£'000
6 Investment Income						
Dividends Received	56	157	629	14	856	729
Interest Receivable	4	20	26	-	50	98
Investment Interest	4	7	61	-	72	160
Rents Receivable	177	-	11	-	188	159
	241	184	729	14	1,166	1,146
7 Incoming Resources from Charitable Activities						
Statutory Fees	889	-	-	-	889	969
Chaplaincy Income	106	-	-	-	106	118
Church Commissioners	132	-	-	-	132	137
Income From Sequestration Accounts	21	-	-	-	21	59
Guildford Diocese Curate	18	-	-	-	18	30
Miscellaneous Income	112	10	16	-	138	95
	1,278	10	16	-	1,304	1,408
8 Other Incoming Resources						
Gain on Disposal of Property	-	-	870	-	870	69
Funds Introduced	-	150	46	-	196	212
	-	150	916	-	1,066	281
9 Cost of Generating Voluntary Income						
Fund Raising Expenditure	130	-	95	-	225	173
	130	-	95	-	225	173
10 Investment Management Fees						
Investment Management Fees	4	-	14	-	18	3
Agents Fees & Commissions	45	-	28	-	73	68
Associated Costs	60	-	12	-	72	79
	109	-	54	-	163	150
11 Contributions to Archbishops' Council						
Training for Ministry	362	-	-	-	362	366
National Church Responsibilities	316	-	-	-	316	308
Grants and Provisions	47	-	-	-	47	51
Mission Agency Pension Contributions	25	-	-	-	25	24
Retired Clergy Housing Costs (CHARM)	100	-	-	-	100	90
Pooling of Ordinand Candidates Costs	47	-	-	-	47	58
	897	-	-	-	897	897

	Unrestricted Funds		Restricted Funds	Endowment Funds	Total Funds 2010	Total Funds 2009
	General £'000	Designated £'000	£'000	£'000	£'000	£'000
12 Expenditure on resourcing Ministry and Mission						
Parish Ministry -						
Stipends & National Insurance	7,289	-	-	-	7,289	7,184
Pensions Contributions	2,628	-	-	-	2,628	2,262
Housing Costs	1,894	257	920	-	3,071	2,961
Removal, resettlement and other grants	181	-	-	-	181	209
Other expenses	406	-	-	-	406	385
	12,398	257	920	-	13,575	13,001
Support for Ministry	1,400	65	187	-	1,652	1,957
Management & Administration (inc Legal Retainers)	675	7	19	-	701	616
	14,473	329	1,656	-	15,928	15,574
Housing Costs include.-						
Depreciation in accordance with Accounting policies	-	19	858	-	877	871
Maintenance	1,041	238	38	-	1,317	1,312
Management of Housing Stock	184	-	-	-	184	126
Council Tax/Water Rates	669	-	-	-	669	647
Miscellaneous	-	-	24	-	24	5
	1,894	257	920	-	3,071	2,961
Support for Ministry Includes.-						
Central Sector Ministry	702	-	-	-	702	683
Diocesan Services to Parishes	274	-	-	-	274	237
Archdeacons, Bishop support costs	397	-	-	-	397	369
Miscellaneous	27	65	187	-	279	668
	1,400	65	187	-	1,652	1,957
13 Expenditure on Education						
Administration	157	-	-	-	157	157
	157	-	-	-	157	157
14 Expenditure on Diocesan Projects						
Growth Fund Projects	-	-	205	-	205	324
Lichfield Church Urban Fund Supported Projects	-	-	123	-	123	43
Bridgebuilders	-	-	15	-	15	-
Diocesan Bishop's Lent Appeal	-	-	40	-	40	45
Diocesan Bishop's Burma Appeal	-	-	-	-	-	1
Cross Talk Conference	-	-	-	-	-	3
Other	-	-	-	-	-	14
	-	-	383	-	383	430

	Unrestricted Funds		Restricted Funds	Endowment Funds	Total Funds 2010	Total Funds 2009
	General	Designated				
	£'000	£'000	£'000	£'000	£'000	£'000
15 Governance Costs						
Audit Fees	21	-	-	-	21	20
Diocesan Synod Expenses	4	-	-	-	4	5
General Synod Representation	22	-	-	-	22	12
Other Committee Costs	17	1	1	-	19	36
	64	1	1	-	66	73

16 Other Resources expended						
Redundant Churches	-	-	6	-	6	24
Loss on Sale of Fixed Assets	-	-	-	-	-	1
Prov'n for Doubtful Debt – Sales	10	-	-	-	10	13
Prov'n for Doubtful Debt – Loan	-	-	-	-	-	24
	10	-	6	-	16	62

17 Analysis of Resources Expended
including allocation of support costs

	Activities Undertaken Directly	Grant Funding of Activities	Support Costs	Total
	£'000	£'000	£'000	£'000
Costs of Generating Voluntary Income	225	-	-	225
Investment Management Costs	163	-	-	163
Contributions to Archbishops' Council	897	-	-	897
Resourcing Ministry & Mission	14,497	730	701	15,928
Education	157	-	-	157
Diocesan Projects	-	383	-	383
Governance Costs	44	-	22	66
Other Resources Expended	16	-	-	16
	15,999	1,113	723	17,835

	Unrestricted Funds		Restricted Funds	Endowment Funds	Total Funds
	General £'000	Designated £'000	£'000	£'000	£'000
18 Analysis of transfers between funds					
Investment Income transferred from Designated reserves	351	(351)	-	-	-
Investment Income transferred from Restricted Reserves*	641	-	(627)	(14)	-
Transfer training income from Ordination Fund	15	-	(15)	-	-
Transfer to Defined Pensions Liability	(97)	98	(1)	-	-
Development Bids	(120)	86	34	-	-
Mortgage Interest repayment via Church Commissioners	(51)	-	51	-	-
Transfer of Property under Pastoral Schemes	-	246	(246)	-	-
Miscellaneous Grants	(26)	24	2	-	-
Transfer to future Clergy Pension Provn	111	(111)	-	-	-
Double Glazing Project	(75)	240	(185)	-	-
	749	232	(967)	(14)	-

* The transfer from Restricted to Unrestricted funds represents the income generated from specific funds where the income is to be used for the support of Stipend and related costs

These Interfund transfers do not include the transfers between funds that both appear under the Restricted Fund heading, as they would produce a cost neutral outcome

The major interfund transfer derives from the sale of property between the property reserves and the Stipend Capital and Pastoral Fund. The funds are only separated for internal accounting purposes to distinguish between cash holdings and property assets

In addition there is a transfer of £1 751m in respect of Stipend Allocation received from the Church Commissioners

However this cancels itself out, as a similar cost of stipends is allocated against it. As a result both funds are shown under Unrestricted Funds for purpose of clarity

19 Net Incoming resources for the year

These are after charging -

	2010 £'000	2009 £'000
Auditors' Remuneration – Audit Fee	21	20
Auditors' Remuneration – non audit services	4	4
Depreciation of tangible fixed assets - owned by the Board	907	897
Depreciation of tangible fixed assets - leased by the Board	6	6
Profit on disposal of fixed assets	(870)	(68)
Unrealised Gains/(loss) on revaluation of Investments	3,177	1,031
Lease payments of buildings - St Mary's House	14	14
Gross Rental Income	(382)	(326)

20 Summary of Fund Movements

	Balances at 01 Jan 2010 £'000	Incoming Resources £'000	Outgoing Resources £'000	Transfers £'000	Gains and Losses £'000	Balances at 31 Dec 2010 £'000
Unrestricted Funds						
General	2,910	15,273	(15,840)	749	151	3,243
Designated						
Ashworth/Lowe	2,972	147	-	(148)	200	3,171
Chairman's Fund	1	6	(6)	-	-	1
Pension/Surplus Provision	325	2	-	(5)	-	322
DBF Designated Houses	48	150	(19)	247	-	426
General Designated	584	24	(53)	150	-	705
ABC Mission Fund	1	4	(6)	1	-	-
Swanwick	1	7	-	-	-	8
Diocesan Growth Fund	600	10	(8)	3	-	605
Vacancy in See Contingency Fund	5	-	-	1	-	6
Lambeth Conference	3	-	-	1	-	4
Fothergill Bequest	195	9	-	(9)	12	207
Legacies Other	15	1	-	(1)	1	16
DBS Pensions Provn	(451)	-	-	99	-	(352)
Stipend Reserve	485	-	-	-	-	485
Future Liabilities Provn	655	8	-	(357)	-	306
Double Glazing Scheme	31	11	(238)	250	-	54
	5,470	379	(330)	232	213	5,964
Restricted Funds						
Property Reserve	1,083	-	(30)	-	-	1,053
Trust Reserve	1,324	52	(2)	(52)	112	1,434
End & Glebe	9,755	412	(245)	337	-	10,259
Benefice	24,378	458	(596)	(843)	-	23,397
Stipends Capital	3,351	155	(11)	(478)	114	3,131
Pastoral Fund	6,415	225	(167)	242	311	7,026
Diocesan Loan Fund	1,690	53	-	-	64	1,807
Church Urban Fund	365	70	(143)	(1)	-	291
Clergy Widows & Orphans	576	49	(25)	-	38	638
Interior decoration Scheme	85	7	(7)	-	6	91
Church Mission	22	-	-	(22)	-	-
Lent Appeal	8	41	(45)	-	-	4
Ordination	71	19	(4)	(15)	5	76
Glebe Land	6,347	3	(28)	(271)	2,171	8,222
Church Mission Project	-	1	-	22	2	25
Redundant Property	519	1	(9)	(1)	-	510
Telford Congregational Church	1	-	(1)	-	-	-
Bridgebuilders	212	7	(15)	-	9	213
Diocesan Growth Fund	(283)	245	(205)	(10)	-	(253)
Youth Grants	1	-	-	-	-	1
Glebe Land Sales	2,746	139	(86)	128	157	3,084
Mission Shaped Ministry	(6)	11	(13)	13	-	5
Stipend Trust Reserve	1,011	96	(20)	(50)	77	1,114
Church Building Support Officer	-	20	(6)	9	-	23
Place of Worship Support Officer-	-	-	(7)	25	-	18
	59,671	2,063	(1,665)	(967)	3,066	62,168
Endowment Fund						
	272	14	-	(14)	17	289
	68,323	17,729	(17,835)	-	3,447	71,664

21 Directors Remuneration and expenses

No remuneration has been paid to any Director in their capacity as Directors

During the year the Board made contributions to the Church Commissioners at the standard rate agreed by the Diocesan Synod towards the stipends, national insurance and pensions contributions of the licensed clergy who are Directors of the Board and provided houses, including the payment of council tax, water rates and maintenance costs, as part of the normal clergy remuneration. Directors were reimbursed for travel, subsistence and incidental costs incurred in undertaking their ministerial activities totalling £1,722 (2009 £2,267). Reimbursed expenses are all subject to the Lichfield Diocesan Board of Finance's processes of internal control and do not form part of remuneration.

22 Employee Details

The average number of employees, based on full time equivalents, were as follows

	2010 Nos	2009 Nos
Management & Administration	19	17
Archdeacons' & Bishops' Support Staff	6	6
Central Sector Ministers/Advisers & Support Staff	27	25
	<u>52</u>	<u>48</u>

The staff costs for the above were as follows -

	£'000	£'000
Gross Salaries	1,114	1,027
NI Costs	98	90
Pension Contributions	281	264
	<u>1,493</u>	<u>1,381</u>

The number of employees whose emoluments exceeded £60,000 were as follows -

£60,000 - £70,000	2	3
£70,000 - £80,000	1	1
£80,000 - £90,000	1	-

Parochial Stipendiary clergy are not employees of the Board of Finance and therefore their stipends, pensions and social security costs are not included in this note

23 Tangible Assets

	Parsonages	Glebe/ Team Vicarages/ DBF	Leasehold Property	Office Equipment	Total
	£'000	£'000	£'000	£'000	£'000
At cost or valuation					
At 01 January 2010	29,889	13,951	162	528	44,530
Additions in the year	14	916	-	38	968
Transfers under pastoral schemes	(396)	396	-	-	-
Disposal in the year	(139)	(93)	-	-	(232)
At 31 December 2010	29,368	15,170	162	566	45,266
Accumulated depreciation					
At 01 January 2010	5,429	1,859	116	286	7,690
Charge for the year	587	290	7	72	956
Transfers under pastoral schemes	(79)	79	-	-	-
Disposals	(25)	(18)	-	-	(43)
At 31 December 2010	5,912	2,210	123	358	8,603
Net Book Value at 31 December 2010	23,456	12,960	39	208	36,663
Net Book Value at 01 January 2010	24,460	12,092	46	242	36,840

Fixed Assets Reserve Movement

	Net Book Value 01 Jan 10 £'000	Additions £'000	Disposals £'000	Transfers £'000	Dep'n £'000	Net Book Value 31 Dec 10 £'000
Unrestricted Reserves	288	38	-	-	(78)	247
Designated Reserves						
ABC Parsh Mission project	1	-	-	-	(1)	-
DBF Designated House Funds	367	208	-	246	(19)	802
	368	208	-	208	(20)	802
Restricted Reserves						
Property Reserves	1,296	-	-	-	(30)	1,266
Trust Reserves	100	-	-	-	(3)	97
Endowment & Glebe Fund	9,949	708	(75)	70	(228)	10,425
Benefice Property Fund	24,461	14	(114)	(316)	(588)	23,457
Redundant Church Property Fund	377	-	-	-	(9)	368
Telford Congregational Church	1	-	-	-	(1)	-
	36,184	722	(189)	(246)	(858)	35,613
Totals	36,840	968	(189)	-	(956)	36,663

24 Investments	Agricultural Land £'000	Residential Property £'000	Commercial Property £'000	Listed Investments £'000	Total £'000
At 01 January 2010	6,459	-	-	15,623	22,082
Additions	-	636	-	3,778	4,414
Disposals	(18)	-	-	(1,889)	(1,907)
Revaluations	1,892	44	-	1,240	3,177
At 31 December 2010	8,333	680	-	18,752	27,766
Cost as at 31 December 2010	4,163	636	-	15,159	19,958
Cost as at 31 December 2009	4,182	-	-	13,270	17,452
Investment By Fund	01 Jan 10 £'000	Additions £'000	Disposals £'000	Revaluation £'000	31 Dec 10 £'000
Unrestricted	667	956	(182)	144	1,585
Designated					
Ashworth/Lowe	2,981	-	-	201	3,182
Fothergill	175	22	(23)	12	186
Other	10	-	-	-	10
	3,166	22	(23)	213	3,378
Restricted					
Trust Reserve	1,214	-	(15)	102	1,301
Stipends Capital	2,167	308	(137)	119	2,457
Stipends Capital - Glebe Land	2,395	734	(516)	164	2,777
Stipend Trust Reserve	1,044	46	-	77	1,167
Clergy Widows and Orphans	531	30	-	38	599
Pastoral Fund	3,059	1,935	(775)	316	4,535
Diocesan Loan Fund	974	175	(181)	71	1,039
Bridgebuilders	132	-	-	9	141
Interior Decoration Fund	28	150	-	6	184
Ordination Candidates	66	-	-	5	71
Church Mission Fund	20	-	-	1	21
Glebe Land	6,347	-	(18)	1,893	8,222
	17,977	3,378	(1,642)	2,801	22,514
Permanent Endowment	272	58	(60)	19	289
	22,082	4,414	(1,907)	3,177	27,766

25 Debtors	2010	2010	2009	2009
	£'000	£'000	£'000	£'000
Due within one year				
Parish Share Arrears as at 31 December	1,554		1,515	
Less Provision for Doubtful Debts	(1,200)		(1,135)	
		354		380
Assigned Fees		95		127
Prepayments		286		397
Loans		510		567
Balance on Property Sales		-		332
Accrued Income		220		148
Insurance Reclaim		15		9
Recharges		422		217
Due from Board of Education		180		264
Sundry		303		301
		<u>2,385</u>		<u>2,742</u>
Due after one year				
Sundry	-		5	
Loans	697	697	677	682
Total		<u>3,082</u>		<u>3,424</u>
Loans				
Due in under one year				
Staff Loans		13		5
Loans to Parishes		497		562
		<u>510</u>		<u>567</u>
Due in more than one year				
Staff Loans		22		8
Equity Sharing Loan (Perrycroft Crescent)		50		50
Loans to Parishes		625		619
		<u>697</u>		<u>677</u>
Total Loans as at 31 December 2009		<u>1,207</u>		<u>1,244</u>
Provision for Doubtful Debt				
Share				
Balance as at 01 January		1,135		883
Provision written off in year		(139)		(96)
Current years arrears – added to provision		204		513
Share received – written back		-		(165)
New Provision as at 31 December		<u>1,200</u>		<u>1,135</u>

Lichfield Diocesan Board of Finance
Annual Report & Financial Statements for the year ended 31st December 2010

	Unrestricted Funds		Restricted Funds	Endow'nt Funds	Total	Total
	General Designated				2010	2009
	£'000	£'000	£'000	£'000	£'000	£'000
26 Short Term Investment						
Allied Irish Bank	-	-	-	-	-	3,000
Anglo Irish Bank	-	-	1,500	-	1,500	1,503
West Bromwich Building Society Corporate Deposit	-	-	288	-	288	285
	-	-	1,788	-	1,788	4,788

27 Creditors	2010	2009
	£'000	£'000
Amounts falling due within one year		
Creditors	892	1,057
Accruals	398	413
DBS Pensions	98	98
Deferred Grants	308	498
Loans from Church Commissioners		
Mortgages	44	51
	<u>1,740</u>	<u>2,117</u>

Amounts falling due after one year		
Deferred Grants	425	410
DBS Pensions	255	354
Loans from Church Commissioners		
Value Linked Loans	297	297
Mortgages	180	224
	<u>1,157</u>	<u>1,285</u>

Total	<u>2,897</u>	<u>3,402</u>
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Loans falling due after one year.-

1- 2 Years	42	44
2 - 5 Years	94	107
After 5 Years	44	73
	<u>180</u>	<u>224</u>

Mortgages – Although the mortgages carry a charge against the properties they relate to, they are not secured loans. In accordance with the charge, when a property is sold that has a mortgage attached to it then the outstanding balance plus any outstanding or accrued interest is taken from the sale proceeds. All mortgages at the year end are with the Church Commissioners.

Pensions

Church of England Defined Benefits Scheme (DBS) - The Board participates in the DBS, part of the Church Workers Pension Fund. During the year to 31st December 2010, the Lichfield Diocesan Board of Finance made contributions of £406,614 (2009 £312,232) and this has been taken as the pension cost shown in these accounts, as explained below.

It is not possible for an individual employer to determine its share of the underlying assets and liabilities because 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. A valuation of the Fund was carried out as at 31st December 2007 and the Board's contribution rate was revised to 24.9% with effect from 1st January 2009 and a deficit of £550,000 repayable over five years commencing 1st January 2009 which is included in these financial statements.

As at 31st December 2010 the Board had 42 active members and 27 deferred pensioner members in the Fund.

28 Summary of Assets per fund

	Fixed Assets		Current Creditors		Net Assets
	Tangible	Investments	Assets		
	£'000	£'000	£'000	£'000	£'000
Unrestricted Funds – General	247	1,585	3,850	(2,439)	3,243
Designated Funds					
Ashworth/Lowe	-	3,182	1	(12)	3,171
Chairman's Fund	-	-	3	2	1
Pensions/Surplus Fund	-	-	322	-	322
DBF Designated Fund	803	-	51	(428)	426
General Designated	-	-	763	(58)	705
ABC Mission Fund	-	-	2	(2)	-
Swanwick Conference	-	-	8	-	8
Diocesan Growth Fund	-	-	614	(9)	605
Vacancy in See	-	-	6	-	6
Lambeth Conference	-	-	4	-	4
Fothergill Bequest	-	186	21	-	207
Other Legacy	-	10	6	-	16
DBS Pensions Liability	-	-	-	(352)	(352)
Stipend Reserve	-	-	485	-	485
Future Clergy Pensions Provn	-	-	544	(238)	306
Double Glazing	-	-	262	(208)	54
	803	3,378	3,092	(1,309)	5,964
Restricted Funds					
Property Reserve	1,266	-	-	(213)	1,053
Trust Reserve	97	1,301	33	-	1,434
Endowment & Glebe	10,425	-	-	(166)	10,259
Benefice	23,457	-	-	(60)	23,397
Stipends Capital	-	2,457	1,460	(786)	3,131
Pastoral Fund	-	4,535	2,942	(451)	7,026
Diocesan Loan Fund	-	1,039	768	-	1,807
Lichfield Church Urban Fund	-	-	327	(36)	291
Clergy Widows & Orphans	-	599	40	(2)	637
Interior Decoration Scheme	-	184	201	(295)	90
Church Mission	-	21	3	-	24
Diocesan Bishop's Lent Appeal	-	-	60	(56)	4
Diocesan Bishop's Ordination Candidates' Fund	-	71	23	(19)	75
Glebe Land	-	8,221	-	-	8,221
Redundant Property	368	-	142	-	510
Place of Worship Support Officers	-	-	25	(7)	18
Church Building Supports Officer	-	-	23	-	23
Bridgebuilders	-	141	111	(40)	212
Diocesan Bishop's Growth Fund	-	-	312	(565)	(253)
ABC Youth Fund	-	-	1	-	1
Glebe Land Sales	-	2,777	432	(127)	3,082
Stipend Trust Reserve	-	1,167	2	(56)	1,113
Mission Shaped Ministry	-	-	11	(6)	5
	35,613	22,514	6,916	(2,875)	62,168
Endowment Fund	-	289	-	-	289
	36,663	27,766	13,858	(6,623)	71,664

In the above table, the Current Assets and Liabilities include inter fund debtors and creditors

Designated Funds

1. *Ashworth/Lowe*

This fund arose from two legacies left to the Board for general purposes and a stipends reserve fund created to hold sufficient funds in cash or 'near cash' to cover the cost of 6 months' clergy stipends, National Insurance and pensions. It provides the Board with a contingency fund equivalent to a minimum of 4 7 months' stipends and is considered to be an appropriate level of investment to generate a required amount of income to assist the Diocesan Budget – see page 29

2 *Chairman's Fund*

This small fund assists in giving annual grants to Clergy and their family towards the cost of holidays. The Diocesan Bishop's Discretionary Account and an Annual grant from the Queen Victoria Clergy Fund support the fund.

3 *Pension Provisions Fund*

This fund arose from the surpluses of previous years, predominantly in 1994, and was created to help with the absorption of the clergy pension costs over a period of time, thus reducing the burden on parishes. It was agreed in March 2005 that the income generated from the balance of the reserves be made available to the Diocesan Bishop's Growth Fund.

4. *DBF Designated Houses Fund.*

The fund is represented by property purchased from Unrestricted Funds, including providing housing for Deserted Clergy Spouses. There are twelve properties in this class, of which the fund has less than 50% interest in six properties, four of which are wholly owned by the Church Commissioners via an Equity Sharing Loan. Details of the Loan Agreements are shown under Accounting Policies Section 2b on page 70.

5. *ABC Parish Mission (Church without Walls)*

This fund represents the funds placed towards the Church Without Walls project in the Stoke and Newcastle Deaneries. The money originates from the initial Mission Fund Grant in 2001 and 2002 from the Archbishops' Council and represents the balance from the one third agreed to be offset to support Mission Projects. The Directors agreed to fully finance the stipend of the post for up to five years. This fund is due to be fully expended at the end of 2008, when alternative patterns of funding will need to be introduced. The fund was due to expire in 2007, however due to sound investment policy the Board has enabled the post to remain financed by this fund for an additional year. Although the post is vacant, the Project still operates through Lay Ministry and overheads are covered by the generous donations of the congregation.

6 *Swanwick Conferences*

The fund originates from surpluses from previous Swanwick Conferences to help and support future bi-annual conferences. After the 2009 Conference it was agreed to extend the period between conferences to three years and therefore the next conference is in 2012.

7 *Diocesan Bishop's Growth Fund*

It was agreed in October 2004 to set aside £456,635 from the 2005 Budget to enable up to £1m capital to be raised so as to generate additional income which could be used through grants to support Growth and Mission work throughout the diocese. The fund is also supported by income from other Designated Funds (pensions provision) and some Restricted Funds, including Parish Mission Fund Grants from the National Church. The Trustees have agreed that the next triennial tranche of funds from the National Church for 2008 to 2010, totalling approximately £680,000 can be used to continue to support growth projects.

8 *Vacancy in See Fund*

The fund represents a contingency against potential future costs.

9. *Lambeth Conference*

The fund represents a contingency against the Conference costs. The next conference is scheduled for 2018.

10 *Fothergill Bequest (inc other Legacies)*

In 2005, the Board was in receipt of the residual estate of the late A P Fothergill. In accordance with the terms of his will, the income and capital may be utilised by the Board as the Directors think fit. The funds have been Designated so that the capital reserve is used towards the current policy of having six months costs in reserves (see 1 – Ashworth/Lowe) and the income is used to finance the day-to-day activities of the Board – see page 29.

11. *General Designated Fund*

Once the reserves are reviewed, if there remains any surplus funds these are transferred in to this Designated Fund to be allocated for specific projects at discretion of the trustees. It is important to stress that this money supports work outside the Diocesan Budget and is therefore restricted to short term funding. Unless the work is either added to the budget at the expense of existing work or additional external funding can be found the work ceases. Some of the expenditure is specific with a short time span. Some £0.18m was transferred in 2006, a further £0.54m in 2007 and an additional £0.35m in 2008. The income generated by the fund is transferred to support the Diocesan Budget each year, until the funds are exhausted.

12 DBS Pensions Provision.

In accordance with the S75 Pensions Act 2006, the Diocese is now a Major Responsible Body within the Defined Benefit Pension Scheme. This basically states that if the Diocese were to withdraw from the fund then it would remain responsible for the current level of future liabilities. At the last revaluation date the deficit attributed to the Board was £0.55m. This will be repaid over the forthcoming five years.

13. Stipend Reserve

In addition to liquidity the trustees are also committed to ensuring there is a sufficient Designated Reserve available to them to ensure in any downturn in income there are sufficient funds to pay the clergy for a minimum of 4.7 months. It is believed that this is sufficient time to restructure the finances and liabilities. This fund is used from surplus funds to ensure the minimum reserve level is obtained. See note 11 above.

14. Future Liabilities Provision

In light of the anticipated increase in Clergy Pension contributions in either 2010 or 2011 and again in 2014 as part of the Budget approved for 2009, it was agreed to transfer additional funds being received from the Archbishops Council into this provision reserve. The idea is that funds will be released in future years to smooth the impact of increased pension provisions without either reducing stipendiary numbers or unrealistic increases in Parish Share.

15. Double Glazing

In 2008, the Diocesan Investment Group recommended to the Finance and Central Services Sub Committee to set up a fund to be financed predominantly from the Pastoral and Diocesan Stipend Fund to make available up to £1m over a four year period in order to ensure all Diocesan property had double glazing. It was agreed to make £125,000 available in 2009, and 2013 and £250,000 available in 2010, 2011 and 2012. During this time all other capital expenditure is suspended from the Pastoral and Diocesan Funds.

Restricted Funds

1 Trust Reserve

This fund derives from a combination of legacies and donations, which have been left to the Board in trust funds. This fund also includes the proceeds from Trust funds that have been left for the benefit of the Board and subsequently wound up under the Charities Act 2006. Only the income may be used and is transferred annually to the Unrestricted Fund towards supporting the Diocesan Budget.

2. Endowment and Glebe

This fund only contains Glebe Property, such as Curates Houses and Team Vicarages. When a property is sold the proceeds are transferred to the Diocesan Stipends Capital Account. When a property is purchased the funds are transferred from the Stipends Capital Account back into this fund.

3. Benefice Property

This fund only contains Benefice Property – Vicarages etc for Incumbents and Team Rectors. When a property is sold, the proceeds are transferred to the Pastoral Fund. When a property is purchased the funds are transferred from the Pastoral Fund Account back into this fund.

4. Pastoral Fund (Restricted Fund) – see page 28

Under the Pastoral Measure 1983 section 78(3), dioceses are allowed to use this fund for the repair of parsonage houses and for the payment of clergy stipends. It is the Board's policy to apply the fund as follows:

- Invest liquid assets, the income from which will support the Parish Share,
- Retain the balance to cover expenditure for other liabilities of the Pastoral Fund such as redundant churches' costs and the purchase of new houses for clergy, as well as covering any shortfall on the Ashworth/Lowe Stipends Fund

5. Diocesan Stipends Fund (Restricted) – see page 28

In accordance with the Diocesan Stipends Fund Measure 1953, as amended by Section 9, 35(1) and (2), 47 (4) and schedule 8 of the Endowments and Glebe Measure 1976, and various other later Measures, the reserves in the Diocesan Stipends Fund (or Stipends Capital) must be retained, with the income made available towards meeting the cost of the Clergy Stipends in the year. Therefore the income generated assists with reducing the burden on the parishes through the amount required in Parish Share.

This fund is also used for purchasing Curates Houses and Team Vicarages, and it receives the proceeds of sales of any Glebe Land.

6. Diocesan Loan Fund

The fund originates from the Diocesan Bishop's Million Shilling Fund at the turn of the 20th Century. The funds are made available to be loaned out to parishes to assist with the cost of Church Buildings. No grants are permitted from this fund, solely loans that are charged at a Variable Debit Rate of 1% above that earned on CBF Deposit. The rates and

terms of the loans are governed and overseen by the Church Buildings Committee

7 Church Urban Fund

This fund was set up following the appeal to generate funds for the National Church Urban Fund in the late 1980's. The fund is used to pay out grants to urban parishes towards specific projects. Grants are awarded by the Faith in the City Action Committee. The fund is supported by some small donations throughout the year for which the Board is grateful. However, the majority of funding is financed by a grant from the Mercian Trust via the West Bromwich Building Society. In 2010, this grant was £59,814 (2009 £81,000). The grant is calculated according to the balance on the Community Fund account; the Building Society operates on behalf of the Urban Fund.

8 Clergy Widows and Orphans

The fund derives from numerous legacies. Only the income can be used to support Widows and Dependent Children of deceased Clergy. The income may also be used to support Clergy infirmed or disabled. Initial grants are traditionally given at the time of the clergy person's death and the widows and dependents are supported further by annual Christmas grants.

9 Interior Decoration Scheme

The fund is designed to assist parishes in meeting the costs of internal decoration of either Benefice or Glebe Houses. The parishes are requested to contribute £250 per annum, and provided the money remains in the possession of the fund for 12 months, a bonus of 25% is awarded.

10 Lent Appeal

Each year the Diocesan Bishop launches his Lent Appeal across the Diocese. The donations received in the year are awarded to specific areas of work specified at the time of the launch. Historically 50% of the donations are used for Local projects in the Diocese and 50% to Overseas Mission.

11 Ordination Candidates Fund

This fund supports the training of Ordinands in the Diocese. Each year the surplus in the fund is transferred to the Unrestricted Training Budget to assist with the costs. The donations arrive from collections at Licensing and Confirmation services and are shared between this fund and local projects once the costs of the service have been met.

12 Glebe Land

This fund represents the historic Glebe Land. When land is sold the funds are transferred to the diocesan Stipends Account. However the Board operates a special Glebe Land Sales Fund to monitor investment performance and Annual Rates of Return.

13 Redundant Property

When a church building is made redundant, it becomes the responsibility of the Diocese until the point of disposal. When disposed, 2/3rds of the proceeds after costs are transferred to the Pastoral Fund, the remaining 1/3rd is paid to the Church Commissioners Redundant Churches Committee. This fund represents the Redundant Churches for which the Board still holds responsibility.

14 Telford Congregational Church

In accordance with the Diocesan Strategy for Growth, various Pioneer posts have been created. One of these posts is in Telford and this fund represents Restricted Funds given to support the project.

15 Bridgebuilders

The fund derives from historical legacies, where the income is used to make grants to Church plants especially in greenfield areas.

16 Diocesan Growth Fund

It was agreed in October 2004 to set aside £456,635 from the 2005 Budget to enable up to £1m capital to be raised so as to generate additional income which could be used through grants to support Growth and Mission work throughout the diocese. The fund is also supported by income from other Designated Funds (pensions provision) and some Restricted Funds, including Parish Mission Fund Grants from the National Church. The Trustees have agreed that the next triennial tranche of funds from the National Church for 2008 to 2010, totalling approximately £680,000 can be used to further support Growth projects.

17 Glebe Land Sales

This fund represents the sale proceeds from Glebe Land as explained above. Income is paid across to Unrestricted Funds to support the cost of stipends etc.

18 Stipend Trust Reserve

This fund originates from the transfer of Endowment and Glebe Measure Stipend Trusts previously vested in the Custodianship of the Diocesan Trust but under the management of the Board of Finance. The income, already being received by the Board, can only be used to pay stipends. It is therefore appropriate that this fund is also used as part of the overall Stipend Reserve (see page 28)

19 Church Building Support Officer

Due to funding made available from English Heritage and the Borough Councils of Newcastle and Stoke, an Officer has been employed to help churches both raise funds for their Church Building but also offer advice on how the properties can be used more effectively and efficiently. This post operates predominantly in the deaneries in Newcastle and Stoke. It is currently a three year funded post supported by funds made available from the Development Budget.

20 Place of Worship Support Officer

Due to funding made available from English Heritage, an Officer has been employed as part of the succession planning for the Secretary to the DAC. In the preceding three years the Officer will help parishes across the diocese to apply for grants to help with maintaining their Church Buildings and offer advice on how the buildings can maximise their usage.

21 Property Reserve

This reserve represents Property owned by the Lichfield Diocesan Board of Finance. The properties are classed as restricted as opposed to designated as there are restrictions on sale proceeds that have originated from historical restricted funds.

22 Church Mission

A restricted fund created to encourage parishes to contribute to support overseas mission and support companion diocese, and to encourage better links and arrange visits to share spirituality.

23 ABC Youth Fund

The residual balance from grants made available from the Archbishop's Council to support Youth work in the diocese.

24 Mission Shaped Ministry

A series of courses that are operated to encourage, support and bring closer Mission and Ministry across the diocese.

In addition to the Restricted Funds, the Board also has an Endowment Fund as follows -

Endowment Fund

The fund originates from anonymous donations in 1955. The fund was set up as an Endowment to support the furtherance of the charitable objectives of the Board and as a result the income generated in the year is transferred to the Unrestricted Funds. Although the fund is an endowment there are terms and conditions which allow the capital to be spent in the same manner as the income. However, the Board's policy is to retain the capital in investments for the time being to generate income to support the overall work of the Board.