

Lichfield Diocesan Board of Finance (Incorporated)

**Annual Report & Financial Statements
for the year ended
31 December 2011**



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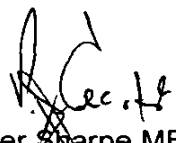
Chairman's Report

My report in the annual accounts for the year ending 31 December 2010, highlighted the challenges of working within the disciplines of realistic financial forecasting and the setting of clear priorities if, together, we are to continue to successfully pursue the objectives of *Going for Growth*, and that one of the main challenges would be to ensure limited central resources are used to maximum effect by considering the work of the Diocese as a coordinated whole

Given the hugely complex nature of the structures and governance of the Church of England that is easy to say, but rather more difficult to achieve. Never the less during the past year much effort has been put into trying to achieve these objectives. The *Plain Speaking* initiative, whose main aim is to help achieve sustainable ministry in a fast changing world, has continued to make significant progress, and Bishop's Council undertook a comprehensive review of diocesan governance, with a view to giving real meaning to the concept of being "episcopally led and synodically governed", and so help focus our efforts in the most productive way. Complementing *Plain Speaking* and *Going for Growth*, a comprehensive review was undertaken of the Parish Share formula system. Following wide ranging consultations with "critical friends", and seminars with Deaneries across the Diocese, these proposals were overwhelming approved by Synod. The Board extends grateful thanks to the Lay Assessors for their significant involvement in this project.

The Diocese of Lichfield is blessed with excellent people in a wide range of callings and disciplines, and the Board is immensely grateful to you all. The Board is particularly grateful for the faithfulness of the parishes whose parishioners have borne the brunt of these times of austerity, which make the need to make the very best of the Board's resources at all levels even more pressing. The Board does not take this support for granted.

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 MBE
Chairman

31 May 2012

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 2011 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 2011, and of its incoming resources and application of resources, including its income and expenditure, for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

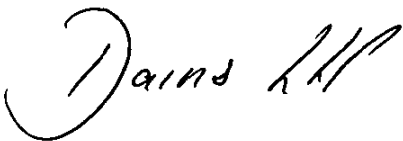
Opinion on other matter prescribed by the Companies Act 2006

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

31 May 2012

Trustees' Annual Report

For the year ended 31 December 2011

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 2011

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, 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 co-operation 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 29 Deaneries.

Company Status

The Lichfield Diocesan Board of Finance was incorporated as a company on 14 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 28 April 1960, 6 February 1968, 18 June 2003 and 13 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 29 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 Board 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 1 August 2012 to 31 July 2015

Membership as at 31 December 2011

President	The Diocesan Bishop
Chairman	Mr P Sharpe
Deputy Chairman	The Venerable C Sims
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	The Venerable P Thomas (from May 2011)
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	Mr S Eyre (24 February 2012)
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 Deanery Synod) are elected from each of the 29 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
		Mr J Wilson**
Penkridge	The Revd I Cook	Mr R Jones
	The Revd M Coulter	Mr J Jordan
	The Revd S Finn	Mr A Townsend
	The Revd S Whitcombe RD	Vacant
Rugeley	The Revd S C Davis	Mrs C J Brown
	The Revd J Leonard	Mrs J Francis
	Vacant	Mr G Joynson MBE
		Mrs G Joynson
Tamworth	The Revd O Harrison	Mr D Litchfield
	The Revd K Lindsay- Smith	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
		Mr R Kettlewell
		Mr L Warrilow
Ellesmere	The Revd P Edge	Mr S Ballantyne
	The Revd A Netherwood	Mr J Rose
Hodnet	The Revd C Beech	Mr G Chapman
	The Revd L Chapman	Mr R W Currell
	The Revd M Last	Mr R Revell
		Vacant
Oswestry	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 Vacant	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	4 Vacancies	
Wem & Whitchurch	The Revd R Haarhoff RD The Revd D Pomery	
Wrockwardine	The Revd Preb D Chantrey RD The Revd P Cawthorne	
<u>Stoke Archdeaconry</u>		
Alstonefield	The Revd A Ballard Vacant	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 C Gill Mrs J Locke Mr J Maddison Vacant
Eccleshall	The Revd J Graham The Revd A Hetherington	
Leek	The Revd Preb L Price The Revd R Woods Vacant	
Newcastle	The Revd T Bloor RD The Revd B Wilson 2 Vacancies	
Stafford	The Revd S Abram The Revd G Fowell The Revd P Graysmith Vacant	Mrs D Abram Mrs M Austen Mrs B Metcalf Mr J Clark Miss A Phillips Mrs M Snape
Stoke North	The Revd C Broad The Revd D McIndoe The Revd S Pratt The Revd J Stather	
Stoke	The Revd S Jones The Revd D Lingwood RD The Revd P Lockett Vacant	Mr G Baynham Mr C Lilley Mr M Whittaker
Stone	The Revd P Dakin RD The Revd P Kingman	Mr B Fletcher Mr I Forster Dr P Graetz
Tutbury	The Revd M Freeman RD The Revd N Irons	Mrs M Fitchett Mr T Foster

Uttoxeter	The Revd G Reading The Revd A Ridley The Revd K Govan The Revd B Leathers RD 2 Vacancies	Mrs Y Johnson Mr J Wedd Mrs J Gent Miss B Stubbs Mrs J Ward
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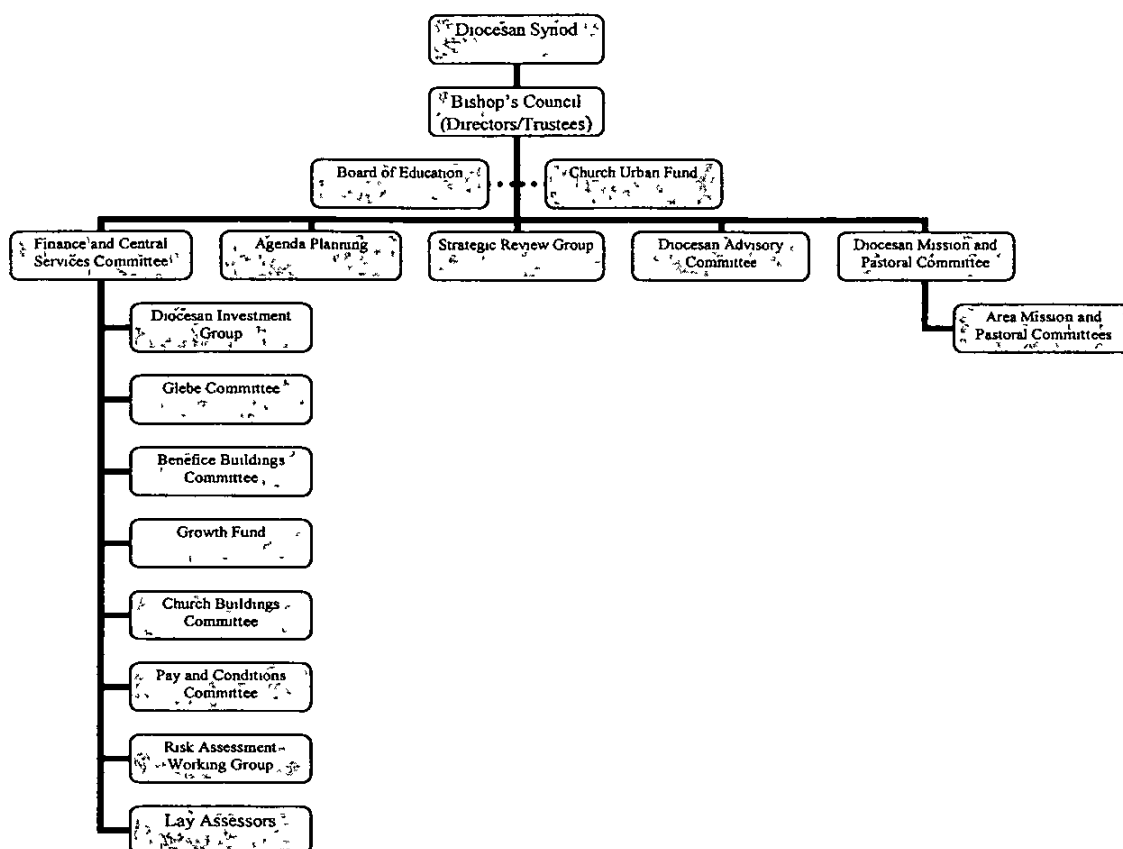
Walsall Archdeaconry

Trysull	The Revd P Brown The Revd J Hartswell The Revd J Perry The Revd R Reeve The Revd Dr C Rudd	Mrs V Bamber Mr D Baxter Mrs L Hingley Mr R Pithers Mr C Randles Vacant Nr N Beck Mrs D Carter Mr D Perkins Mr M Ward Vacant Dr G Pearce Vacant
Walsall	The Revd M Kinder The Revd K Lowther The Revd C Ramsay The Revd M Rutter RD 2 Vacancies	
Wednesbury	The Revd A Gwillim The Revd R Inglesby RD The Revd D Marsh	
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 A Arora Vacant	Mr E George Mrs M Nicholls Mr W Nicholls Mr J Sturgeon
Wulfrun	The Revd G Bennett The Revd S Mansfield The Revd P Hawkins RD The Revd I Poole	

Nominated Members

Mrs E Binsley
Mr N Bradley (PFU Manager)
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 and 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. As agreed at the November 2011 meeting of Bishop's Council this fund and committee have been transferred to the Mercian Community Trust with effect from 31 December 2011

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 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 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, and current Trustees will serve until 30 September 2012. Following the Diocesan Synod elections a new Bishop's Council will be elected and will be in place from 1 October 2012, and members will serve until 30 September 2015

Trustees are 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"

Trustees' Responsibilities Statement

The Trustees (who are also directors of the Lichfield Diocesan Board of Finance (Incorporated) for the purposes of company law) are responsible for preparing the Trustees' Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

Company 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 charitable company and of the incoming resources and application of resources, including the income and expenditure, of the charitable company for that period. In preparing these financial statements, the trustees are required to

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

The trustees are responsible for keeping adequate accounting records that disclose with reasonable accuracy at any time the financial position of the charitable company 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 charitable company 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 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 funds held to support the Diocesan Bishop's Discretionary Fund. The total funds held in the Custodianship of the Board as at 31 December 2011 was £241,072 (2010 £256,138) see page 76

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 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. 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.

With effect from 29 February 2012 this company changed the name to Mercian Community Trust.

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 318 members in the scheme out of a total membership of approximately 9,000 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 31 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 1 April 2008. The contribution rate was subsequently increased to 45% of pensionable stipends with effect from 1 January 2010, reflecting unfavourable investment experience and changes in financial market conditions. Following the valuation of the Scheme as at 31 December 2009, and some agreed changes to benefits; the contribution rate has been set at 38.2% with effect from 1 January 2011. Only contributions made by the Board to the National Scheme are included in these financial statements.

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 31 December 2011, the Lichfield Diocesan Board of Finance made contributions of £410,157 (2010 £406,614) 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 31 December 2007 and the Board's contribution rate was

revised to 24.9% with effect from 1 January 2009 and a deficit of £550,000 repayable over five years commencing 1 January 2009 which is included in these financial statements

The latest valuation was carried out as at 31 December 2010 and this showed the deficit had increased to £842,000 as at that date. If the scheme was to be continued in the current format and benefits this would mean a contribution rate of 28.30% from 1 April 2012 and repayments of £186,126 per annum from 1 April 2012 to 1 April 2017. This increased deficit and repayments is reflected in these financial statements.

As at 31 December 2011 the Board had 51 active members and 29 deferred pensioner members in the Fund. Consultations on the future of this fund and an alternative scheme is currently under a consultation period and is due to end in early June 2012.

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 and Management, Operations, Financial, Environmental/External Factors and Compliance with Law and Regulation. A detailed risk register has been compiled and a total of 118 (2010: 113) potential risks have been identified and assessed as to the likelihood of their happening and the potential impacts on the Board were they to occur. Only five of these identified risks (2010: 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 Directors 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 Directors and 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	28	-
Operational	33	-
Financial	29	3
Environmental and External	16	2
Compliance	12	-

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 Walsall
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 Salop The Archdeacon of Stoke-upon-Trent The Revd J Allan RD Mr J Wilson Mrs E Townsend
Elected	The Revd Preb D Chantrey The Revd Preb G Gardiner (to 31 May 2011) The Revd M Kinder Mr D Beswick Mr P Bowran Mrs D Carter Mr A Charles Mr J Clark Mr C Corbet Mr R Currell Mr G Joynton MBE Mr D Perkins Mr M Revell Mr J Rose
Nominated by the Bishop	Mrs J Price
Co-Opted Member	Mrs J Beedon (to 31 December 2011)

Principal Officers and 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

EFG Harris Allday, 33 Great Charles Street, Birmingham

Surveyors: 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. A new finance strategy is due in 2013 to take into consideration the change in the economic climate, and to ensure a financial sustainable model in conjunction with other diocesan strategies in the coming years

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

Each year following the Putting Parishes First initiative launched by the Chief Executive Officer in March 2010, an annual report is presented to Bishop's Council each February to explain the aims and the objectives of each area of work to support the Mission and Ministry of the Board across the Diocese

In addition in January 2011 Plain Speaking was launched to look at the Diocese and compare sustainability in Mission and Resources. As this is an ongoing exercise and the results will structure the future diocesan policies over the coming years, this is included under Plans for the Future on page 72

Mission

Objectives for 2011:

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 (MAP) and help the Diocesan Mission Action Plan Strategy, especially Growth Visits Oversight of PDAs (Parish Development Advisors) in this work.
3. Organise, encourage and resource Back to Church Sunday
4. Develop and co-ordinate 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. Co-ordinate and support Bishop's Weekend Missions
8. Develop training to equip the churches e.g. Larger and Mid-Size Churches Conferences. Continue to develop consultancy groups and explore the possibility of doing this with Mid-Size Churches. Work with the Ministry Dept to develop and deliver appropriate training. Develop and deliver "Closing the Back Door"
9. Continue to send out a weekly email with resources, top tips, prayer requests and mission events to those who have agreed to receive this
10. 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, exploring especially catholic renewal
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 Mission Shaped Introduction to be piloted and cascaded through as much of the Diocese as possible

Achievements and Performance

During the course of 2011 Local Mission made good progress in all of the areas above Specific areas for comment

1 Numerous churches and individual clergy have been visited or contacted by email/telephone This is in response to requests from churches or senior staff, pro-active visiting of new clergy, relating to Mission Weekends and Growth Visits (see below) or follow up to these.

2 Growth Visits

a These have continued to take place in the Stoke Area but follow up to the MAP exercise has been difficult due to there being only one PDA in post with Paul Thomas moving to be Archdeacon of Salop The Director of Mission has also had to take on some of the admin of putting the MAPs on the server and updating the spreadsheet

b They have begun in the Salop Area but administration problems have meant that several visits have not taken place

c We have developed an effective system of annotating the spreadsheet to keep track of progress and this has also been transferred to the Wolverhampton Area where the Archdeacon of Walsall's PA is putting the MAPs on the server and updating the spreadsheet The Archdeacon of Lichfield has continued to do Growth Visits on a slightly different basis but with effectiveness and the Director of Mission has joined in with several of these

An exciting development linked to this with the PDAs is the development of covenants from the old mandated system This has meant a lot of work and has in some ways distracted from the MAP process but the pattern developed integrates extremely well with MAPs and healthy churches and so the long term benefit will be well worth it It has also been good to welcome Dr Lindsey Hall to the meetings with PDAs and to work with her in her capacity as Director of Lay Development

3 Back to Church Sunday again took place with Richard Barrett taking on the main role of organising and co-ordinating this

4 Lynne Mills has taken on the co-ordination of the Mission Team and it has effectively worked in several mission situations in the year

5 Consultants have been used for the Larger Churches Process (below), with individual churches, and for specific pieces of work (stats and reviews) The consultants we use are

Canon John Holmes, Ven Bob Jackson, Canon Michael Mitton, Rev Nick Ladd. Simon Chesters has left CPAS and so we no longer use him

6 The Mystery Worshippers have continued to do their work to support Welcome in churches There are a team of 8 people and they have done 18 visits

7 There have been four Mission weekends and one renewal weekend this year.

8 A Larger Churches Conference took place on 24 September with the theme of "Reshaping the church for a changing world" 25 churches attended and we used the consultants to deliver a lot of the teaching and sought to strengthen the consultancy groups through church members meeting the consultant as well as the Vicar. There are now four consultancy groups and they are well-established. "Closing the Back Door" and MSI courses have been developed and delivered. On 26 March we also held a training day for mission and ministry to men using "Christian Vision for Men". This was in Walsall and attracted almost 150 men. See below for Healing and Deliverance.

9 LEMnAID, the weekly email information and resources letter has continued to grow and develop and has almost 600 people receiving it.

10. Once again the One Year Evangelism Course did not have enough people wanting to do it to warrant running the course and so in consultation with Dr Lindsey Hall we decided to suspend this course and develop ways to deliver the training within it to churches in their areas.

11 Rev'd George Fisher has continued to Chair of the Diocesan Renewal Group and has engaged with several catholic clergy to look at renewal for their churches. The Annual Renewal Conference took place successfully but the Area conferences were not as well attended as hoped. The Director of Mission has also taken on responsibility for the Spirituality Team. The one day courses on Healing, Deliverance and Psychological Wholeness developed into a 48 hour conference at Swanwick which was attended by 50 participants.

12 The Stoke Mission Shaped Ministry Course was completed. Due to low numbers on recent courses, it has not been possible to continue to employ an Administrator for the course. The Administrator has agreed to continue on a voluntary basis and help develop the Black Country Course in Codsall. Rev'd Richard Moy, Fresh Expressions Adviser, had moved to take a new role and Rev'd Steve Kelly, one of the Pioneers, has been appointed to replace him. Two MSI courses have taken place but these have not cascaded down as was hoped. Cerys Hughes, the Messy Church Adviser, has settled into her role and is supporting existing Messy Churches as well as encouraging the development of new ones, and is looking to develop appropriate training along with the Youth and Children's Adviser.

In addition to the above the following have been important:

- a. We have begun to develop a Youth Strategy with a small team in the Diocese.
- b. Libby Leech has been appointed as Schools Outreach Adviser.

World Mission

Purpose

"We must never forget that we are part of not just the wider Church of England and the Anglican Communion; but the worldwide church of God. The Director of World Mission will help us to focus on that, and enable the Diocese to

respond to the guidance of the Holy Spirit to fulfil our Lord's calling to play a full part in the global partnership of God's people in Christian mission."

Bishop Jonathan Gledhill, January 10th, 2010

Achievements 2011

Strategic Companion Links with the following Dioceses: West Malaysia, Singapore and Kuching in the Province of South East Asia, Matlosane in South Africa, Qu'Appelle in Canada and with the Evangelical Lutheran Church in Mecklenburg, Germany

Parish to Parish Links: we encourage parishes to develop links with our Companion Dioceses as a means of praying for each other in an informed way and of establishing relationships of trust and mutual understanding

The St Chads Volunteer Programme enabling young people (18-35) both to go to our Companion Dioceses and to come here on 6-12 month placements

World Development we seek to provide guidance and encouragement from World Development Advisers to assist parishes in engaging with issues of development and justice, including the promotion of Fairtrade, working with Transforming Communities

World Mission Audits a way of encouraging parishes to review and reflect on their engagement with World Mission, providing advice and assistance in establishing new links, making the most of existing ones and of deciding priorities in mission

World Mission in the Diocese of Lichfield also offers:

- Prayer and worship resources from the world church, including producing the **Diocesan Prayer Diary**
- Expertise and assistance with sabbaticals and short term exchange visits
- Resources for missional spirituality through the **Community of St Chad**
- School to school links
- Opportunities to engage creatively with "the world that has come here"
- Study material on the world church and world mission
- Openings for service overseas including teaching English in S E Asia

Ministry

Objectives and Achievements

Team

Bonding together of new team – *we have shared together in an awayday, a Team Review facilitated by the Diocesan CEO, met monthly for officers meetings and departmental meetings and continued to invest in the team*

Work with the Diocesan initiative on Plain Speaking, dealing with demographic and ministerial changes in the next 3 years – *this is ongoing, see weaknesses below.*

Diocesan Director of Ordinands (Vocations) (DDO)

In partnership with the new Director of Lay Development, embed new exploratory year for ordination and reader candidates – *there are 49 participants on the current "Pathways' Course"*

In consultation with Youth Vocations Team and Diocesan Bishop develop strategy to build on 2010 achievements in relation to young vocations – *in 2011 of the eight stipendiary candidates recommended for training, seven were under 35.*

In consultation with the Diocesan Bishop and Director of Finance establish a post for a part-time Youth Vocations Officer – *this remains an aspiration.*

In partnership with Pam Daniel (MEA Advisor, Wolverhampton Area) develop a strategy to foster Minority Ethnic Anglican vocations. – *this led with the assistance of the National Adviser for Minority Ethnic Anglican Concerns to organised diversity training for Vocations Advisers and BAP Advisers*

Continued Ministerial Development (CMD)

Review of CMD provision in the light of the Archbishop's Council recommendations *Ministry Development Advisors have begun to develop training plans with clergy following their Ministry Development Reviews. A funding strategy has been agreed with Bishop's staff, to include ministry development funding for all licensed clergy, increasing in a phased manner to account for inflation and increased take-up.*

IME 4 – 7 (Curates)

Review of residential weekend provision *This was conducted with 2 year groups of curates, resulting in a revised weekend programme*

Investigation of possible accreditation in IME 4 – 7. *In co-operation with the Queens Foundation, 4 curates are now pursuing a level 3 course, enabling them to top up their learning to degree level and 4 curates are now pursuing an MA Course. These courses will enable them to fulfil some of their IME 4 – 7 requirements whilst at the same time furthering their studies*

Ministerial Development Review (MDR)

Roll-out MDR provision *This has begun far more slowly than planned because of the failure of expected IT support with databases and web-availability. In round figures, MDR was initiated with 100 clergy in 2011, the annual target being 175*

Ordained Lay Ministry (OLM)/READER TRAINING

Develop working relationship with Queen's *A partnership agreement has now been signed with the Queens Foundation, including the 90% secondment of the Principal of Reader Training and OLM tutor from the Diocese.*

Implement new Queen's—Lichfield pathways for Readers and OLM candidates (and possibly candidates in other ordination categories to train at the Shallowford Centre). *The new Queen's—Lichfield training is now up and running. An interim one-year course is running successfully for 20 Readers (who are making the transition from the old course), 8 OLM candidates, 3 NSMs, 1 independent.*

Create an appropriately equipped training centre at Shallowford House. *Teaching rooms have been suitably furnished and equipped with the aid of a grant from the Lichfield Theological College trust and a loan from the Diocese. A library is being developed.*

Appoint (with Queen's) and equip Lichfield-based tutors, to teach at the Shallowford Centre. *Tutors for 2011/12 have been appointed.*

Develop lay vocational discernment processes and selection structures for use in 2011. *The new Pathways to Ministry year has been in operation in 2011/12 for 49 candidates. A renewed selection process, known as Diocesan Advisory Panels, has been set up for lay ministry and Reader candidates.*

Implement transitional provision for existing candidates. *This has been successfully developed for the year 2011/12 as noted above.*

Director of Lay Development

Induction into new job including prioritising job description. *This has taken place. Particular priorities are to*

Develop and Implement of Year 0, the new exploratory year. *As above, the Pathways to Ministry Course has been developed.*

Develop lay vocational discernment and selection processes, with DDO and OLM/Reader Principal. *As above, this has been developed.*

Review of lay tracks. *This has been conducted with the track leaders. A new pathway is now available to Local Minister status. A new track in worship leadership will begin in the Autumn.*

Investigate possible ways forward in Reader CMD. *A major consultation took place in Autumn 2011. Reader CMD courses have been provided with further events planned.*

Investigate possible ways forward for Team training. *This is an ongoing project with the Director of Ministry, pilot work is currently being done.*

In Addition

- *The profile of the Ministry Department has been raised through publication of professionally designed leaflets, a family of new information sheets, and two addresses to Diocesan Synod (involving all team members)*

- *The Director of Lay Development has planned a revised Bishop's Certificate course for launch in 2012*
- *The DDO and DM have provided Bishop's staff with policies for change of status of clergy (eg OLM to NSM) and the DM for review of one year Common Tenure*
- *The Director of Ministry and the Director of Mission met with the Bishop's staff to agree priorities for CMD provision in the light of Plain Speaking*
- *The Director of Ministry has chaired the planning group for the Diocesan Conference in April 2012*
- *The past twelve months have seen Ministry among Deaf People develop in several exciting ways*

Three lay people for whom BSL is a first language now regularly lead worship on a Fourth Sunday at Penkridge, where congregational numbers are growing

Groups of a dozen or more deaf people now compose choruses and/or drama for us to sign in services

Our ecumenical and inter-diocesan links are now firmly established, and increasingly focused in the wider community.

The appointment of Dr. Gilliam Meller as Diocesan Officer among Deaf People in October has strengthened our links with secular deaf organisations within diocesan boundaries and beyond.

Transforming Communities

Objectives:

- 1 To support churches as they engage with their local communities
- 2 To engage with statutory services promoting the role of the Church
- 3 To engage with voluntary sector promoting the role of the Church
- 4 To advise senior staff on matters of social justice and care
- 5 To link with national colleagues

Achievements and performance

During 2011, individual contact was made with 103 parish clergy and 44 laity actively involved in various forms of community engagement, as well as with 11 chaplains. Presentations were given to five Deanery Synods, 12 Chapters and nine PCC/small groups, as well as two area conferences and four parish away-days. I joined Bishop Clive in most of his Transforming Communities deanery visits and, in response to the Lent Appeal, supported Street Pastors and other Christian Night-Life Initiatives across the Diocese.

Links were developed with Saltbox, Walsall Church Links, Wolverhampton Inter Faith Regeneration Network and Sandwell Churches Link, as well as CVS

in Lichfield and Cannock Relationships were established between the local church and Walsall Borough Council and South Staffordshire District Council based on their locality-working

A campaign to refresh and extend support for Fairtrade was undertaken in conjunction with the World Mission department Encouragement was offered to 30 parishes to undertake Digital Switchover awareness programmes, along with grants of £100 each

Three main priorities were identified on the basis of parish contact, these being environmental concerns, financial inclusion and older people Environmental concerns led to the launch, with the World Mission department, of the Climate Justice campaign in partnership with Christian Aid Information and contacts were established to support innovative ways of supporting financial inclusion Groundwork was undertaken for a major engagement with the implications of an aging population

Networks were established for those involved in areas such as civic churches, coffee shops, community chaplaincies, and links further developed with Mothers Union, Minority Ethnic Anglican Concerns and Community Ministry students I met with colleagues in five neighbouring dioceses, visited work in Glasgow and attended the National Social Responsibility Conference I was engaged with our Rural Officers, BCUIM, mental health services and Lichfield Church Urban Fund, as well as helping our Director of Lay Development establish a short course to develop collective lay leadership

The Transforming Communities pages on the Diocesan website were refreshed

The work of BCUIM is adapting to the changing economic climate, with the extension into Job Clubs Support is being offered by the Diocesan Officer for Mission in the Economy to work-based chaplaincy across the Diocese, and plans are in place for 20 May 2012 to be Chaplaincy Sunday.

Education

Objectives

In 2011, the Board began the implementation of its Strategic Plan for 2011-13. The Strategic Plan has a particular mission focus and is intended to align the DBE's objectives more closely to the overall strategic objectives of the Diocese

The DBE's overall priorities are (i) to promote the distinctive Christian character of its 205 Church of England schools, (ii) to secure the continuing development of CE schools individually and as a family, and (iii) to promote the vocation to teach and implement succession planning strategies in order to secure future leaders

The Strategic Plan 2011-13 has three foci -

- (1) **Mission Focus** – i.e. realising the mission potential of CE schools

- (2) **Structural Focus** – i.e. securing the place of CE schools within an increasingly diversified and pluralistic schools system, and maximising the benefits of government policy for CE schools
- (3) **Vocational Focus** – i.e. ensuring that CE schools can attract effective and successful leaders who are committed to developing their distinctive Christian character

Within the overall Strategic Plan 2011-13, the following particular objectives were pursued in 2011

- (i) Ensure CE schools have the capacity and enthusiasm to develop their distinctive Christian character.
- (ii) Deliver high quality services to CE schools, maintaining relationships, and extending the take up of the Service Agreement, where possible
- (iii) Review the scope of the Service Agreement and consider how this should change and/or be extended
- (iv) Develop links with other diocesan departments, in particular Mission and Children and Youth, and with these departments work together to appoint a Schools Outreach Officer to assist the implementation of the DBE's Mission Focus
- (v) Maximise investment opportunities in CE schools within the scope of capital programmes
- (vi) Ensure the successful implementation and opening of St Peter's Academy, Stoke-on-Trent, in September 2011
- (vii) Manage issues relating to school provision, including federation and potential school reorganisations
- (viii) Take necessary action in relation to Government initiatives and legislation, including the radical extension of the Academies Programme.
- (ix) Work closely with the National College for Leadership in developing succession planning initiatives.
- (x) Support the development of Dovedale House.

Achievements and Performance

The Board of Education considers that it has broadly met its objectives for 2011. A full report on the Board's activities will be published in its report and accounts for 2011, which will be available in the Spring.

The following points should be noted

(1) Mission Focus

- 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

- The Board celebrated the 200th anniversary of the establishment of the National Society. The celebrations included a Cathedral Eucharist for Headteachers and governors (28 June 2011), a Banner Service for schools in the Cathedral (10 October 2011) and the Thanksgiving Service at Westminster Abbey (14th October 2011)
- At the end of 2011, 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 2010)
- During the calendar year, 58 schools received denominational (SIAS) inspections, of which 16 (28%) were judged to be Outstanding, 34 (59%) were Good, and 8 (13%) Satisfactory
- Working in partnership with the Departments of Mission and Youth and Children, the Board was involved in the appointment of the new Schools Outreach Officer, and supported this Officer in her induction and managing and planning her future work. This post is of significant strategic importance to the DBE's "Mission Focus" within its Strategic Plan, and indeed the overall strategic priorities of the Diocese
- The Board worked with other diocesan colleagues in developing a proposed Diocesan Youth Strategy which will be completed in 2012.
- The Board worked in partnership with Sounds Right Ltd to promote a public speaking competition for schools – which took place in Lichfield on 9 July 2011
- The Board developed links with the Cathedral, including promoting the "Adopt a Gargoyle" scheme. The Diocesan Director of Education became a Governor of Lichfield Cathedral School
- The Board supported the continuing development of Dovedale House.

(2) Structural Focus

- The Board engaged in the following major strategic initiatives in 2011.
 - ❖ *St Peter's Academy.* Despite numerous challenges, the Academy opened in September 2011, following completion of the legal documentation, including leases and the Funding Agreement with the Secretary of State. The staff transfer (TUPE) process was delayed but completed by 31 December 2011. Work on the architectural design of the £22m new buildings (to open in 2013 at Fenton) was completed and approved by Stoke-on-Trent City Council's capital team and Partnerships for Schools. Although Lichfield DBE is the Lead Sponsor, the Academy is operated through the Woodard Academies Trust (WAT). The Board completed a Partnership Agreement with the Woodard Corporation and WAT through which Lichfield DBE has become a

company member of WAT and appoints one of WAT's Directors (currently the DDE)

- ❖ *Blue Coat CE(A) Comprehensive School, Walsall*: The Board supported the Interim Executive Board (IEB), which met fortnightly for most of the year. The Revd Huw Bishop chaired the IEB. Supported by Holte School, Birmingham (a high performing secondary school), Blue Coat School came out of the Ofsted "Notice to Improve" category in June 2011 and improved its GCSE outcomes by 10% (from 30% students achieving five or more GCSEs including English and Maths in 2010 to 40% in 2011). Following the withdrawal of the proposed sponsor (Woodard) in November 2011, the Board submitted an application to the Secretary of State for Lichfield DBE to become the Sponsor of the proposed Academy, working in partnership with Holte School. Just before Christmas, the DfE indicated its agreement to this arrangement, subject to ministerial approval in early 2012.
- ❖ *Proposed new ecumenical Academy in Telford*. The Board engaged with the Roman Catholic Archdiocese of Shrewsbury, Hereford DBE and Telford & Wrekin Council with a view to exploring the possible establishment of a joint new build CE/RC Academy in Priorslee to replace Blessed Robert Johnson RC(A) College in Wellington. Formal decisions about this will be taken in the Spring 2012.
- ❖ *Academies*. The Board advised on the conversion to Academy status of Belgrave CE (C) Primary School, Stoke-on-Trent (converted w.e.f 1 April 2011) and Christ Church CE(A) Middle School, Stone (converted w.e.f 1 August 2011). The DBE became a member of the respective Academy companies.
- Through the Barchester Scheme, the Board managed £1.38 million of Voluntary Aided capital projects (LCVAP) invested in 15 schools on maintenance repair and extension. The following developments are especially noteworthy:
 - Largest scheme – £450k three classroom extension at St Edward's CE(A) Junior High School, Leek
 - Completion of £3m expansion of St Mary's CE(A) Primary Tunstall to two forms of entry
 - Completion of Walsall Council's enlargement of Birchills CE(C) Primary School to two forms of entry
 - Completion of Walsall Council's rebuild of Christ Church CE(C) Primary, Leamore.
 - Completion of Shropshire Council's amalgamation (capital) works at Oakmeadow, Bayston Hill, Mereside, Meole Brace and Holy Trinity, Oswestry. These are VC primary schools, the results of mergers between predecessor CE and community schools.

- Relocation of St Michael's CE (C) Primary School Lichfield onto one site
- On-going major capital remodelling (BSF) work at The Kings CE(A) School, Wolverhampton
- Final design proposals for St Peter's Academy (see above)
- 120 registration of title with land registry
- 4 section 554 orders made by Secretary of State
- 2 land sales
- 4 statutory land transfers
- The Board advised on a number of school federations and liaised closely with Shropshire over school reorganisation plans (which will involve the closure of Shawbury Community Primary School and the expansion of Shawbury St Mary's CE(C) Primary School (effectively doubling CE provision in the village) in 2012) The Board referred Shropshire Council's decision to close The Wakeman School and Arts College in Shrewsbury to the Schools Adjudicator for determination, although the Adjudicator upheld the Council's decision.
- During the Autumn Term, the Board's officers reviewed the current Service Agreement Scheme, and determined changes (including a potential expansion of the range of services) to come into effect at Easter 2012

(3) Vocational Focus

- The Board assisted 18 CE schools in recruiting and appointing new Headteachers (a 9% turnover in 2011 (17% in 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 continued its successful Induction Day for new Headteachers, including a service of commissioning in Lichfield Cathedral
- The Board implemented a Newly Qualified Teachers (NQT) Induction Day in the Autumn Term

Administration (Statutory and Legal)

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 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 Statutory and Legal (Secretariat) – provides all the committee functions, and includes Diocesan Safeguarding, Diocesan Advisory Committee and Synodical representation

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 2011 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. The Diocesan Office remains the central point of feedback from parishes so we have made every effort to collect and disseminate information that our users find useful

Our aim of Putting Parishes First continues to encourage joined up thinking across the limited resources the Diocese has at its disposal. Each month the Diocesan Officers gather to focus on issues of concern.

We have continued to work with our colleagues in Church House Westminster contributing to strategic seminars that address issues of national concern. Our emphasis on "Plain Speaking" has been warmly welcomed and we have particularly benefitted from the advice of the Church Commissioner's Strategy Unit.

In January 2011 we launched our Diocesan wide sustainability exercise with a breakfast meeting for all Bishop's Staff, Council and Officers with Rural Deans and Lay Chairs and are extremely grateful to all the Deaneries who have engaged with the investigation phase of the exercise and are committed to working collaboratively in the implementation phase.

After a long period of dissatisfaction with much of our IT provision a considerable effort has gone into improving our systems in the following ways

- i) We have optimised the electronic information we hold on specialist systems (Propman, SORP and SUN) As a result we have used the mass of information gathered to feed strategic debates within the Senior Staff Team and Council
- ii) We have replaced our external consultants with a new provider who are based locally in Lichfield. Our IT Manager retired after many years and we have decided to work with a virtual helpdesk provided by our new consultants. We hope these changes will provide excellent service coupled with important cost efficiencies

iii) Last year we reported our on-going concerns about the layout and user friendliness of our Diocesan website. As a result we have commissioned a new website design and expect the new site to be launched by the end of February 2012.

iv) We have worked with the same external provider to develop a robust web based database. The great advantage of the new system will be a finished product that synchronises the web and the database.

Parish Resource Advice

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

Last year we promised to review the current Parish Share Apportionment formula and to consult with the Trustees and parishes on a Cost of Ministry alternative that could reflect potential changes in deployment. Substantial work has been done throughout 2011, particularly by the Lay Assessor's strategic thinking group, to present a credible new system. Diocesan Officers have worked hard to consult with the wider diocese by organising a series of workshops with "Critical Friends" and more recently by giving a presentation in every Episcopal Area to Diocesan Synod members and their guests. We believe the proposals have been broadly well received and are now due to be presented to the March Synod. We are optimistic that we will be able to introduce the new system in January 2013.

Also in the last twelve months work we have consolidated our efforts to bring together the work of Christian Giving, Gift Aid, Church Building Support and Lay Assessors, to fulfil our desire to bring together all the different elements of support we can provide in a cohesive way. We will do more on this in 2012.

We have continued to promote more planned giving by encouraging more parishioners to use standing orders and review their giving more frequently.

In the final quarter of 2010, an energy Saver Plan was launched. During 2011 over 100 parishes have participated in the scheme and considerable savings have been made by many. Whilst the majority of the feedback to the Diocese has indicated savings around £750 to £1,000 – one parish has recently stated they have received over £3700 due to being overcharged in previous years.

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. Continue to ensure the Ecclesiastical Terms of Service Measure is well administered and communicated to diocesan clergy
4. Provide HR advice to Senior Staff and parishes to ensure both ecclesiastical and employment law is adhered to and communicated effectively
5. Provide and maintain advice on Safeguarding issues
6. Ensure that CRB checks are carried out on all required personnel effectively and confidentially

Achievements and Performance

Governance Review

Following the identification of some anomalies within the system and at the request of Bishop's Council a small working party was set up to review diocesan governance procedures. The review examined the robustness of our current structure, set out to establish if the Trustees fully understand their fiduciary duties and considered if adequate training was in place to ensure all concerned were operating with confidence and able to discharge their duties appropriately.

A comprehensive set of recommendations have been put forward to Bishop's Council. These will be discussed and implementation will begin in earnest during 2012.

HR and People Management

Last year we identified that the parishes employing individual staff often feel vulnerable in the area of People Management and Employment Law. To address this we ran a series of mini seminars introducing a five point plan that will aid local Human Resource Management. We were a little disappointed at the low turn-out at the seminars but feedback has suggested the message was necessary and well received. To complement the road show an electronic and hard copy manual was developed so that parishes can be confident they have

accessible management tools and materials. During 2011 we have continued to gather helpful material to be available on the Diocesan website. This is designed to give practical help and ensure consistency across the Diocese.

Common Tenure

We were pleased that the issuing of all Statement of Particulars was successfully completed by the deadline of February 1 2011.

To complement all the new Common Tenure paperwork, a new Clergy Handbook was written and issued. We have continued to work on role descriptions and the MDR scheme. This month has seen the end of the first year of Common Tenure and we have worked to ensure all those on limited common tenure have been reviewed and where necessary Statement of Particulars have been renewed.

Safeguarding Children and Vulnerable Adults

Support and Advice to Clergy continues to be an important strand of the Safeguarding agenda. Telephone conversations or emails can present complex situations which can need a lot of work to resolve. Different situations have revealed how important thorough investigations are in order to make sure that complainants feel listened to, and that everyone is kept informed about the outcome.

The Safeguarding Management Group agreed to adopt a new strategic approach to training. Previously the Diocesan Safeguarding Officer has undertaken training for parishes and Deaneries. Last year parishes were encouraged to access training provided via the computer which is free for volunteers. All Local Authorities within the Diocese have agreed that church volunteers can access these training opportunities. This approach ensures a high standard of training. Incumbents and Safeguarding Officers presented plenty of questions, particularly with regard to training undertaken in secular work.

In addition to training for parishes, the Diocesan Safeguarding Officer provides training for all in-service courses, for example lay ministers, newly ordained curates and first incumbents.

We remain committed to "Safe Recruiting". Since the new government decided to review the implementation of the Independent Safeguarding Authority Vetting and Barring Scheme, interim guidance remains in place. The team at St Mary's House are now expert on eligibility for CRB and advise clergy and others on the guidance. Since January 2011 we have processed 1,681 forms. Within the last 6 months (which is the longest time period we are legally allowed to keep certificates) we have had 19 blemished certificates.

During the year relationships with the Police and Probation service continue to be important links. MAPPA are a set of arrangements to manage the risk posed by certain sexual and violent offenders. They bring together the Police, Probation and Prison Services in West Mercia into what is known as the MAPPA Responsible Authority.

The MAPPA process ensures that agency involvement with offenders is co-ordinated and the Diocesan Safeguarding Officer is involved as appropriate. These meetings have a secondary function which is to inform the statutory agencies about the work and care of the Church. It is an important "mission field". The network for safeguarding is wide, relating to Social Workers, schools, Housing Associations, Prison Chaplains and many others.

The management of offenders has continued to be one of the priorities when an offender comes out of prison or discloses to the clergy about a past offence involving a child. The DSO can provide support and guidance regarding "safe" worship. The Church welcomes everyone in Christ's name and represents real opportunities for forgiveness and healing. However great care is required in order to protect an offender against further allegations of abuse, but more importantly to protect children and young people in the worshipping community.

The usual pattern is that a Prison Chaplain contacts the DSO who then sets up a meeting with the offender, the Police, Probation, Support Worker and the Incumbent of a "suitable" parish.

The DSO takes advice from the Rural Dean in proposing a suitable parish. It involves finding a church with a service where children and families do not attend e.g. early Holy Communion, mid-week service or an evening service. This provides challenges both for the Incumbent and the DSO.

A further meeting is set up to include the offender and a Risk Assessment is undertaken and a contract put in place. The contract spells out the welcome which the Church will give, on-going pastoral support for the offender and any appropriate restrictions in social settings. Thirty two contracts are currently in place. Each of these is reviewed every six months.

The care of vulnerable adults in our communities has much in common with the Church's responsibility for caring and safeguarding children. Some tension exists at present since the Church of England House of Bishops' "Promoting a Safe Church" proposes CRB checks for those providing pastoral care to vulnerable adults. The Church's extended community role does not meet the criteria. The training provided by the DSO now includes particular emphasis on vulnerable adults. More specific training remains to be developed!

Diocesan Advisory Committee (DAC)

Purpose

The Diocesan Advisory Committee (DAC) gives advice to the Chancellor of the Diocese in the granting of faculties. It also provides advice, on a wide range of building conservation and development matters, to PCCs, members of the clergy, Diocesan Officers, other professional and governmental bodies and members of the public.

Role

The DAC Office provides advice and guidance by telephone, email and through site visits. The range of guidance given falls into the following categories and covers both church buildings (churches and church halls) and churchyards

- Methods of maintenance and repair
- Funding sources for repair and development
- Procedures for obtaining required permissions
- Re-ordering and/or the extension of church buildings
- Increasing secular use and working in partnership
- Improving the Church visitor's experience
- Developing educational materials
- Introduction and care of church artefacts
- Disposal of church artefacts
- Compliance with current legislation

The DAC Office presents faculty petitions to the DAC and passes them on to the registry, it liaises with PCCs, statutory consultees and the registry in this regard

DAC Resources

The DAC maintains a list of qualified, quinquennial inspecting architects and advises PCCs on the selection, appointment and best way of working with their church architect. It also maintains a list of suitably qualified and experienced consultants on various matters such as heating, lighting, trees, organs etc., it makes these specialists available to PCCs as necessary

The DAC also produces and disseminates web-based guidance and resources and maintains a library of reference books covering all the above subject areas. It publishes a quarterly email "*DAC Update*" which is available to PCCs, clergy, Diocesan Officers and others via the Diocesan Bulletin and its web pages, the Update draws attention to current issues in church building and related matters

Summary of Achievements in 2011

Advice

Kristina Williamson joined the DAC Secretariat in November, 2010 with the title of Assistant DAC Secretary & Church Buildings Support Officer. Her post is part-funded, for the first three years, by English Heritage and it has allowed the DAC Office to widen the scope and reach of its advice on repairs, funding and development. The post holder has advised approximately 12 PCCs that are embarking on *major* repairs and/or additions to their building. (However, 85 churches have been visited which indicates that major schemes do not form the majority of enquiries although a significant of the other 73 visits were in connection with planning/envisioning projects which might eventually become

major schemes!) (Further details are provided in "*EH Annual Report 2011 KW (1)*" available from the DAC Office.)

Almost all faculties require input from the DAC Secretary and 60 faculties have been granted this year. The DAC Secretary also gives a lot of valuable advice, on a daily basis, by telephone, email and in person, although these enquiries are not officially logged, they are *estimated* at around 800 per year. The DAC also provides advice to PCCs through its members and its consultants who provide this free of charge (excluding travel expenses). Heating and trees are the subjects which prompt the most requests for help with organs in third place! Numbers of consultants' reports provided for 2011 were approximately 60 and covered trees, heating, organs, bells, lighting, clocks, security, sustainability, access and furnishings.

Meetings/Faculties/De Minimis Permissions

The DAC has met seven times during 2011. Approximately 60 faculties have been granted during the year (the exact number is hard to quantify as consultation can start some years before the final DAC recommendation is made and further meetings may be required before matters are fully resolved). The Archdeacons granted approximately 184 "de minimis" permissions in 2011.

Current Issues for PCCs affecting the work of the DAC

Metal Theft

This year has seen a marked, nationwide increase in **metal theft** from church roofs, on average, 10 churches are being attacked by metal thieves each day. The number of incidents in 2011 had already exceeded 2010 levels by the end of August, with over 1,800 claims on insurance costing more than £3.3m. Roofs, guttering, statues and even memorial plaques are being stolen across the UK.

It is not easy to collate the numbers of churches affected in our diocese (although the DAC office is working on this) but, anecdotally, DAC staff were told by EIG insurance that the Diocese has the third worst record in the country for metal theft (Pers Comm Glenfall, Regional DAC Secretaries Conference, June 2011). Unsurprisingly, this has had negative financial and pastoral effects on parishes and generated faculties and requests for de minimis permission with the consultation that these permissions entail. In spite of this, PCCs continue to move ahead with updating their churches facilities and opening their buildings up to use by the wider community.

LPPWRG (VAT Rebate Scheme)

There has also been concern within the Diocese about the reduction of the Listed Places of Worship Repair Grant (VAT rebate) Scheme. The Department for Culture, Media and Sport (DCMS) recently confirmed four more years of funding but the reduction in the overall level of payments poses a great

challenge to PCCs and their congregations who are no longer able to predict the level of rebate and therefore to budget with certainty. This may put larger development schemes in jeopardy, there are at least two larger schemes in the Diocese that have been affected by this and there may well be more.

Procurement Issues

New rules regarding procurement and tendering - which affect churches and church architects where public funding makes up more than 50% - mean that PCCs are obliged to go out to tender to appoint architects and contractors. This has led to concern that church architects may not be appointed to work on larger schemes and their knowledge and expertise thus lost to the project. It may also jeopardise the current below-market rates charged by church architects for QIs.

However, after campaigning by the Church Buildings Council, new guidance on the tendering process is about to be issued which will emphasise that quality and experience - not just price - should be taken into account when choosing an architect for the work. This means that if the current church architect is demonstrably the best person to do the work, according to reasonable and clear criteria, they can be awarded the contract - even if their costs are marginally higher than those of a less suitable candidate.

Communications

The Communications Department has over the past year taken on a dual role offering both external and internal communications, although the emphasis did change following the departure of Gavin Drake in October of this 2011 to pursue a freelance career. As previously the purpose of the department is to provide media liaison service for the Bishop and Diocese with the aim of obtaining positive coverage for the Christian faith and Church of England affairs, while pursuing the Diocesan Strategy and effectively communicating information and messages within the Diocese at all levels.

Objectives

While in 2010 the Communications Department became a very different entity with the introduction of Ian Law as Head of Internal Communications, so it did in the latter part of 2011 with the departure of Gavin Drake, Director of Communications.

However, the objectives remained the same throughout in developing a strong internal communications base, while being pro-active in liaising with media about the positive and good news stories in the parishes.

External:

The department again showed that it was able to deal with the crisis management that has the potential to become so damaging to the Diocese. The skill, resourcefulness and pro-active approach of the then Director of Communications meant that there was informed media coverage, as well as individuals involved feeling supported.

While it is not prudent to identify specific cases, there is no doubt that the Diocese benefited from such an experienced approach and recognised that this was a facet that should not be overlooked in going forward with a restructured department

There were many examples of positive coverage with both regional newspapers and television taking the lead

Internal:

"Putting Parishes First" became the dominant theme in branding the internal policy of the Diocese. The provision of professional development and presented material was made available to both parishes and departments. The department has shown itself to be innovative in offering materials, as well as getting the message across that the Diocese is not an introvert body, but a supportive and servant organisation that is actively seeking to help parishes

The departments writing, picture and design skills were developed. The three main sources of getting information to as wide an audience as possible have, or are in the process, of being reconfigured and designed to make them visually attractive, as well as fulfilling their roles. Spotlight, under an "independent" editor continued to cement its position of being the best of the best in the UK, highlighting the parishes and recognising their work, as well as informing of new initiatives

A restyled Bulletin, using a different provider, has become a better platform for information dissemination, along with Bulletin Alerts. Now work is well advanced with a more user friendly website that will provide a better service, in line with the technological expectations of today's users

Property

Achievements in 2011

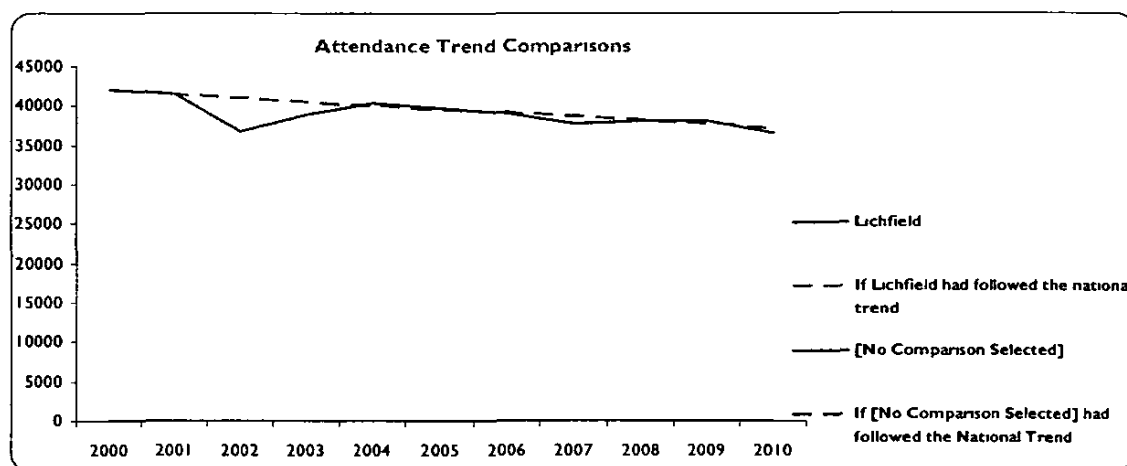
- Consolidated in-house provision of Diocesan Surveyor, improving service provision with more comprehensive visits, surveys, specifications, etc. plus generating significant administrative savings (see above)
- Increased planned maintenance on BBC portfolio within existing budgets, including four full re-roofs, 36 properties double-glazed and more kitchen renewals, replaced driveways, etc
- Secured two significant planning permissions at Aldridge (7 houses, rectory and church centre) and Wellington (vicarage and 3 houses) and renewed permission at Meir Heath (vicarage and 8 houses)
- Prudent management of budget, resulting in an expected positive variance, which assists the Board in financial management
- Size of in-house rental management portfolio continues to increase, saving on external management fees
- Implemented new telephone quality feedback survey

- Proactive development and management of Glebe Estate including conclusion of tree inspections and remedial works programme, and site promotion under Local Development Framework
- Secured valuable planning consents on closed church at Oswestry

Mission and Finance Indicators

Due to closer working relationships with the Central Church and a more centralised systematic approach for collating data, an overview of the Mission and Financial indicators of the parishes within the Diocese as a whole have been produced. It has to be appreciated that this data is based on locally collected data, with some estimates where data has not been submitted and due to timing relate up to the period of 2010.

Attendance Trends



The 5 year annual percentage change in Average weekly Attendance has fallen by 1% compared to the National Average decline of 1.2%. Lichfield is ranked 22nd of 43 dioceses.

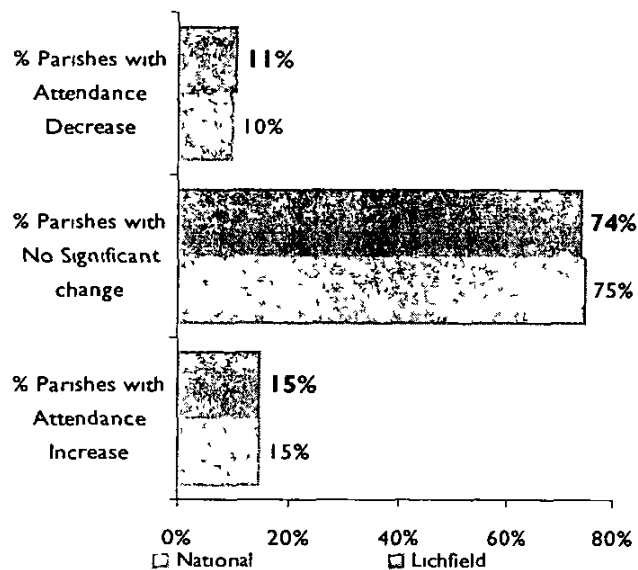
The total change in Electoral Roll in Lichfield between 1990 and 2007 shows a decline of 23.6%, compared to a National Average of 16.7%. Lichfield is ranked 32nd of 43 dioceses.

Population Attending

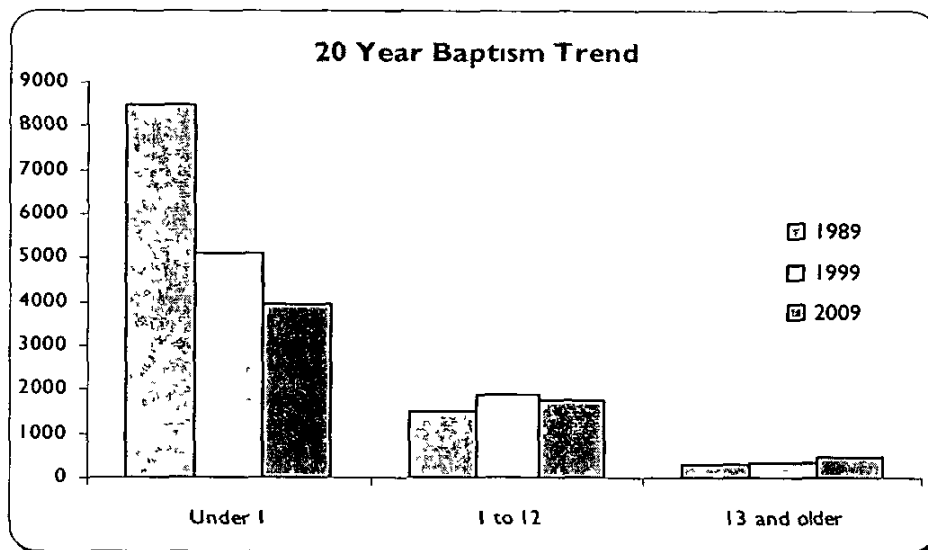
2006	2.0%
2007	1.0%
2008	1.9%
2009	1.9%
2010	1.8%

Lichfield is ranked 27th

Changes in Parish Attendance over the last five years



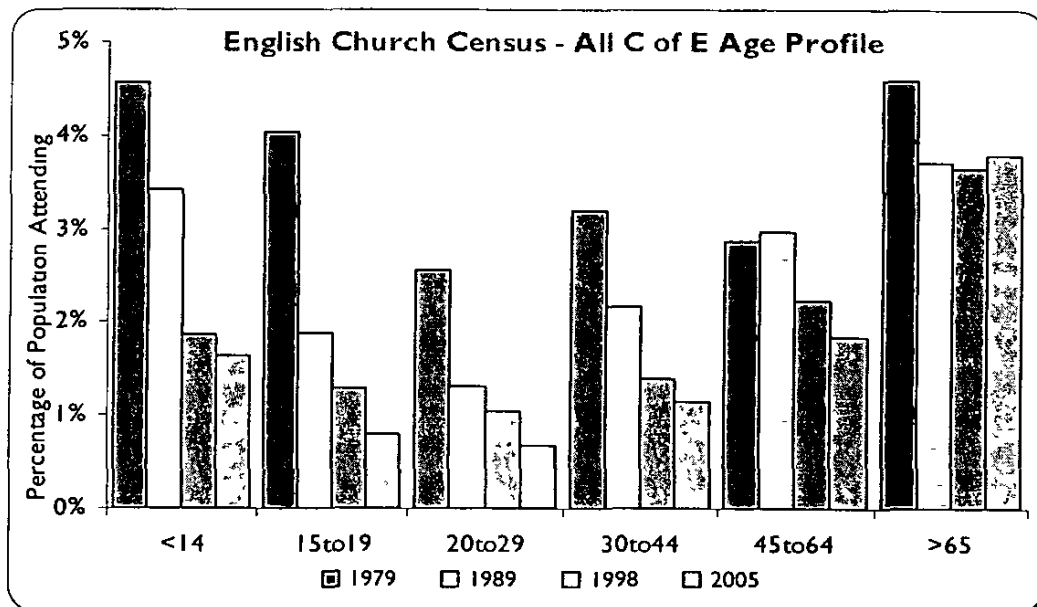
Baptisms in Lichfield Diocese



Total Baptisms:	1989	2009
Lichfield	10,300	6,150
20yr % Change	-40%	
National Total	232,900	137,770
20yr % Change	-41%	
Confirmations	1989	2009
Lichfield	2,793	1,073
20yr % Change	-62%	

National Total	59,618	24,848
20yr % Change	-58%	

Age Profile



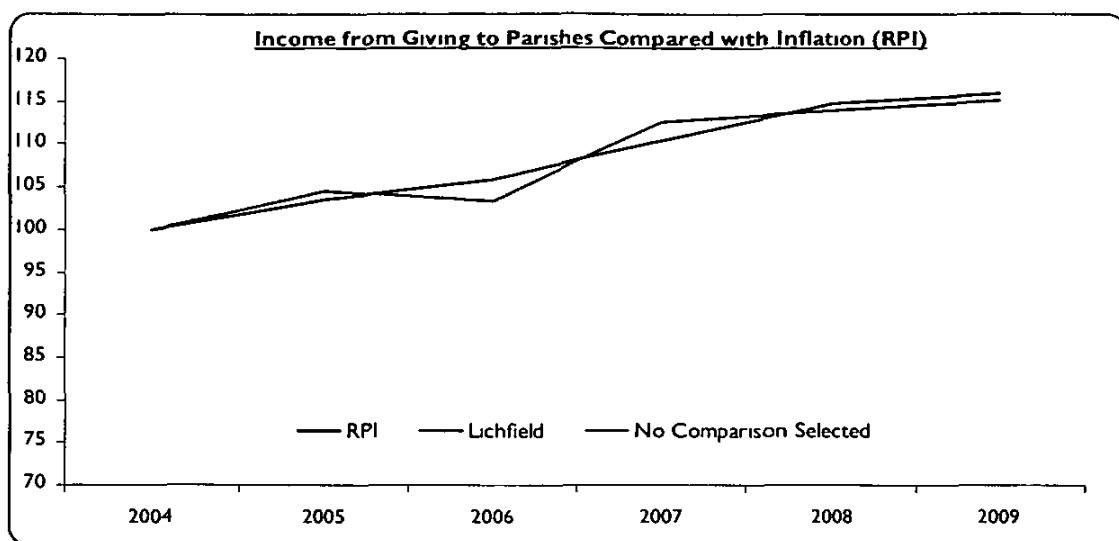
The average age of all worshippers (0-100 years old) in the Church of England has risen from 36 in 1979 to 49 in 2005, whilst the average age of the general population has risen from 36.5 to 38.5 in the same period. In 1979 the English Church Census found that 46% of attendees were under the age of 30, by 2005 this had dropped to 25%.

Clergy Trends

In 2010 in the Diocese there were 123 attendees and 1.9 churches per full time stipendiary clergy. This compared with a national average of 140 and 2.2 respectively.

Giving Trends

Figures are taken from 2009 giving data	Planned giving per week	% attendees who are planned givers	Rank	Giving as % of estimated average income of population	Rank
Lichfield	£7.75	70%	26	3.2%	25
Average Diocese	£9.40	70%		3.4%	



	Diocesan income per population	CC Support per population	Clergy per population	Attendance per population	5yr change in attendance
Lichfield	£6.98	£1.41	0.15	1.82%	-5.20%
Rank	31	26	23	29	25
Average Diocese	£8.19	£1.04	0.16	2.27%	-5.05%

The 2010 Overview to Parish Finances released in early 2012 indicate that Total PCC Income has fallen by 8.50% compared to a National Average of an increase of 1.0%, this follows a 3.1% decrease in 2009 (national figure in 2009 an increase of 3.10%). There was however an increase in the average Tax Efficient Giving of 6.7% to £9.04 in 2010 compared to a National Figure of £10.41 per week. Lichfield are currently ranked 26th for 2010 a rise of one place.

Operational Performance

By the end of January 2012, the Diocese had received 92.41% (93.85% 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 up to two months in arrears. In the last 12 months, the Board witnessed arrears exceeding £2m for eight of the 12 months, peaking at £2.28m the highest since October 2004. 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. £1.983m), (2010 £1.968m).

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 four years from 4% down to 1.5%, and a similar increase of 1.5% increase has been included in the 2012 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. In light of the deficit made in 2011, the Free reserves have fallen to 2.82 months (£2.794m) (2010 2.97 months £2.923m). ***The Trustees have agreed that taking into consideration all the financial data and economic forecasts and in light of the Stipend Reserve below, to ring fence the excess of £0.149m from the designated fund to increase the free reserves to £2.943m (2.96 months).***

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

	£m
Investments	1 539
Current Assets	3 374
Liabilities	(2 119)
Total Free Reserve	2 794
Transfer from Stipend Reserve Designated	0 149
Revised Free Reserve	2 943

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 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. In order to help reduce the burden on parishes and to strengthen the overall reserves and Investment Income position it has been agreed to try and raise a further £3m from surplus house sales under a policy to "Maximise DBF Assets". It is hoped that this will be achieved by 2015 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 six months' clergy stipends. With the transfer of National Insurance and Pension liabilities from the Central Church, the reserve varied between four and five 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 (£4.68m), (2010: £4.58m)**. 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 2011 was valued as follows

Ashworth/Lowe (Designated)	£3 013m
Fothergill and other Legacies (Designated)	£0 210m
Stipend Reserve (Designated)	£0 336m**
Stipend Trust Reserve (Restricted)	<u>£1.118m</u>
Total Stipend Reserve	<u>£4.677m</u>

The above figures include a transfer of £0 149m to adjust the free reserves, as previously mentioned. Prior to this adjustment the Stipend Reserve would equate to **4.85 months of Stipends, NI and Pension Costs (2010: 5.10 months)**. With this adjustment, which is cash based this reduces the Reserve to the minimum level of **4.7 months**.

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 page 101.

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
- *Swanwick Conference* – bi-annual event. Designated funds to raise income to finance the Conference. The next Conference is in 2012.
- *Diocesan Growth Fund (Designated)* - 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 five years to 2017
- *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. The total funds and allocations are as follows

2006 Allocation	Original Allocation £'000	Balance at Dec 11 £'000	2012 £'000	2013 £'000	2014 + £'000
0 25% Share Reduction	75	-	-	-	-
Growth Fund Continuation Funding	50	-	-	-	-
Mission Action Plans	20	-	-	-	-
Back to Church Sunday	10	-	-	-	-
Clergy Health Checks	4	-	-	-	-
Equip and Train Course	6	-	-	-	-
Cross Talk	6	-	-	-	-
Church Urban Fund Feasibility Study	10	-	-	-	-
2007 Allocation					
0 25% Share Reduction	75	-	-	-	-
Clergy Pension Provision	100	-	-	-	-
Additional Curate in 09	99	33	33	-	-
Capping Share Increases	53	-	-	-	-
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	15	15	-	-
Wedding Project	23	(7)	(7)	-	-
Dovedale House	9	1	1	-	-
2008 Allocation					
Local Ministry Review	93	93	20	30	43
Growth Continuation	90	25	25	-	-
Education/Youth Post	75	63	35	28	-
Place of Worship Support Officer	102	34	34	-	-
Transfer from Future Liabilities					
2 Additional Curates 2010	198	66	66	-	-
Designated Reserve per Accounts	1,401	334	233	58	43

** The Wedding project is negative as a second batch was purchased, the aim is these will be sold to break even in the coming years. The additional packs were bought at a significant discount.

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, 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.

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

In the last twelve months the Diocesan Investment Group has broadened the Investment Portfolio to take into consideration index linked stocks and also Auto Call accounts that offer more diversity and greater returns, and are tracked to reflect the economic climate There is naturally a slightly greater risk but this is reflected in the greater returns on offer

Whilst certain funds have to remain in cash in order to ensure the balance with liquidity remains correct, with low interest rates and high inflation being experienced at this current time, it would be wrong to assume there is no risk in cash investments The value in real terms will fall, there is no capital growth in cash and with low returns against inflation the value falls, so cash investments are kept to a minimum requirement – which in itself adds risk as if there was a run on cash reserves, to realise investments in a volatile market could result in selling stock at low ebbs in the market

The Diocesan Investment Group are in the process of drawing up guidance notes and a revised policy in consultation with the Investment Advisers in the coming 12 months to be presented to the Finance and Central services Committee later in 2012

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

In the last 12 months the Investment Group have looked at various other new Investors, and identified Ecclesiastical Investment Management early in 2011 as an alternative investment body. This was to diversify the investment portfolio and reduce the overall holding with the CCLA, as well as provide another benchmark to monitor overall performance Due to this introduction, the overall holding with the CCLA, which remains the main investment body, fell from 85% to 69.5%, whilst 12.60% is with Ecclesiastical Investment

Management and 14.5% with EFG. The balance is in a small investment property portfolio.

Proportion of investments at 31 December was as follows

	CBF Inv Fund	Property Fund	FISF	Equities	Property
2011	48.16%	16.79%	-	31.59%	3.46
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%	-

Included in the equities was a deliberate investment policy to invest £100,000 in auto call investments and a further £250,000 in higher risk investments. These higher risk investments varied between low income investments with large capital potential and also higher earning stocks where the capital would offer small capital growth.

Proportion of investments per fund at 31 December 2011 was

	Size of Fund £m	CBF Inv Fund	Property Fund	Equities	EIM
Unrestricted	1.539	32.32%	10.33%	48.36%	-
Ashworth	3.003	77.77%	10.28%	11.95%	-
Fothergill	0.194	57.68%	22.10%	20.22%	-
Trust Reserve	1.241	60.25%	-	39.75%	-
Stipend Cap	2.391	16.69%	50.21%	7.41%	25.69%
Clergy Widows	0.564	100.00%	-	-	-
Pastoral	5.049	34.79%	25.41%	30.37%	9.43%
Loan Fund	0.980	64.24%	16.86%	1.01%	17.90%
Bridgebuilders	0.134	87.34%	12.66%	-	-
Int Dec Sch	0.280	34.06%	33.51%	-	32.43%
Endowment	0.274	58.87%	20.05%	-	21.09%
Land Sales	2.510	51.08%	23.11%	2.89%	14.25%
Stip Tst Res	1.108	90.42%	-	9.58%	-

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, depending on the market forces.

Market Commentary

2011 proved to be another challenging year for equity investors, with a number of major events occurring during the course of the year and investment

markets were characterised by periods of extreme volatility. This was reflected in the FTSE 100 Index trading between a peak of 6,091 points reached during the first quarter of the year and a low point of 4,944 points in October, a range of close to 20%. The main investment themes during the year were the sovereign debt crisis in the Eurozone and the deterioration in the general outlook for global economic growth. In addition, concerns about the financial impact of the Japanese earthquake and tsunami in March 2011 presented another significant challenge for investors. Political instability within a number of countries in the Middle East and North Africa region also added to the general sense of uncertainty.

The Eurozone sovereign debt crisis was initially thought to be largely contained within some of the peripheral countries such as Greece, Ireland and Portugal, although more recently it has started to spread to the heart of Europe. The recent Eurozone summits have been fraught with political indecision and have done little to improve the fiscal union with member countries unable to formulate co-ordinated and sustainable plan to resolve the crisis and restore confidence within the European Banking and finance sectors.

Recent economic data suggests that growth within the UK economy is likely to be more subdued during 2012, with declines already seen in industrial output and construction activity in recent months. The latest inflation figures released by the Bank of England highlighted that inflationary pressures were starting to ease mainly due to falls in food and petrol prices, but also as a result of easier comparatives. This should support the case for expansion of the UK Government's Quantitative Easing programme into the early part of 2012, through further gilt repurchases. What does now seem increasingly likely is that interest rates in the UK will remain at their current low levels for some considerable time given the uncertain economic outlook.

On a positive note, financial results from companies across the world have generally been more robust, in sharp contrast to the Sovereign debt problems experienced within the Eurozone, as many companies have already undergone a major financial restructuring since the financial crisis in 2008/9. This has consequently resulted in reasonable dividend growth being generated from UK equities over the course of the last year, with many companies announcing increases in dividend payouts above inflation, which is attractive in the current very low interest rate environment. In terms of valuation, UK companies' shares do not look expensive, trading on relatively undemanding price earnings ratios.

In summary, 2012 seems likely to be dominated by further developments within the Eurozone, as well as continuing concerns about the banking sector and the outlook for global economic activity. However, regardless of the depressing economic news, a number of analyst forecasts for the FTSE 100 Index for the year ahead remain very positive suggesting that the headline index could reach 6,100 points by December 2012. Any significant weakness in equity markets is likely to present some interesting long-term investment opportunities for equity investors who are prepared to accept short term volatility.

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 £19.080m (£19.432m in 2010). The total income return for the year was 4.75% (2010 4.77%), and the total return on investments for the year was -ve 0.90% (2010 +11.75%).

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 -1.78%, however a better indicator would be against the WM Co Charity Fund Index (CFS) of -0.80% in the same period.

Glebe Land

Included in the Board's investments are £9.304m (£8.333m in 2010) 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 four 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 carried out 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 2011 the revaluation exercise increased the value of the land by a further £0.971m (2010: £1.892m), ignoring any potential valuation. This resulted in the total annual return on Board investments being +3.43% for the year (2010 +18.32%).

Gross rents received against this land in the year were £0.1875m (2010: £0.175m) an income yield of 5.68% (2010 4.25%), before revaluation, and an income return of 3.99% (2010: 3.64%) 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 4.78%, and over the last five years at 4.35%. This is set against a benchmark of 4.0%.

The total return on investment securities for over the last three years shows an average return of 7.49% and over five years 0.82%. This is set against a desired benchmark of an 8% average over a sustained period of time – a

minimum of five years. It must be taken into consideration in 2008 the total return showed -20.65% due to the rapid decline in share values
The performance per specific fund is as follows

	YIELD	YIELD	TOTAL RETURN	TOTAL RETURN
	2011	2010	2011	2010
	%	%	%	%
Unrestricted	4.99	3.92	0.04	14.36
Ashworth	4.33	4.92	(0.66)	11.66
Fothergill	4.79	5.26	(0.48)	11.59
Other Legacies	6.12	6.83	5.00	10.58
Trust	4.10	4.35	(2.13)	13.72
Stipend Capital	5.54	5.63	2.84	10.52
Clergy Widows	4.44	4.50	(1.34)	11.37
Pastoral	4.53	4.37	(3.04)	11.74
Loan Fund	4.84	5.13	(0.73)	11.68
Bridgebuilders	5.19	5.22	0.08	11.99
Interior Dec Scheme	4.01	2.67	(0.60)	3.67
Endowment	4.93	5.22	(0.53)	11.66
Glebe Land Sales	5.36	5.25	(0.39)	11.53
Stipend Trust Res	4.39	4.56	(1.39)	11.60
Church Mission	5.40	6.73	(0.38)	13.92
Ord Candidates	4.47	4.67	(1.31)	11.87

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 year identifying windows of opportunities within certain investment markets and taking advice from various bodies about the current investment strategy.

The continued 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. Whilst the property market was dormant, a moratorium was placed on the sale of property until the market improved. In 2011 this moratorium was relaxed and a policy is in place to raise a further £3m new capital for investment from the sale of surplus houses, with the sole

aim to increase diocesan income. Each identified surplus property is appraised and this has resulted in some properties being considered as Investment Properties. Towards the end of 2011 an exercise entitled Maximising Diocesan Assets commenced and this will look at the current property portfolio in conjunction with Area Deployment requirements in order to ensure that all Diocesan Assets maximise their potential and resource to the overall Diocesan aim, both pastorally and financial.

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 ongoing 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 £16 903m (2010 £17 729m) and expenditure amounted to £18 694m (2010 £17 835m).

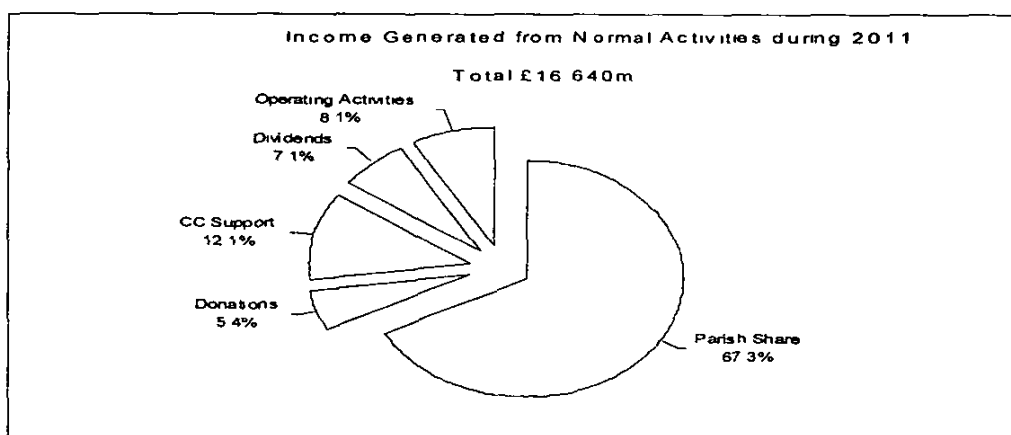
The Statement of Financial Activities (SOFA) for the year shows net outgoing resources of £1.791m (2010 outgoing £0 106m), before revaluations. These figures include the surplus on sale of property in the year of £0 191m (2010. £0 870m).

After the revaluation adjustment, the net movement in funds amounted to a deficit of £1 918m (2010 surplus £3 341m). During the year the total fund balances decreased from £71 664m to £69 746m.

There was a net overall cash inflow of £0.161m (2010 cash inflow £0.671m), mainly due to the movement in corporate deposit investments back into the equity markets, plus strategically increasing liquidity in the day to day activities.

	£'000
Net resources expended on normal operations	(1,791)
Loss on revaluation of investments	(139)
Gain on sale of investments	12
Net movement in funds	(1,918)

Income (See Accounting Policies Note 1(c) on page 83)



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 2011, a total of £11 801m was requested from the parishes in comparison to £11 647m in 2010. By 31 December 2011, a total of £10 598m had been received, providing a collection rate of 89.76%. This compares to 90.94% collection in 2010.

By 31 January 2012 the collection rate was 92.41%, compared with 93.85% last year.

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

Arrears

Units	2011 Parish Share Req'd £'000	Previous Years' Share Arrears £	2011 Parish Share Arrears £	Total Net Arrears Dec 11 £	Total Net Arrears Dec 10 £
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Lichfield Archdeaconry

Lichfield	25	807.5	18,125	31,783	49,908	45,965
Penkridge	13	479.4	-	32,957	32,957	39,084
Rugeley	14	521.6	10,949	58,895	69,844	36,019
Tamworth	13	364.3	-	15,665	15,665	9,546
Total	65	2,172.8	29,074	139,300	168,374	130,614

Salop Archdeaconry

Edgmond & Shifnal	24	439.5	11,554	15,154	26,708	23,610
Ellesmere	14	165.0	6,456	8,391	14,847	11,591
Hodnet	18	242.7	-	4,045	4,045	8,418
Oswestry	18	348.7	-	20,386	20,386	9,030
Shrewsbury	18	659.0	5,409	12,414	17,823	11,156
Telford	11	368.8	37,099	39,033	76,132	48,703
Wem & Whitchurch	19	283.1	19,630	20,572	40,202	35,221
Wrockwardine	12	100.9	-	3,622	3,622	8,622
Total	134	2,607.7	80,148	123,617	203,765	156,351

**Stoke
Archdeaconry**

	Units	2011 Parish Share Req'd £'000	Prev Years' Arrears £	2011 Parish Share Arrears £	Total Net Arrears Dec 11 £	Total Net Arrears Dec 10 £
Alstonefield	15	101.8	15,074	13,426	28,500	23,036
Cheadle	13	317.7	22,408	19,633	42,041	44,500
Eccleshall	16	298.0	7,357	11,162	18,519	20,337
Leek	13	463.3	11,349	32,606	43,955	39,130
Newcastle-under-Lyme	21	617.3	86,252	48,463	134,715	88,805
Stafford	21	483.9	82,087	46,748	128,835	102,653
Stoke-on-Trent	11	520.4	190,510	115,083	305,594	272,101
Stoke North	12	321.3	59,813	36,537	96,350	48,117
Stone	11	270.0	2,984	29,960	32,944	19,199
Tutbury	17	383.9	62,995	41,569	104,564	91,880
Uttoxeter	17	240.8	30,736	11,396	42,132	55,288
Total	167	4,018.4	571,565	406,583	978,148	849,671

**Walsall
Archdeaconry**

Trysull	13	768.7	21,467	55,349	76,817	66,471
Walsall	21	986.8	37,713	104,181	141,894	185,691
Wednesbury	11	288.1	20,392	76,294	96,686	55,681
West Bromwich	9	199.4	24,061	21,624	45,685	40,247
Wolverhampton	11	423.3	46,030	46,235	92,265	53,640
Wulfrun	11	342.81	1,492	15,175	16,667	16,742
Total	76	3,009.2	151,156	271,255	470,013	417,730
Grand Total	442	11,808	831,943	988,357	1,820,300	1,554,366

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

2. Income from the Archbishops' Council

Support from the National Church still forms a significant part of the Board's income at 12.14% (2010: 13.10%). 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. The Additional Ministry and Mission allocation ceased in 2010.

	£'000
Stipend Allocations	1,778
Additional Ministry and Mission Allocation	-
Parish Mission Funding	243
Total Received from National Church in Support	2,021

3. Other Voluntary Income

This category includes donations and legacies from both internal funds and third parties. In the year income amounted to £0.612m (2010: £0.574m). The main purposes for this area of income are as follows:

	£'000
Stipends	414
Mission and Ministry	8
Double Glazing	8
Church Urban Fund (help for projects in urban priority areas)	60
Church Building Supports Officers	56
Bishop's Lent Appeal (for local and international projects)	44
Bishop's Ordination Fund (help for ordinands in training)	22

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

	£'000
Walter Stanley Trust (towards clergy costs in West Bromwich)	166
Ecclesiastical Insurance Group (EIG)	207
West Bromwich Building Society (Church Urban Fund)	50

In addition, the Board is extremely grateful to Messrs Robbins and Fletcher, Revd P Swann, Mrs Primrose, Revd L Wheeler and the Diocesan Bishop who have supported the work of the Diocese with regular 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 (formerly Inland Revenue) direct. The Scheme charges a 4% commission on tax reclaimed to assist in covering the costs of running the scheme. In the last 12 months a total of £1.133m has been reclaimed and distributed back to parishes compared to £1.075m 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 70%.

During the year a total of £0.284m was generated in the year, compared with £0.247m in 2010. 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. With the revised policy of the maximising DBF Assets this is an area that has been worked on significantly and with the help of the Property Department this has seen a significant improvement in income in the last 12 months and it is expected a further increase will occur in 2012. The moratorium on sales has been lifted that may affect the rental income but there is now a far more strategic and stringent policy in place to maximise all DBF reserves.

5. Investment Income

Over the last year, the Diocese generated £1.176m through dividends, interest received and Glebe Land rents. This represents an increase on 2010 when £1.166m 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 required liquidity required by the Board.

The increase is even more remarkable as the Corporate Deposit accounts that were utilised whilst the LIBOR rate was high have now ended and alternative investments have been sought

This change is reflected with interest earned falling further to £0.03m from £0.50m – 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 £0.72m to £0.021m. 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 remained consistent at £0.187m in 2011 and 2010. There are two investment properties that generated £0.025m in the last year

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 12 months

During this period the total income generated rose slightly to £1.352m from the figure of £1.304m in 2010

In addition to the Parish Share, the parishes also contributed a further £0.699m in statutory fees, due to services undertaken by the parish clergy within the Diocese - a rise from £0.889m in the previous twelve months

Chaplaincy Income also fell marginally. As did the income from the Church Commissioners in respect of Guaranteed Annuities and other similar grants rose, from £0.106m to £0.064m. Part of this reason was due to various posts, noticeably the Chaplain at Wolverhampton University being vacant due to the retirement of Preb. G Wynne.

During 2005 the Church Commissioners decided to cease paying of 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 – see note 2

This policy also meant that all new appointments from July 2005 did not receive any Guaranteed Annuities. The receipt by the Diocese of £0.138m 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 12 months this increased from £0.137m in 2010 to £0.153m in 2011. The rise in income is due to more courses, conferences and training events being run to help clergy and laity across the Diocese.

7. Other Incoming Resources

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

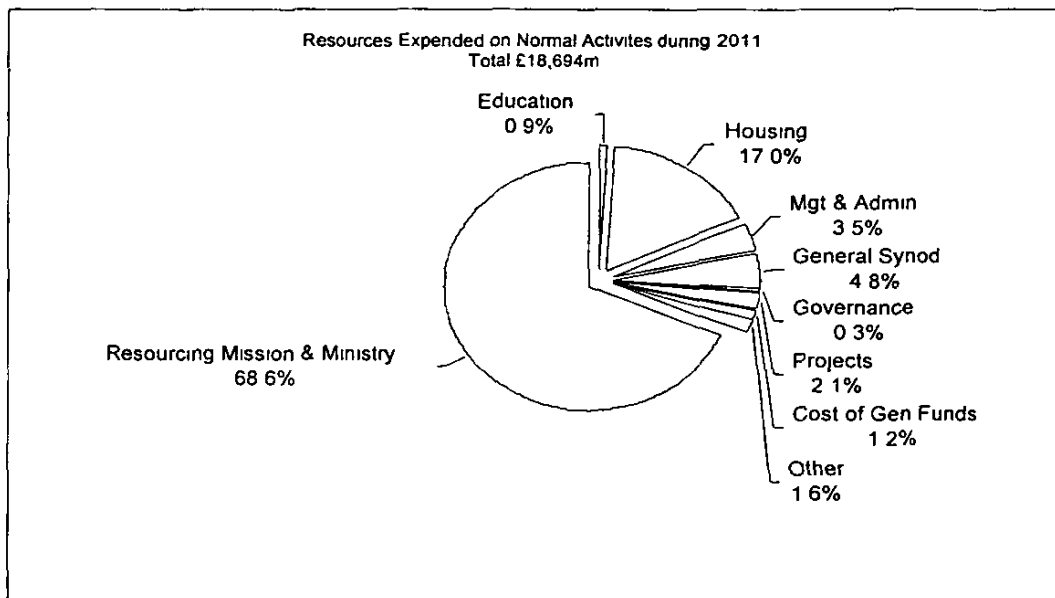
As part of the overall strategy to wind up many of the smaller trusts in the Lichfield Diocesan Trust, in order to reduce the workload and administration of the Trust. Some of these trusts relate to the work of the Diocesan Board of Finance and have been transferred into the name of the Board during 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 2011 one further stipend trust was 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 the year four properties were sold realising a surplus on sale of £0.191m, compared to only three properties being sold in 2010 however the surplus in that year was £0.870m.

Expenditure (See Accounting Policy Note 1 (d) on Page 83)

Total resources expended in the year were £18 694m (2010. £17 835m)



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 (1.1%). 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 cost 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 nominee's 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 £48,422 (2010 £73,066). More in house rentals were arranged using the systems that had been invested and put in place in previous years.

In addition, whilst more work was done on the Glebe management portfolio the amount of expenditure was reduced, mainly due to the completion of the Land Registration process in the previous 12 months. This saw a significant reduction in costs on Glebe development.

Charitable Activities

1. Contributions to Archbishops' Council

In the year the Diocese made a contribution of £898,673 (2010 £897,025) towards the Budget of General Synod. This cost includes a contribution of £375,136 (2010 £361,885) towards training future clergy and £310,784 (2010 £315,891) 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 £16.668m was expended in 2011 compared with £15.928m in 2010.

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 £520,451 (2010 £483,360) include the following:

	£'000
Extra Parishes Expenses	53
Sequestration Costs	113
Training Ordinands	208
Stipend Grants towards Projects or Contribution to Shared Posts	126
Rural Dean/Team Rector Expenses	14
Criminal Records Bureau	7

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 2011 £290,288 (2010 £204,299) 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 971m has been awarded from the Growth Fund. At the end of the year, £0 571m 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, £59,707 (2010 £123,264) are for projects in Urban Priority areas.

The Diocesan Bishop's Lent Appeal awarded grants of £30,000 in 2011 compared with £40,250 in 2010. The grants awarded were £5,000 to each of Teachers of English in SE Asia, Diocese of Qu'Appelle, Aids Project in Matsolane and USPG plus £15,000 to Street Pastors.

The Board made no Political Grants or Donations in 2011.

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 £59,224 compared with £65,302 in 2010.

Other Resources

This section includes a loss on the sale of fixed assets that were no longer required or used by the charity. In addition it also includes the expenditure on maintaining and disposing of redundant church buildings and provisions for doubtful debts. In addition in 2011 it includes the agreed transfer of the Church Urban Fund to the Mercian Community Trust as agreed at the Bishop's Council meeting in November 2011.

7. Plans for the Future

As reported last year the Diocese has undertaken a Plain Speaking exercise where every parish was asked to score themselves on a grid comparing strength in Mission and Ministry. The outcomes were reported at an event at Tillington Hall in January 2012. This showed that 38% of parishes were Sustainable, 8% were Static (Mission weak, Resources Strong), 33% Strategic (Mission Strong, Resources weak) and 21% Struggling.

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.

In addition the Church nationally is facing a reduction in stipendiary clergy in the coming years, with estimates of as much as 40% retiring by 2020, and insufficient Ordinands coming through to replace the retiring clergy. The question facing the Diocese is how to resource the Mission and Ministry in every parish across the Diocese.

There is some concern over the future amount of allocation from the Church Commissioners, the second largest source of income for the Board.

The main task facing the Board in the coming years, both short term (financially) and medium term (resources) is to bring the issue of policy and finance together.

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

Position Paper

The first step was the production of a document by the CEO called the Position Paper. This set out the current situation facing the Diocese and a strategic approach forward tackling the issues.

Since 2003 Lichfield Diocese has had as its strap line – “Going for Growth”. In the current climate the voices of the critics of the Church of England grow louder and more strident, the press believe we are tearing ourselves apart on single issues, numbers of clergy will be much decreased by 2020 and parishes are finding it more and more difficult to pay their Parish Share. Is it therefore realistic to maintain this strap line and more importantly if we do retain it do we all really believe we can continue to confidently grow the Kingdom?

The Bishop's senior staff team believe strongly that we do need to re-assert our desire to go for Growth.

The reasons for doing this were highlighted as follows.-

1 It is a biblical imperative

- We are to spread the Word of God (Mark 4),
- pray for the kingdom to come, (Matthew 6 10),
- proclaim the "Good News" (Mark 13 10),
- go and make disciples of all nations (Matthew 28.18).
- Faithfulness in proclamation precedes the fruitfulness of the Holy Spirit (Acts 2:47)

2 We need to play our part in the vision of the National Church

In November 2010 Archbishop Rowan Williams laid out his vision for the National Church at the General Synod. It is this:

- *to take forward* the spiritual and numerical growth of the Church of England – including the growth of its capacity to serve the whole community of this country
- *to re-shape* or re-imagine the Church's ministry for the century coming, so as to make sure that there is a growing and sustainable Christian witness in every local community, and
- *to focus* our resources where there is both greatest need and greatest opportunity.

3 To consolidate evident fruitfulness in many areas

Lichfield Diocese has a rich diversity of faiths and cultures, spread across socially, and economically diverse areas. Even within our denomination there are varieties of church traditions. Responding to all this the Diocese has shown a pioneering missional attitude.

4 There is a spiritual crisis in our nation

In a recent leader article in The Times newspaper, and in the context of the recent riots, the Editor suggested that the country lacked spiritual leadership. We might want to challenge this and say we lack spiritual understanding. Whichever it is there is no doubt the Church must continue to address the spiritual agenda and stand up for the Gospel. As well we know that the "fringe" are becoming a shrinking pool in which to fish. There are less and less who were brought up in the faith so a "Returner Policy", once so fruitful, brings less returns for more and more work.

5 The Bible and church history tell us God is faithful!

2000 years ago the Jerusalem Church was called to change to meet the new demands of the Spirit in going to the Gentiles – a challenge it rose to. The

centre of Christianity today is now in "The South" – Africa, Asia and Latin America. The Church of God will last forever but it has always changed in order to meet new challenges ahead. The question for us is - how do we need to adapt to meet the new environment – to be truly incarnate in our mission? God is ultimately the Source and Sustainer of all. It is his World, his Church and his Mission. At the beginning of the 21st Century, we face huge challenges and possibly seismic-like change in our journey to enable local churches to be effective agents of God's Mission and flourishing presences in the community.

Continue to "Go for Growth" by embracing five themes.

Like any vision, Going for Growth needs to have both a sustainable strategy behind it and a set of common values. In October 2010, the Bishop's Staff considered what these values should be and agreed the following five themes. These have already been used as the mission indicators for the Plain Speaking consultation. Hopefully like an Olympic circle they will all feed off one another to promote a holistic sense of being a growing and healthy church.

i) Discovering the Heart of God

It is God who gives the growth (1 Cor 3:6) as a consequence of faithful prayer and waiting on the Spirit of God. We also seek to discern the will and purposes of God and then focus on His Kingdom priorities. The growth of the Church is not an end in itself. It is God's initiative and is achieved by his Spirit. Individuals need to know that sustaining their individual spiritual lives is the key to everything else. Churches need to focus on God and enable individual flourishing by identifying spiritual resources that can meet individuals where they are at. None of us can be complacent about our relationships, not least our relationship with God the Father. Our church leaders need to challenge and nurture us in this way.

ii) Growing Disciples

Remaining static in our response to God's love in Christ and his Kingdom is not an option. Discipleship means being made into the image and likeness of Christ. It is a work of grace and the consequence of a life of faith. The challenge of discipleship is that it should be a tangible thing and affect all those we come into contact with. The challenge for the local church is that we find a way to enable that to happen as creatively as possible within the context of the local situation.

iii) Reaching new Generations

Perhaps our greatest challenge is acknowledging and then acting on our need to reach the next generation for Christ. The age profile of the Church of England in general is high. We appear to lose our youth and not necessarily see them return again. Despite real efforts by many churches to engage with this issue we still need to do more as a diocese to engage with youth culture and provide an environment where a vibrant faith can grow. This might mean

painful but creative changes to the way we have always done things. It may mean we need to offer a varied diet of liturgy that is not always Eucharistic.

iv) Transforming Communities

Christ's saving work brings about our personal transformation, through the presence of the Spirit, communities of church and grace become transformative, and in obedience to the Sovereign Will of the Father, we pray for the ultimate transformation of God's world. In this diocese we are committed to the whole of our local community, focusing our resources where there is both greatest need and greatest opportunity. We campaign for climate justice, support projects tackling debt and worklessness, and visit isolated elderly neighbours. We commit to respond to human need by loving service; and to seek to transform unjust structures of society, and to strive to safeguard the integrity of creation and sustain and renew the life of the earth.

v) Practising Generosity

It is important that our churches live out the grace of God. The Church, as a founding member of civil society, needs to practise generosity as we place our networks, buildings and other assets at the disposal of collaborative ventures for the benefit of the most vulnerable at home and abroad. Practising generosity is not just about giving our money and time sacrificially but also ensuring the warmest of welcomes when our church receives a visitor. A spirit of openness, acceptance and hospitality should permeate everything we do.

Parish Share Apportionment Formula

After two years of work, a new share apportionment system was overwhelmingly approved by Diocesan Synod in March 2012. This new system will come into force with effect from January 2013.

The new system brings the Cost of Ministry, or unit cost, to the forefront of the apportionment system. This in turn brings the formula in line with the deployment strategy whilst retaining the concept of Mutual Support.

In addition, the formula shows how the Church Commissioners' apportionment is allocated across the parishes. Predominantly, the apportionment supports Urban Priority Areas and Rural Areas.

The largest change is that the formula removes Average Sunday Attendance from the calculation and ends the arguments of rewarding decline and penalising growth across the parishes. It is hoped that the new system will significantly assist in bringing finance and policy closer together.

8. Custodian Trustees

The Board acts as Custodian Trustees to six specific funds totalling £241,072 as at 31 December 2011. 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 2011
Archdeacon of Lichfield Disc Fund	£25,163
Archdeacon of Stoke Disc Fund	£51,917
Archdeacon of Salop Disc Fund	£22,994
Archdeacon of Walsall Disc Fund	£80,486
Bishop of Lichfield Disc Fund	£35,904
Women's Ministry	£24,608

9. Appointment of Auditors

The Auditors, Dains LLP, will retire at the Annual General Meeting and offer themselves for re-appointment. A resolution to re-appoint 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



Peter Sharpe MBE
Chairman

31 May 2012

STATEMENT OF FINANCIAL ACTIVITIES FOR THE YEAR ENDED 31 DECEMBER 2011

Including Income & Expenditure Accounts

	Notes	Unrestricted Funds		Restricted funds	Endowment funds	Total Funds 2011	Total funds 2010
		General £'000	Designated £'000	£'000	£'000	£'000	£'000
INCOMING RESOURCES							
Incoming Resources from Generated Funds							
Voluntary Income							
Parish Contributions	2	11,195	-	-	-	11,195	11,230
Archbishops' Council	3	1,778	-	243	-	2,021	2,142
Other	4	407	19	186	-	612	574
Activities for Generating funds	5	284	-	-	-	284	247
Investment Income	6	271	158	733	14	1,176	1,166
Incoming resources from Charitable Activities							
Statutory fees, Chaplaincy & Other	7	1,307	41	4	-	1,352	1,304
Other Incoming Resources	8	-	-	263	-	263	1,066
Total Incoming Resources		15,242	218	1,429	14	16,903	17,729
Resources Expended							
Costs of Generating Funds							
Cost of Generating Voluntary Income	9	114	-	15	-	129	225
Investment Management Costs	10	91	-	5	-	96	163
Charitable Activities							
Contributions to Archbishops' Council	11	899	-	-	-	899	897
Resourcing Ministry & Mission	12	14,758	757	1,153	-	16,668	15,928
Education	13	162	-	-	-	162	157
Diocesan projects	14	-	-	387	-	387	383
Governance Costs	15	57	1	1	-	59	66
Other Resources expended	16	-	-	294	-	294	16
Total resources expended		16,081	758	1,855	-	18,694	17,835
Net incoming resources before transfers		(839)	(540)	(426)	14	(1,791)	(106)
Gross Transfers between funds	18	783	500	(1,269)	(14)	-	-
Net Incoming resources before other recognised gains and losses		(56)	(40)	(1,695)	-	(1,791)	(106)

	Notes	Unrestricted Funds		Restricted Funds	Endowment Funds	Total Funds 2011	Total funds 2010
		General £'000	Designated £'000	£'000	£'000	£'000	£'000
Other recognised gains/(losses)							
(Loss)/Gain on revaluations of investments for charity's own use		(87)	(161)	125	(16)	(139)	3,177
Gain/(Loss) in Investment Assets		10	(9)	11	-	12	270
Net Movements in funds	20	(133)	(210)	(1,559)	(16)	(1,918)	3,341
Reconciliation of funds							
Total funds 01 January 2011		3,243	5,964	62,168	289	71,664	68,323
Total Funds at 31 December 2011		3,110	5,754	60,609	273	69,746	71,664

All incoming resources and resourced expended derived from continuing activities

The notes on pages 82 to 107 form part of these financial statements

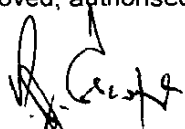
BALANCE SHEET

Company Number : 00239561

BALANCE SHEET AS AT 31 DECEMBER 2011

	Notes	2011 £'000	2010 £'000
Tangible Assets	23	36,324	36,663
Investments	24	28,385	27,766
		<u>64,709</u>	<u>64,429</u>
Current Assets			
Debtors	25	1,753	2,385
Investments	26	290	1,788
Cash at Bank and in hand		5,423	5,262
		<u>7,466</u>	<u>9,435</u>
Creditors amounts falling due within one year	27	2,064	1,740
Net current assets		<u>5,402</u>	<u>7,695</u>
Debtors falling due in more than One Year	25	1,024	697
Total Assets less Current Liabilities		<u>71,135</u>	<u>72,821</u>
Creditors falling after more than one year	27	1,389	1,157
Net assets		<u>69,746</u>	<u>71,664</u>
Trust Funds of the Charity			
Endowments	28	273	289
Restricted	28	60,609	62,168
Unrestricted			
General	28	3,110	3,243
Designated	28	5,754	5,964
Total funds		<u>69,746</u>	<u>71,664</u>

Approved, authorised and issued by the Board of Trustees on 31 May 2012



Peter Sharpe MBE

Director / Trustee / Chairman of the Board of Finance

CASHFLOW STATEMENT

	2011	2010
	£'000	£'000
Net Incoming Resources before transfers	(1,791)	(106)
Profit on sale of Investments	12	270
Normal Trading Profit	(1,779)	164
Net Incoming Resources from Normal Operating Activities	(1,779)	164
Depreciation	909	913
Net Gain on sale of Tangible Assets	(191)	(870)
Net Gain on sale of Investments	(12)	(270)
Interest and dividends receivable	(964)	(978)
Interest Payable	18	15
Decrease in Debtors	225	304
Increase/(Decrease) in Creditors	601	(454)
Net Cashflow from operating activities	(1,193)	(1,176)
Returns on Investments and servicing of finance		
Interest and dividends received	964	978
Interest Paid	(18)	(15)
	946	963
Capital expenditure and financial investment		
Expenditure on tangible fixed assets	(963)	(966)
Sale of tangible fixed assets	584	1,100
Purchase of Investments	(2,992)	(4,414)
Net Movement in Short Term Investments	1,497	3,000
Sale of Investments	2,246	2,177
Movement in Parish Loans (Advanced and repaid)	80	38
	452	935
Net cash inflow before financing	205	722
Financing		
Loans Repaid – Property Mortgages	(44)	(51)
	(44)	(51)
Increase in cash	161	671

ANALYSIS OF CHANGES IN NET DEBT

	As at 01 January 2011 £'000	Cashflow £'000	As at 31 December 2011 £'000
Cash at Bank	5,262	161	5,423
Debt			
Loans from Church Commissioners	521	(44)	477
	521	(44)	477
Net debt	5,783	117	5,900

Reconciliation of net cashflow to movement in net debt

	2011 £'000	2010 £'000
Increase in cash during the year	161	,671
Cashflow from decrease in debt and financing	(44)	(51)
	117	620
Net debt as at 01 January	5,783	5,163
Net debt as at 31 December	5,900	5,783

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 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 62)

Voluntary Income

Parish Share.-

The Parish Share for the year ended 31 December 2011 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 69)

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 2011 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.

(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. The review was completed in 2007, and the new revaluations are included in the Balance Sheet. An annual revaluation is carried out as a desktop revaluation in accordance with FRS 15. The revaluation is shown in the Statement of Financial Activities for the year.

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 (£239,030 gross in 2011; £206,792 in 2010) 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	2010
	£	£	£	£
Benefice Houses	185	42,802	42,987	58,606
Glebe Houses	-	137,817	137,817	165,927
Board Houses	-	-	-	-
Total	185	180,619	180,804	224,533

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	2010
			£	£
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

	Unrestricted Funds		Restricted Funds	Endowment Funds	Total Funds 2011	Total Funds 2010
	General £'000	Designated £'000	£'000	£'000	£'000	£'000
12 Expenditure on resourcing Ministry and Mission						
Pansh Ministry -						
Stipends & National Insurance	7,545	-	-	-	7,545	7,289
Pensions Contributions	2,265	489	-	-	2,754	2,628
Housing Costs	2,066	226	891	-	3,183	2,994
Removal, resettlement and other grants	217	-	-	-	217	181
Other expenses	521	-	-	-	521	483
	12,614	719	891	-	14,220	13,575
Support for Ministry	1,515	38	242	-	1,795	1,652
Management & Administration (inc Legal Retainers)	629	4	20	-	653	701
	14,758	757	1,153	-	16,668	15,928
Housing Costs include:-						
Depreciation in accordance with Accounting policies	-	35	834	-	869	877
Maintenance	1,170	191	44	-	1,405	1,240
Management of Housing Stock	234	-	-	-	234	184
Council Tax/Water Rates	662	-	-	-	662	669
Miscellaneous	-	-	13	-	13	24
	2,066	226	891	-	3,183	2,994
Support for Ministry Includes:-						
Central Sector Ministry	809	-	-	-	809	702
Diocesan Services to Parishes	291	-	-	-	291	274
Archdeacons, Bishop support costs	384	-	-	-	384	397
Miscellaneous	31	38	242	-	311	279
	1,515	38	242	-	1,795	1,652
13 Expenditure on Education						
Administration	162	-	-	-	162	157
	162	-	-	-	162	157
14 Expenditure on Diocesan Projects						
Growth Fund Projects	-	-	290	-	290	205
Lichfield Church Urban Fund Supported Projects	-	-	60	-	60	123
Bridgebuilders	-	-	5	-	5	15
Diocesan Bishop's Lent Appeal	-	-	32	-	32	40
Diocesan Bishop's Burma Appeal	-	-	-	-	-	-
Cross Talk Conference	-	-	-	-	-	-
Other	-	-	-	-	-	-
	-	-	387	-	387	383

	Unrestricted Funds		Restricted Funds	Endowment Funds	Total Funds 2011	Total Funds 2010
	General £'000	Designated £'000	£'000	£'000	£'000	£'000
6 Investment Income						
Dividends Received	78	149	654	14	895	856
Interest Receivable	6	9	32	-	47	50
Investment Interest	-	-	21	-	21	72
Rents Receivable	187	-	26	-	213	188
	<u>271</u>	<u>158</u>	<u>733</u>	<u>14</u>	<u>1,176</u>	<u>1,166</u>
7 Incoming Resources from Charitable Activities						
Statutory Fees	968	-	-	-	968	889
Chaplaincy Income	64	-	-	-	64	106
Church Commissioners	138	-	-	-	138	132
Income From Sequestration Accounts	29	-	-	-	29	21
Sudford Diocese Curate	-	-	-	-	-	18
Miscellaneous Income	108	41	4	-	153	138
	<u>1,307</u>	<u>41</u>	<u>4</u>	<u>-</u>	<u>1,352</u>	<u>1,304</u>
8 Other Incoming Resources						
Gain on Disposal of Property	-	-	191	-	191	870
Funds Introduced	-	-	72	-	72	196
	<u>-</u>	<u>-</u>	<u>263</u>	<u>-</u>	<u>263</u>	<u>1,066</u>
9 Cost of Generating Voluntary Income						
Fund Raising Expenditure	114	-	15	-	129	225
	<u>114</u>	<u>-</u>	<u>15</u>	<u>-</u>	<u>129</u>	<u>225</u>
10 Investment Management Fees						
Investment Management Fees	6	-	5	-	11	18
Agents Fees & Commissions	48	-	-	-	48	73
Associated Costs	37	-	-	-	37	72
	<u>91</u>	<u>-</u>	<u>5</u>	<u>-</u>	<u>96</u>	<u>163</u>
11 Contributions to Archbishops' Council						
Training for Ministry	375	-	-	-	375	362
National Church Responsibilities	311	-	-	-	311	316
Grants and Provisions	48	-	-	-	48	47
Mission Agency Pension Contributions	25	-	-	-	25	25
Retired Clergy Housing Costs (CHARM)	105	-	-	-	105	100
Pooling of Ordinand Candidates Costs	35	-	-	-	35	47
	<u>899</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>899</u>	<u>897</u>

	Unrestricted Funds		Restricted Funds	Endowment Funds	Total Funds 2011	Total Funds 2010
	General £'000	Designated £'000	£'000	£'000	£'000	£'000
12 Expenditure on resourcing Ministry and Mission						
Parish Ministry -						
Stipends & National Insurance	7,545	-	-	-	7,545	7,289
Pensions Contributions	2,265	489	-	-	2,754	2,628
Housing Costs	2,066	226	891	-	3,183	2,994
Removal, resettlement and other grants	217	-	-	-	217	181
Other expenses	521	-	-	-	521	483
	12,614	719	891	-	14,220	13,575
Support for Ministry	1,515	38	242	-	1,795	1,652
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Housing Costs include:-						
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Maintenance	1,170	191	44	-	1,405	1,240
Management of Housing Stock	234	-	-	-	234	184
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Miscellaneous	-	-	13	-	13	24
	2,066	226	891	-	3,183	2,994
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Administration	162	-	-	-	162	157
	162	-	-	-	162	157
14 Expenditure on Diocesan Projects						
Growth Fund Projects	-	-	290	-	290	205
Lichfield Church Urban Fund Supported Projects	-	-	60	-	60	123
Bridgebuilders	-	-	5	-	5	15
Diocesan Bishop's Lent Appeal	-	-	32	-	32	40
Diocesan Bishop's Burma Appeal	-	-	-	-	-	-
Cross Talk Conference	-	-	-	-	-	-
Other	-	-	-	-	-	-
	-	-	387	-	387	383

	Unrestricted Funds		Restricted Funds	Endowment Funds	Total Funds 2011	Total Funds 2010
	General	Designated				
	£'000	£'000	£'000	£'000	£'000	£'000
15 Governance Costs						
Audit Fees	23	-	-	-	23	21
Diocesan Synod Expenses	6	-	-	-	6	4
General Synod Representation	11	-	-	-	11	22
Other Committee Costs	17	1	1	-	19	19
	<u>57</u>	<u>1</u>	<u>1</u>	<u>-</u>	<u>59</u>	<u>66</u>

16 Other Resources expended

Redundant Churches	-	-	3	-	3	6
Transfer to Mercian Community Trust	-	-	273	-	273	-
Prov'n for Doubtful Debt – Sales	-	-	-	-	-	10
Prov'n for Doubtful Debt – Loan	-	-	18	-	18	-
	<u>-</u>	<u>-</u>	<u>294</u>	<u>-</u>	<u>294</u>	<u>16</u>

**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	129	-	-	129
Investment Management Costs	96	-	-	96
Contributions to Archbishops' Council	899	-	-	899
Resourcing Ministry & Mission	15,515	736	629	16,880
Education	162	-	-	162
Diocesan Projects	-	387	-	387
Governance Costs	36	-	23	59
Other Resources Expended	294	-	-	294
	<u>17,131</u>	<u>1,123</u>	<u>652</u>	<u>18,906</u>

	Unrestricted Funds		Restricted Endowment Funds		Total Funds
	General £'000	Designated £'000	£'000	£'000	£'000
18 Analysis of transfers between funds					
Investment Income transferred from Designated reserves	266	(266)	-	-	-
Investment Income transferred from Restricted Reserves*	636	-	(622)	(14)	-
Transfer training income from Ordination Fund	15	-	(15)	-	-
Transfer to Defined Pensions Liability	(97)	98	(1)	-	-
Transfer of Property under Pastoral Schemes	-	624	(624)	-	-
Development Bids	99	(201)	102	-	-
Mortgage Interest repayment via Church Commissioners	(44)	-	44	-	-
Miscellaneous Grants	(17)	5	12	-	-
Double Glazing Project	(75)	240	(165)	-	-
	783	500	(1,269)	(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 777m 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 -

	2011 £'000	2010 £'000
Auditors' Remuneration – Audit Fee	23	21
Auditors' Remuneration – non audit services	4	4
Depreciation of tangible fixed assets - owned by the Board	903	907
Depreciation of tangible fixed assets - leased by the Board	7	6
Profit on disposal of fixed assets	(191)	(870)
Unrealised Gains/(loss) on revaluation of Investments	(139)	3,177
Lease payments of buildings - St Mary's House	14	14
Gross Rental Income	(431)	(382)

20 Summary of Fund Movements

	Balances at 01 Jan 2011 £'000	Incoming Resources £'000	Outgoing Resources £'000	Transfers £'000	Gains and Losses £'000	Balances at 31 Dec 2011 £'000
Unrestricted Funds						
General	3,243	15,242	(16,081)	783	(77)	3,110
Designated						
Ashworth/Lowe	3,171	138	-	(138)	(158)	3,013
Chairman's Fund	1	7	(7)	-	-	1
Pension/Surplus Provision	322	1	-	(1)	-	322
DBF Designated Houses	426	-	(36)	624	-	1,014
General Designated	705	1	(22)	(350)	-	334
Swanwick	8	45	(9)	-	-	44
Diocesan Growth Fund	605	4	(4)	2	-	607
Vacancy in See Contingency Fund	6	-	-	1	-	7
Lambeth Conference	4	-	-	1	-	5
Fothergill Bequest	207	10	-	(10)	(11)	196
Legacies Other	16	1	-	(1)	(1)	15
DBS Pensions Provn	(352)	-	(489)	98	-	(743)
Stipend Reserve	485	-	-	-	-	485
Future Liabilities Provn	306	3	-	24	-	333
Double Glazing Scheme	54	8	(191)	250	-	121
	5,964	218	(758)	500	(170)	5,754
Restricted Funds						
Property Reserve	1,053	-	(35)	192	-	1,210
Trust Reserve	1,433	54	(2)	(54)	(82)	1,349
End & Glebe	10,259	40	(241)	755	-	10,813
Benefice	23,397	150	(559)	(1,416)	-	21,572
Stipends Capital	3,131	135	(27)	(461)	(66)	2,712
Pastoral Fund	7,026	233	(151)	(197)	(388)	6,523
Diocesan Loan Fund	1,807	60	-	-	(57)	1,810
Church Urban Fund	291	63	(353)	(1)	-	-
Clergy Widows & Orphans	638	28	(21)	-	(35)	610
Interior decoration Scheme	91	12	(7)	-	(13)	83
Stipend Appeal	4	44	(37)	-	-	11
Ordination	76	26	(6)	(15)	(4)	77
Glebe Land	8,222	-	-	(41)	1,102	9,193
Church Mission Project	25	1	-	-	(1)	25
Redundant Property	510	1	(10)	(1)	-	500
Bridgebuilders	213	8	(5)	-	(7)	209
Diocesan Growth Fund	(253)	247	(290)	68	-	(228)
Youth Grants	1	-	(1)	-	-	-
Glebe Land Sales	3,084	143	(1)	(93)	(154)	2,979
Mission Shaped Ministry	5	3	(6)	-	-	2
Stipend Trust Reserve	1,114	124	-	(51)	(69)	1,118
Church Building Support Officer	23	30	(46)	9	-	16
Place of Worship Support Officer-	18	26	(45)	25	-	24
Telford Pioneer Post	-	1	(12)	12	-	1
	62,168	1,429	(1,855)	(1,269)	226	60,609
Endowment Fund						
	289	14	-	(14)	(16)	273
	71,664	16,903	(18,694)	-	(37)	69,746

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 £1,900 (2010 £1,722)

22 Employee Details

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

	2011 Nos	2010 Nos
Management & Administration	21	19
Archdeacons' & Bishops' Support Staff	8	6
Central Sector Ministers/Advisers & Support Staff	31	27
	<u>60</u>	<u>52</u>

The staff costs for the above were as follows -

	£'000	£'000
Gross Salaries	1,241	1,114
NI Costs	119	98
Pension Contributions	308	281
	<u>1,668</u>	<u>1,493</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 £'000	Glebe/ Team Vicarages/ DBF £'000	Leasehold Property £'000	Office Equipment £'000	Total £'000
At cost or Valuation					
At 01 January 2011	29,368	15,170	162	566	45,266
Additions in the year	20	888	-	55	963
Transfers under Pastoral Schemes	(1,699)	1,699	-	-	-
Disposal in the Year	-	(391)	-	(2)	(393)
At 31 December 2011	27,689	17,366	162	619	45,836
Accumulated Depreciation					
At 01 January 2011	5,912	2,210	123	358	8,603
Charge for the year	553	316	7	74	950
Transfers in year	(392)	392	-	-	-
Disposals	-	(39)	-	(2)	(41)
At 31 December 2011	6,073	2,879	130	430	9,512
Net Book Value at 31 December 2011	21,616	14,487	32	189	36,324
Net Book Value at 01 January 2011	23,456	12,960	39	208	36,663

Fixed Assets Reserve Movement

	Net Book Value 01 Jan 11 £'000	Additions £'000	Disposals £'000	Transfers £'000	Dep'n £'000	Net Book Value 31 Dec 11 £'000
Unrestricted Reserves	247	54	-	-	(80)	221
Designated Reserves						
General Designated	-	1	-	-	-	1
DBF Designated House Funds	803	268	-	624	(35)	1,660
	803	269	-	624	(35)	1,661
Restricted Reserves						
Property Reserves	1,266	-	-	193	(35)	1,424
Trust Reserves	97	-	-	-	(2)	95
Endowment & Glebe Fund	10,425	620	(352)	491	(234)	10,950
Benefice Property Fund	23,457	20	-	(1,308)	(554)	21,615
Redundant Church Property Fund	368	-	-	-	(9)	359
	35,613	640	(352)	(624)	(834)	34,443
Totals	36,663	963	(352)	-	(949)	36,325

24 Investments

	Agricultural Land £'000	Residential Property £'000	Commercial Property £'000	Listed Invest £'000	Total £'000
At 01 January 2011	8,333	680	-	18,752	27,765
Additions	-	-	-	2,993	2,993
Disposals	-	-	-	(2,235)	(2,235)
Revaluations	971	(20)	-	(1,090)	(139)
At 31 December 2011	9,304	660	-	18,420	28,384
Cost as at 31 December 2011	4,163	636	-	15,918	20,717
Cost as at 31 December 2010	4,163	636	-	15,159	19,958
Investment By Fund	01 Jan 11 £'000	Additions £'000	Disposals £'000	Revalue 31 Dec 11 £'000	£'000
Unrestricted	1,585	67	(26)	(87)	1,539
Designated					
Ashworth/Lowe	3,183	531	(560)	(150)	3,004
Fothergill	186	20	-	(11)	195
Other	10	5	-	-	15
	3,379	556	(560)	(161)	3,214
Restricted					
Trust Reserve	1,301	31	(9)	(82)	1,241
Stipends Capital	2,457	500	(509)	(57)	2,391
Stipends Capital - Glebe Land	2,777	270	(277)	(149)	2,621
Stipend Trust Reserve	1,167	68	(63)	(64)	1,108
Clergy Widows and Orphans	599	-	-	(35)	564
Pastoral Fund	4,535	1,391	(791)	(376)	4,759
Diocesan Loan Fund	1,039	-	-	(58)	981
Bridgebuilders	141	-	-	(7)	134
Interior Decoration Fund	184	110	-	(13)	281
Ordination Candidates	71	-	-	(4)	67
Church Mission Fund	21	-	-	(1)	20
Glebe Land	8,221	-	-	971	9,192
	22,513	2,370	(1,649)	125	23,359
Permanent Endowment	289	-	-	(16)	273
	27,766	2,993	(2,235)	(139)	28,385

25 Debtors	2011 £'000	2011 £'000	2010 £'000	2010 £'000
Due within one year				
Parish Share Arrears as at 31 December	1,820		1,554	
Less Provision for Doubtful Debts	(1,488)		(1,200)	
		332		354
Assigned Fees		132		95
Prepayments		301		286
Loans		106		510
Balance on Property Sales		-		-
Accrued Income		124		220
Insurance Reclaim		5		15
Recharges		387		422
Due from Board of Education		71		180
Sundry		295		303
		<u>1,753</u>		<u>2,385</u>
Due after one year				
Sundry	4		-	
Loans	<u>1,020</u>	<u>1,024</u>	<u>697</u>	<u>697</u>
Total		<u>2,777</u>		<u>3,082</u>
Loans				
Due in under one year				
Staff Loans		12		13
Loans to Parishes		94		497
		<u>106</u>		<u>510</u>
Due in more than one year				
Staff Loans		26		22
Equity Sharing Loan (Perrycroft Crescent)		50		50
Loans to Parishes		944		625
		<u>1,020</u>		<u>697</u>
Total Loans as at 31 December 2011		<u>1,126</u>		<u>1,207</u>
Provision for Doubtful Debt				
Share				
Balance as at 01 January		1,200		1,135
Provision written off in year		(104)		(139)
Current years arrears – added to provision		392		204
New Provision as at 31 December		<u>1,488</u>		<u>1,200</u>

	Unrestricted Funds		Restricted Funds	Endow'nt Funds	Total 2011	Total 2010
	General	Designated			£'000	£'000
26 Short Term Investment	£'000	£'000	£'000	£'000	£'000	£'000
Anglo Irish Bank	-	-	-	-	-	1,503
West Bromwich Building Society Corporate Deposit	-	-	291	-	291	285
	-	-	291	-	291	1,788

27 Creditors	2011	2010
	£'000	£'000
Amounts falling due within one year		
Creditors	1,337	892
Accruals	144	398
DBS Pensions	164	98
Deferred Grants	377	308
Loans from Church Commissioners		
Value Linked Loans	-	-
Mortgages	42	44
	<u>2,064</u>	<u>1,740</u>

Amounts falling due after one year		
Deferred Grants	374	424
DBS Pensions	579	255
Loans from Church Commissioners		
Value Linked Loans	297	297
Mortgages	139	180
	<u>1,389</u>	<u>1,156</u>
Total	<u>3,453</u>	<u>2,896</u>

Loans falling due after one year.-

1- 2 Years	40	42
2 - 5 Years	65	94
After 5 Years	34	44
	<u>139</u>	<u>180</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.

At 31 December 2011, the Board were committed to a contract to redevelop the site of the Wellington Christ Church Vicarage. The contract outstanding was £222,995.

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 2011, the Lichfield Diocesan Board of Finance made contributions of £410,157 (2010:£406,614) 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.

The latest valuation was carried out as at 31 December 2010 and this showed the deficit had increased to £842,000 as at that date. If the scheme was to be continued in the current format and benefits this would mean a contribution rate of 28.30% from 01 April 2012 and repayments of £186,126 per annum from 01 April 2012 to 01 April 2017. This increased deficit and repayments is reflected in these financial statements.

As at 31st December 2010 the Board had 51 active members and 29 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
Unrestricted Funds – General	221	1,539	3,469	(2,119)
Designated Funds				
Ashworth/Lowe	-	3,004	9	-
Chairman's Fund	-	-	4	(3)
Pensions/Surplus Fund	-	-	322	-
DBF Designated Fund	1,660	-	50	(696)
General Designated	-	-	504	(170)
ABC Mission Fund	-	-	2	(2)
Swanwick Conference	-	-	44	-
Diocesan Growth Fund	-	-	608	(1)
Vacancy in See	-	-	7	-
Lambeth Conference	-	-	5	-
Fothergill Bequest	-	195	1	-
Other Legacy	-	15	-	-
DBS Pensions Liability	-	-	-	(743)
Stipend Reserve	-	-	485	-
Future Clergy Pensions Provn	-	-	473	(140)
Double Glazing	-	-	131	(10)
	1,660	3,214	2,645	(1,765)
Restricted Funds				
Property Reserve	1,424	-	-	(214)
Trust Reserve	95	1,241	13	-
Endowment & Glebe	10,950	-	-	(137)
Benefice	21,615	-	-	(43)
Stipends Capital	-	2,391	686	(365)
Pastoral Fund	-	4,759	1,824	(60)
Diocesan Loan Fund	-	981	829	-
Lichfield Church Urban Fund	-	-	298	(298)
Clergy Widows & Orphans	-	564	46	-
Interior Decoration Scheme	-	281	79	(277)
Church Mission	-	20	5	-
Diocesan Bishop's Lent Appeal	-	-	24	(13)
Diocesan Bishop's Ordination Candidates' Fund	-	67	10	-
Glebe Land	-	9,192	1	-
Redundant Property	359	-	141	-
Place of Worship Support Officers	-	-	56	(32)
Church Building Supports Officer	-	-	26	(10)
Bridgebuilders	-	134	85	(10)
Diocesan Bishop's Growth Fund	-	-	358	(586)
Telford Pioneer	-	-	1	-
Glebe Land Sales	-	2,621	369	(11)
Stipend Trust Reserve	-	1,108	10	-
Mission Shaped Ministry	-	-	11	(9)
	34,443	23,359	4,872	(2,065)
Endowment Fund	-	273	-	-
	36,324	28,385	10,986	(5,949)

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 65

5. 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

6 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

7 Vacancy in See Fund

The fund represents a contingency against potential future costs

8 Lambeth Conference

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

9. 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

10 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.

11 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.

12 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 47 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

13 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

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 2011 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 50

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 50

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 2009, this grant was £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.

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.