

The Lichfield Diocesan Board of Finance (Incorporated)

Annual Report and Financial Statements

For the year ended 31 December 2015

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The Lichfield Diocesan Board of Finance (Incorporated)
(A company limited by guarantee)

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The Lichfield Diocesan Board of Finance (Incorporated)
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Reference and Administrative Details of the Company, its Trustees and Advisers
For the year ended 31 December 2015

President	The Bishop of Lichfield, (Vacant from 1 October 2015)
Chair	Mr J T Naylor
Vice Chair	The Archdeacon of Stoke upon Trent
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 Archdeacon of Walsall (appointed 1 January 2015) The Revd Preb J Allan RD Mr J Wilson Dr A Primrose
Elected	The Revd P Cansdale The Revd J Cody (appointed 1 February 2016) The Revd Preb P Daniel (resigned 31 August 2015) The Revd M Kinder (resigned 31 August 2015) The Revd M Last (appointed 1 September 2015) The Revd B Leathers (resigned 31 August 2015) The Revd M Rutter (appointed 1 September 2015) Mrs P Allen Mr D Beswick Mr A Charles Mr J Clark Mr C Gill Mr P Graetz (appointed 1 September 2015) Mr D C Jones Mr G Joynson MBE (resigned 31 August 2015) Mrs J Locke Mr W Nicholls MBE Mr C Randles Mrs L Rawling Mr M Revell (resigned 31 August 2015)
Nominated by the Bishop	The Revd Grigson (resigned 31 August 2015) Mrs J Price (resigned 31 August 2015) The Revd J Coyne (resigned 31 August 2015)
Co-Opted Member	Mr P J Snelson (resigned 31 August 2015)
Company registered number	00239561
Charity registered number	1107827
Registered office	St Mary's House The Close Lichfield Staffordshire WS13 7LD
Chief Executive Officer & Company Secretary	Mrs J Jones BSc FCIPD
Director of Finance	Mr J R L Hill FCMA CGMA

The Lichfield Diocesan Board of Finance (Incorporated)
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Reference and Administrative Details of the Company, its Trustees and Advisers
For the year ended 31 December 2015

Advisers (continued)

Independent auditors	Dains LLP 15 Colmore Row Birmingham B3 2BH
Bankers	Lloyds Bank Plc 22 Conduit Street Lichfield WS13 6JS
Solicitors	FBC Manby Bowdler LLP Routh House, Hall Court Hall Park Way Telford TF3 4NQ
Investment Advisers	CCLA Investment Management Ltd Senator House 85 Queen Victoria Street London EC4V 4ET EFG Harris Allday 33 Great Charles Street Birmingham B3 3JN Ecclesiastical Investment Management Limited Beaufort House Brunswick Road Gloucester GL1 1JZ
Surveyors	Mr C Glenn – Internal Diocesan Surveyor
Insurers	Ecclesiastical Insurance Group Beaufort House Brunswick Road Gloucester GL1 1JZ

The Lichfield Diocesan Board of Finance (Incorporated)
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Chairman's Statement
For the year ended 31 December 2015

The chairman presents his statement for the period.

Overall, 2015 saw another sound financial performance within the Lichfield Diocese. The net movement in funds for the Board as a Charity after revaluations amounted to a surplus of £2.808m, and the overall surplus for the Board of Finance (consolidated) amounted to £2,811k. (This year our accounts have been prepared in accordance with the new FRS 102 Accounting Standard and accordingly comparative values with 2014 have been restated.) Measures taken during the last few years to revise the formula for calculating Parish Shares, to reduce the number of clergy posts by 40 and to reduce central administrative costs have all resulted in a satisfactory balancing of our financial resources.

During the year income increased slightly to £17.898m (2014:£17,427m). Parish Contributions, our principal source of income increased slightly to £11.251m (2013: £11.112m). This produced 63% of the diocese's income. By the end of December 2015 the overall collection rate was 98.53% (2014 95.01%), aided by some welcome payments of previous years' arrears.

Income received from the Archbishops Council amounted to £2.428m (13.6% of the total income) and 12% amounting to £1.322m (2014: £1.320m) was provided by investment income generated through dividends, interest and Glebe Land rents received. During a period of low interest rates and stock market uncertainties this was a pleasing result. Income from statutory fees amounted to £1.232m (2014: £1.112m) and gains on the disposal of property were £366k (2014: £45k).

The costs of resourcing parish ministry within the diocese - a total of £15.664m - represented 91% of total expenditure. Of the remainder, Central Administration including safeguarding, stewardship and other services to parishes amounted to 5.54% of expenditure,

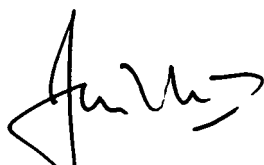
Within the year, after a revaluation of properties, the Total Funds of the Diocesan Board of Finance amounted £123.56m (2014: £120.75m). The value of investments increased by £1.38m to £38.6m. During the year, the freehold of St Mary's House was purchased for a consideration £0.463m.

Our overall policy remains to match our core financial commitments to the income which we can reasonably expect over the medium to long term. We continue to apply any short term funding which we receive to support strategic initiatives which have defined timescales. Beyond that, our strategy will be to continue to rebuild our reserves as and when any surpluses occur, with particular regard to the long term requirements to resource future ministry within the diocese.

Once again, I would like to record the Board's grateful thanks to all those who contribute to the financial health of our diocese. Our administrative sub-committees are all well led and enthusiastically attended. Thanks are especially due to our Officers and Staff who continue to make an outstanding contribution to the affairs of the diocese. Once again, grateful thanks are due to the members of each church family who work so hard and continue to give generously in support of the growth of the Kingdom of God within our parishes and our diocese.

We give thanks for Bishop Jonathan Gledhill's wise and prayerful ministry as our Diocesan Bishop and wish him and Jane a happy and healthy retirement. We look forward eagerly to Bishop Michael Ipgrave's enthronement as the 99th Bishop of Lichfield in September.

Although there are never certainties in financial matters, we enter a new chapter in the life of our diocese in the confidence that our finances and administrative resources are currently in good order.


Name John Naylor
 Chairman

Date 29 June 2016



The Lichfield Diocesan Board of Finance (Incorporated)
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Trustees' Report
For the year ended 31 December 2015

The Trustees (who are also directors of the charity for the purposes of the Companies Act) present their annual report together with the audited financial statements of Lichfield Diocesan Board of Finance (Incorporated) (the company and the group) for the ended 31 December 2015. The Trustees confirm that the Annual report and financial statements of the company and the group comply with the current statutory requirements, the requirements of the company and the group's governing document and the provisions of the Statement of Recommended Practice (SORP), applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (effective 1 January 2015).

The directors/trustees are one and the same and in signing as trustees they are also signing the strategic report sections in their capacity as directors.

This combined report satisfies the legal requirements for:

- a Directors Report of a charitable company,
- b Strategic Report under the Companies Act 2006 and
- c Trustees Annual Report under the Charities Act 2011

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 41 in England. Lichfield Diocese is one of these and belongs to the Northern 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 Lichfield Diocesan Board of Finance (Incorporated)
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Trustees' Report (continued)
For the year ended 31 December 2015

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.

LEGAL OBJECTS

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.

The Lichfield Diocesan Board of Finance has the following statutory responsibilities:-

- i. the management of glebe property and investments to generate income to support the cost of stipends arising from the Endowment and Glebe Measure 1976;
- ii. the repair of benefice houses as the Diocesan Parsonage Board under the Repair of Benefice Buildings Measure 1972;
- iii. the management of investments and the custodian of assets relating to church schools under the Diocesan Board of Education Measure 1991;
- iv. the custodian of permanent endowment and real property assets relating to trusts held by Incumbents and Archdeacons and by Parochial Church Councils as Diocesan Authority under the Incumbents and Churchwardens (Trusts) Measure 1964 and the Parochial Church Councils (Powers) Measure 1956.

The strategic priorities of the company are established by the Diocesan Synod in communication with Deanery Synods, PCCs, and the Bishop of Lichfield (in respect of his responsibility for the provision of the cure of souls). To this end, significant time and effort is committed to communication between and with these bodies, as well as with the church nationally; including an annual series of consultations on specific matters relating to the priorities for the forthcoming year, taking forward the commitments arising from the Diocesan Conference including the Diocesan Budget.

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, 13 March 2004 and 7 July 2015.

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.

STRATEGIC AIMS

The main role of the Board is to identify and manage the financial aspects of the provision of ministry within the Diocese so as to provide appropriate personnel and financial resources to assist the Diocesan Synod, Bishop's Council, deaneries and parishes to further the mission and strategic priorities in the Diocese.

The Board is trying to find ways to ensure Growth within the churches and a Christian Prescience in every parish throughout the Diocese. Like any vision, the Growth strategy 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. Using an asset based approach, we engage with issues of climate change, share in ministry with older people, promote inclusivity, and tackle poverty and the causes of poverty.

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.

OBJECTIVES FOR THE YEAR

In response to the above strategic priorities determined by the Diocesan Synod several groups, including the Bishops Council, Bishops Staff and Deanery Synods, have discussed and consulted widely to agree specific objectives for this and subsequent years. These objectives are:

- To ensure a Christian presence in every parish.
- To provide resources for people of all ages and at all stages of their spiritual journey to grow in understanding of the Christian faith.
- To endeavour to ensure that every church building to be used at least once every week for an activity other than formal worship.
- To establish a personal contact with every educational establishment in the diocese and to provide practical support on a regular basis.
- To engage actively in local debate and ensure that Christian voices are heard in all areas of public life.
- To identify areas of stress within each community and work together with other organisations to deliver a positive contribution to the health, both physical and spiritual, of those most in need.

Through carrying out these objectives and in promoting the whole mission of the church (pastoral, evangelistic, social and ecumenical) the trustees are confident (having had regard to Charity Commission guidance) that the Board delivers public benefit through community engagement, resourcing education and supporting those in need both spiritually and physically.

ACTIVITIES AND ACHIEVEMENTS IN THE YEAR

The Christian Presence

Clergy form a central part in the life of churches in the Lichfield Diocese and carry out important roles in communities. As well as engaging in a wide variety of community and church projects, clergy carry out over 1,900 weddings, 8,000 funerals and 5,000 christenings every year. While the Board is responsible for funding of clergy stipend costs, the national clergy payroll is administered by the Archbishops' Council, a charity which the Board reimburses regularly for the costs of stipendiary clergy deployed in the Diocese. Caring for the 240 trained stipendiary clergy and 38 training curates in the diocese is a priority of the Board and represents by far its largest financial commitment. Although the Board does not employ the parish clergy, it is responsible for training them, paying them, and paying into their pension fund. New terms of service were introduced in 2011 in the form of Common Tenure under which all new clergy are appointed (some present clergy chose to retain their freehold). The new package gives greater clarity on the rights and obligations of clergy and requires that they participate in a process of Continual Professional Development and Ministerial Development Review. It also gives clergy access to Employment Tribunals and other useful services.

For many, the clergy house represents the domestic heart of the parish, serving not only as a home but also as a base for ministry. The Board recognises the importance of a safe, secure and well maintained house and strives to continue with this work as well as carrying out programmed refurbishments and improvements, as available money allows.

Over the year the average vacancy rate was 10.2 posts below the budget figure. During all interregnums the rural deans worked closely with the churchwardens of the relevant parishes and ensured that in every case scheduled services continued and, with very few exceptions, other activities within the community continued uninterrupted. This was largely made possible by the increasing pool of both retired and self-supporting ministers in the diocese together with the administrative support for the area deans being funded by the Board.

Administration

The secretariat is based at St Mary's House exists to provide support as well as statutory and non-statutory services, primarily to parishes. It is designed to provide a framework to enable and equip parish churches, schools, chaplaincies and the cathedral in their mission and ministry. Still mindful of the national quinquennial goals to grow the church and focus resources effectively, we are driven by our five themes of growth. The Board want all aspects of Diocesan Administration to be whole heartedly focused on mission and ministry in every part of our Diocese and continue to "Put Parishes First" by encouraging joined up thinking across the limited resources the Diocese has at its disposal.

As always, overseeing the process of collecting regular share payments and maintaining cash flow have been the main emphases of work. It was one of the best years in over a decade with in excess of 98% of share collected and a reduction in arrears of over £400,000. The Board are indebted to the Parish Assessors and Parishes for all their efforts to produce this result.

The Board has continued to run archdeaconry clinics to consider major parish share issues (and have also made sure to meet with individual parishes when asked.) It is believed these initiatives have continued to create and sustain positive relationships across the Diocese. In addition Fee income this year has been in excess of £1.2 m.

Goodness of God

In September as part of the celebration of Bishop Jonathan's time as Diocesan bishop and event was held at the Bethal Centre in West Bromwich. It was attended by over 1000 people from across the Diocese and was a fabulous and occasion rejoicing in the "Goodness of God".

Other related parties include:

- The Archbishop's Council to which it pays a donation based on an apportionment system for funding national training of ordinands and the activities of the various national boards and councils, as well as General Synod.
- The Church Commissioners from which the Board receives grants and which acts on behalf of clergy with HM Revenue and Customs. The Board pays for clergy stipends through the Church Commissioners.
- The Church of England Pensions Board, to which the Board pays retirement benefit contributions for stipendiary clergy and employees. It also offers schemes to provide housing for clergy in retirement.

Transactions with the main categories of related parties are identified in appropriate places throughout the financial statements. Where materiality of the transactions merits more detailed disclosure this is given in notes xx and xx to the financial statements.

Volunteers

The Board is dependent on the huge number of people involved in church activities both locally and at diocesan level. We believe that the number of active volunteers (or volunteer hours) given to the mission and ministry of the church is a key indicator of the health of a church. The service provided to a community through church volunteering also has a significant impact on people's relationship to the church particularly at times of crisis. Within this context, the Board greatly values the considerable time given by all the committee members across the dioceses in pursuit of the mission of the Board.

FUTURE PLANS

With the retirement of Bishop Jonathan in September 2015 the Diocese is keen to try and continue to be strategic and move forward until the installation of the 99th Bishop of Lichfield, the Rt Revd Michael Ipgrave later in 2016. Some strategies and policies are already in place that are still on going and reflected in this section, others are new initiatives that are intended to be implemented in the coming year.

Deployment

As reported previously the diocese has undertaken a Plain Speaking/ Deployment 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. Future Budget Forecasts have filtered in a reduction of up to 40 stipendiary posts. In addition over £250,000 has been removed from central administration costs due to retirements and a change in the Pension Scheme. 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 potential shortfall due to this is around 96 posts. The question facing the diocese and the Church nationally is how to resource the Mission and Ministry in every parish across the diocese.

Parish Health

The Mission and Financial data from parishes for 2014 has been analysed and a revised Toronto Grid styled model has been produced. It does show that parishes are financially stronger than they were when the last exercise was carried out, however more parishes have become static in their Mission, slow or no growth. The largest risk to the diocese is that this may mean that parishes are reliant on fewer supporters or volunteers which in turn can have a detrimental to their financial health and future growth and sustainability within their locality.

Mission, Ministry and Vocations

One area and Theme that is high on the Agenda and supported by Synod is that of *Reaching New Generations*.

In February 2016, the Board Trustees, Bishops Council agreed to reimagine the Mission Department strategy in this area. The Board are concerned and disappointed that the youth and children's mission statistics remain poor and recognise we need to do more to support parishes in this area of work. After considerable work, the Reaching New Generations implementation team believed that the current job descriptions should be changed and new posts created to fulfil the following specifications:

- Under 5's Enabler
- 6-10's schools Enabler
- Youth and Vocations Enabler

The Youth and Vocations post would also strengthen working relationships and Links with the Ministry Department and in particular Vocations. With changes in the Resourcing Ministerial Education National policies, this has also lead to

changes within the Ministry Department, into two sections, Vocations and Training and Ministry Development and Well Being.

Resourcing Future Ministry (2019 -2025)

In order for strategic pastoral re-organisation to be completed across the Diocese, it is essential that whilst the Budget factors in a reduction of 40 Stipendiary posts, these reductions are not harmful to the current and future wellbeing of Mission and Ministry across the community of the Diocese.

It is therefore possible that the reduction of posts may not be feasible in the time scale provided. In addition as mentioned later in this section the future of Church Commissioners funding or allocation to Dioceses is also under review. The historical "Darlow" formula that certainly favoured the less affluent dioceses is to be removed and replaced over time with a more strategic formula and distribution. In addition there are possible changes to the support and financing of Ministerial Education.

Rather than waiting for details on the next triennial (2017 – 2019) funding streams, it has been decided that the Board should start looking at a finance strategy from beyond 2019. This takes into consideration all the above factors.

The main part of this strategy will be to build a new restricted fund from either historical resources or surplus resources, that will be ring fenced and initially accumulate dividends to hopefully grow in size until the fund is required. From 2019 the fund will start to support the overall Diocesan Finances through the transitional stages of any required change. Once the transitional period is complete the income generated will then be available to help support the Diocesan Budget in future years – or support other areas of Mission and Ministry that is felt necessary at the time.

Details are still being worked on, but the initial thoughts are generating a fund that is close to £7m, generating around £350,000 per annum.

This fund will not be financed from the Parish Share. The aim is that at some stage in the future it will be designed to ease the burden on parishes through share requests. At the year-end £1m had been invested for this fund, with a further £500,000 set aside for investment in the new year. The investments will be held in accumulated share options until income is required in 2018.

In addition the investment property that is approx. £2m in value will be transferred to this fund, with effect from January 2016.

Church Commissioners (National Church) Allocation

The current triennium of funding from the National Church comes to an end in December 2016. It has been well publicised that future funding beyond 2017 will be based on a different allocation from the historical formula known as "Darlow". The new allocation will be based on deprivation and population and early indications suggest that the Lichfield Diocese will receive £2.2m per annum for the next ten years. However it should be noted that the Mission Development Funding, a grant of £277,000 for the Board over recent years will cease at the end of 2016 and not be replaced. Rather than the Mission Development Funding, the Church Commissioners will make a large pot available for Dioceses to make grant applications for funding for specific projects. In essence it is centralising the fund rather than allocating the fund to Dioceses to apportion accordingly – all part of being more accountable.

This will mean that the Diocese will continue to receive approximately the same amount for the next ten years, based on the draft estimates, as had been received for Ministry or Stipends in recent years. The Board within the budget has allocated £1.75m for this money to the day to day Budget under Stipend Allocation. The balance has been set aside in the last three years and has contributed to Addition for Mission posts – strategic posts that are time limited that complement the Diocesan Strategy and Themes of Growth.

With the loss of the Mission Development Fund, it will mean the Board will have to decide whether to continue with the Growth Fund and if so set aside funds from the Commissioners allocation in order to do so. This in turn means there will need to be a critical review of all Addition for Mission funding.

In 2017 there will be an additional one off transitional payment, believed to be in the region of £700,000 – this is yet to be confirmed.

FINANCIAL REVIEW

Financial performance

Parish Share, the money given by Parishes to the Diocese to fund its mission and ministry, is the main income resource for the Diocese. Although the amount actually requested slightly fell, the amount received in the year increased significantly. This resulted in the recognised income figure in the statements rising to £11.251m in 2015 compared to £11.112m in 2014. It was encouraging to see current year share collections marginally rise to 94.44% from 94.16% in the previous year – however the overall cash collection including arrears payments rose sharply from 95.01% in 2014 to an exceptional 98.53% in 2015.

The Parish Share formula is based on a Cost of Ministry model that does contain elements of Mutual Support and apportionment of the Commissioners Allocation to support Ministry in areas of deprivation, plus support for smaller parishes. This system was introduced in January 2013 and replaced a more complicated formula model that was predominantly based on attendance. It appears to have been well received by parishes, and allows them options regarding deployment and affordability, plus the added advantage of being able to forecast their share requests for up to ten years in advance, which assist with their budgeting.

The Trustees are grateful to all the parishes who completed their Parish Share payments during the year, and especially to those parishes that make their parish share payments by monthly instalments, which is essential in keeping the Diocese's need to maintain a cash flow reserve to a minimum.

In addition to the Parish Share, there was an additional £1.232m (2014: £1.112m) that has come from parishes in way of Statutory fees from Weddings and Funerals.

The Board are fortunate to receive £2.428m in 2015 (2014: £2.211) from the National Church in way of support. As agreed £1.750m was directly allocated to stipends, whilst £0.401m was set aside to support strategic posts approved by the Trustees, in the form of Addition for Mission posts. These are short term posts with specific criteria to meet the Diocesan Strategies and Themes. In addition £0.278m was set aside for Growth Fund Project and smaller Mission Development projects. Since the inception of the Growth Fund in 2005, over £2.5m has been paid to parishes to support Mission and Growth initiatives.

Overall income for the charity increased in the year to £17.941m (2014 £17.427m), whilst expenditure also increased to £17.141m (2014: £16,823m). The increase in expenditure was in the main due to the Addition for Mission posts being in post for a full year, meaning Designated fund expenditure rose by approx. £0.500m.

The Board therefore made a surplus before Net Gains on Investments of £0.757m (2014: £0.604m). Unrestricted or General Fund made a surplus before Net Gains on Investments of £0.178m (2014 £0.075m).

The Trustees have prepared a balanced budget for 2016. The key financial challenge will be receiving parish share contributions, and set the Diocesan Base increase at 1% for 2016 – a reduction in increase from 1.5% in 2015. The budget includes a 96% collection rate for the year and the Trustees consider that this is achievable.

The capital values of properties and investments continued to increase – properties by £1.631m (2014: £5.488m), investments by £0.344m (2014: £2.238m) – resulting in an overall increase in funds of £2.054m (2014: £2.422m).

As a consolidated group with SCRC the reserves increased from £121.048m to £123.868m at the year end.

Transitional adjustments to Financial Statements

During the year ended 31 December 2015 as noted within the accounting policies on page 26, the Board has adopted for the first time as required the Statement of Recommended Practice for Charities (SORP 2015) which takes into account a number of changes contained within Financial Reporting Statement (FRS) 102. This has resulted in changes to the accounting policies in the following area:

- Accounting for pension scheme deficits on multi-employer defined benefit pension schemes

The net impact of these changes is disclosed within note 35 to the financial statements. The changes in accounting policy are of significant impact to necessitate adjustment and the restatement of the year-ended 31 December 2014 financial statements. The restatement represents a decrease in the net assets of £9.475m as at 31 December 2013 (the opening reserves). The effect on the net income for 2014 as compared with the accounts as previously stated was an increase in the surplus of £0.364m with the cumulative effect on the reserves as at 31 December 2014 being a reduction by £9.111m.

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• **Property Valuations**

With the change in Accounting Standards it was decided to review the policies concerning Board property. The previous policy had been to depreciate Board property over 50 years rather than incur costs with revaluations. However under FRS102, the Board are allowed to apply a fair value approach. The new policy allowed the Board to take the 1999 values and use the Nationwide Property to revalue the assets. Each property was then reviewed internally to ensure the values represented a fair value. The revaluation exercise will take place annually.

The net impact of this exercise increased the assets by £37.077m as at 31 December 2013. The effect on net income for 2014 compared to the accounts previously stated was an increase of £5.518m.

In addition depreciation was written back, increasing the assets as at 31 December 2013 by a further £10.452m and for the accounts to 31 December 2014 a further net income of £0.889m.

In addition to the required transitional adjustment, the presentation of all amounts has been aligned to that required under FRS102 and SORP 2015.

Significant Property Transactions

In the year the Board sold 11 properties (2014: 5). This raised £2.96m (2014: £0.919m) in net house proceeds. The adjusted net profit on sale of property for 2015 was £0.365m (2014: £0.039m).

In the year the Board purchased 4 properties (2014: 0) costing £0.757m (2014: Nil).

The current policy on purchases and sales of properties remains:

- to replace unsuitable properties;
- to accommodate the changing geographical deployment of clergy within the Diocese;
- to purchase strategically placed curates houses to allow greater flexibility in appointments
- to realise development potential in some properties, thereby using our resources more effectively for the ministry of the Church.

Balance sheet position

The Trustees consider that the balance sheet together with details in note 25 show broadly that the restricted and endowment funds are held in an appropriate mix of investment and current assets given the purposes for which the funds are held. While the net assets at the balance sheet date totalled £123.565m (2014: £120.748m) it must be remembered that included in this total are properties, mostly in use for the ministry, whose value amounted to £87.288m (2014: £86.890m). Much of the remainder of the assets shown in the balance sheet are held in restricted funds, and cannot necessarily be used for the general purposes of the Board.

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 approx. 80 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

Having considered financial risk, liquidity requirement and the timing of cashflows throughout the year, the Trustees' policy is to hold a balance of readily realisable assets in the general fund equivalent to 3 months requested Parish Share

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for 2016. At 31 December 2015 the amount required under this policy totalled £2.865m (2014: £2.898m). Actual free reserves as at 31 December totalled £2.155m (2014: £2.906m).

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.

Reserves tied up in fixed assets

The unrestricted fund comprises net assets amounting to £3.848m of which £0.284m is tied up in tangible fixed assets.

Designated funds

The Trustees may, with the approval of the board, designate additional unrestricted reserves to be retained for an agreed purpose where this is considered to be prudent. Such designated reserves are reviewed on an annual basis and returned to the general fund in the event that the purpose of their designation is no longer considered to be adequate justification for their retention. A description of each reserve together with the intended use of the reserve is set out in note 25. At 31 December 2015 total designated reserves were £11.980m (2014: £9.903m).

It should be highlighted that £6.822m of this reserve relates to DBF Property, and £4.217m relates to Investments that generate investment income to support the Diocesan Budget.

Restricted and endowment funds

As set out in note 25 the Board holds and administers a large number of restricted and endowment funds. As at 31 December 2015 restricted funds totalled £107.684m (2014: £107.007m) and endowment funds totalled £0.347mm (2014: £0.340m). Neither are available for the general purposes of the Board.

Within the Restricted Fund, £80.464m is invested in Property required to house the clergy of the Diocese and is therefore not readily accessible.

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 (£5.03m), (2014: £4.84m). 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.

At the year end, the total reserve policy was valued at £6.011m (2014: £5.797m), which represented the equivalent of 5.62 months of related costs. (2014: 5.63 months).

Grant making policy

The Memorandum of Association of the Board explicitly permits the Board to make grants in pursuance of its objects, and the nature of grants made in 2015 is indicated in note 13. Grants of up to £50,000 are considered by the Finance and Central Services Committee from budgets set aside for specific purposes. Grants over £50,000 are considered by Bishop's Council, on recommendation by the Finance and Property Sub Committee.

Investment policy

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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, Ecclesiastical Investment Managers 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.

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 constantly 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.

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 inflation when it is higher than the interest base rate.

In 2012 the Diocesan investment Group produced guidance notes and a revised policy in consultation with the Investment Advisers. This is reviewed annually.

Ethical Policy

CCLA own ethical policy adheres to the Church of England Ethical Investment Policy that was reviewed in November 2013 by the Ethical Investment Advisory Group (EIAG). The Board endorses and follows this guidance which includes the following:

"The use of positive ethical criteria in assessing companies is firmly incorporated within the ethical investment policy through a process of constructive engagement with business. Criteria have been identified across five broad areas as:

- *responsible employment practices*
- *best corporate governance practice*
- *conscientiousness with regard to human rights*
- *sustainable environmental practice*
- *sensitivity towards the communities in which business operates"*

In addition the EIAG recommends against investment in any company involved in indiscriminate weaponry. It recommends against investment in companies involved in conventional weapons if their strategic military supplies exceed 10% of turnover; and in companies deriving more than 10% of their turnover from the production or sale of non-military firearms or ammunition, excepting companies specialising exclusively in products specifically designed for hunting or sporting purposes.

The EIAG recommends against investment in any company that derives more than 3% of revenues from the production or distribution of pornography. It recommends against investment in any company, a major part of whose business activity or focus (defined as more than 25% of group turnover) is tobacco, gambling, alcoholic drinks, high interest rate lending or human embryonic cloning.

The full report can be found at www.churchofengland.org

The investments held by the LDBF and their return during the year are set out in the following table:

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	Funds at 31/12/2015 £'000s	Proportion of portfolio	Income yield in year	Total return in year
CCLA Managed				
CBF Investment Fund	12,148	46.8%	3.8%	+5.1%
CBF Property Fund	3,758	14.4%	5.3%	+13.1%
CBF Global Equity	2,608	10.0%	4.5%	+3.5%
EFG Managed Portfolio	4,675	18.0%	4.2%	+3.2%
Eden Tree				
Amity Balanced	1,436	5.52%	5.6%	+2.38%
Amity Global	1,331	5.10%	3.7%	+1.43%
	25,956	100.0%	4.2%	+5.43%

In addition the Board has 1,989 acres (2014: 1,991) of Glebe Land that is classified as investments. Due to the current land market it was deemed there was no increase in value in 2015 (2014 £1.061m). The land value for investment purposes is £11.312m (2014:£11.463m). The yield for the year was 1.57% (2014: 1.90%), giving a Total Return for the year of 1.57% (2014: 11.47%). In 2015 two pieces of Glebe land were sold realising Net Proceeds of £0.513m (2014: £Nil).

Furthermore there are 7 Investment properties owned by the Board, totalling a market value of £1.362m (2014:£1.341m). The yield on the investment properties for 2015 was 3.61% (2014: 3.25%). This gave a Total Return of 5.18% (2014: 9.25%).

The Diocesan Investment Advisory Group regularly reviews the performance of the funds and makes recommendations to the Trustees on investments. The Investment Group sets a benchmark of around 5% each year (4% yield plus an inflationary increase) in Total Return although monitor this over an agreed period of time due to fluctuating markets. Each June there is an Investment appraisal with all the investment managers.

PRINCIPAL RISKS AND UNCERTAINTIES

The Trustees are responsible for the identification, mitigation and or management of risk. To achieve this, a register of all the risks identified is maintained by the Risk Assessment group who report directly to the Finance and Central Services Committee. Each Risk is assessed and alongside it, a management and mitigation strategy formed. This is subject to review by the Trustees on an annual basis with the responsibility for delivery of the mitigation strategies identified by it, being delegated to the Risk Assessment Group.

The risk register identifies four areas where the risk of either failure to act or the impact of the events is considered 'high'. These areas and the associated mitigation strategies are:

Parish Share: Collection is considerably less than the Budget figure (i.e. 96%).

- Collection statistics are produced and circulated on a monthly basis
- Parish Assessors and Diocesan Staff are tasked with identifying, reporting on and supporting those parishes where there is considered to be a significant risk of under-collection
- A provision is made within the accounts for those overdue share payments that have a significant risk of proving uncollectable

Safeguarding & Inclusion: Where there is an occurrence of child, vulnerable adult or domestic abuse by someone working for or on behalf of the Church:

- The diocese employ a safeguarding officer and sufficient support administration as required.
- Policies are aligned with those of the national church
- All parishes are required to review, endorse and implement the diocesan safeguarding policy
- Training is compulsory for all relevant staff

Communications: Adverse local or national publicity. Failure to keep pace with media developments:

- The Board appoints a Communications Officer with specific skills in dealing with Media enquiries and issues that may arise
- Staff are regularly reminded that they are not to speak to the press on any matters of a sensitive nature

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- A policy on use of Social Media is also enforced

IT: System failure or the Diocesan office is becomes uninhabitable:

- Insurance is in place
- Backups are made on a regular basis
- The disaster recovery plan is reviewed on an annual basis

STRUCTURE AND GOVERNANCE

Summary Information about the structure of the Church of England

The Church of England is the established church and HM The Queen is the Supreme Governor. It is organised into two provinces (Canterbury and York) and 42 Dioceses. Each Diocese is a See under the care of a Bishop who is charged with the cure of souls of all the people within that geographical area. This charge is shared with priests within benefices and parishes which are sub-divisions of the Diocese.

The National Church has a General Synod comprised of ex-officio and elected representations from each Diocese and it agrees and lays before Parliament, Measures for the governance of the church's affairs which, if enacted by Parliament, have the force of statute law. In addition to the General Synod, the Archbishops' Council has a coordinating role for work authorised by the Synod; the Church Commissioners manage the historic assets of the Church of England; and the Church of England Pension Board administers the pension schemes for clergy and lay workers. Within each Diocese, overall leadership lies with the Diocesan Bishop, who exercises that input as Bishop within the Diocesan Synod.

The Diocese is itself is divided into twenty nine deaneries, each with its own Synod and within each parish there is a parochial church council which shares with the parish priest responsibility for the mission of the church in that place, in a similar way to that in which the Bishop shares responsibilities with the Diocesan Synod.

Whilst each Diocese is a separate legal entity, with a clear responsibility for a specific geographical area, being part of the Church of England requires and enables each Diocese to seek support from and application for partnership with neighbouring Dioceses.

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.

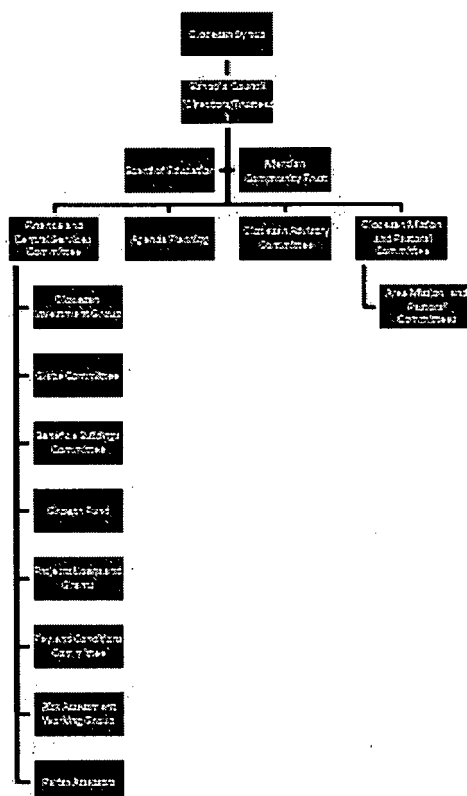
Every member of Diocesan Synod is also a member of the Lichfield Diocesan Board of Finance ("the Board"). The members of the Standing Committee of Diocesan Synod (Bishop's Council) comprise the Board of Trustees of the Board and under company law the Board of Directors. The Board of Directors under company 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 and part elected: elections are held every three years, the last occasion being in July 2015.

The current Synod will serve from 1 August 2015 to 31 July 2018.

Trustees' Report (continued)
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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:

- to agree Accounting Policy;
- to recommend the Reserves Policies to the Bishop's Council;
- to monitor overall diocesan liquidity;
- to 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.

Diocesan Growth Fund Committee: 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.

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): 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): 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: 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.

Parish Assessors Committee: 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.

Projects, Loans and Grants Committee: responsible for the management of loans to parishes required either to maintain or to improve church buildings and halls, and overseeing parish projects.

Risk Management Committee: responsible for identifying and monitoring risk to the organisation.

Pay and Conditions Committee: responsible for overseeing the working conditions and remuneration of lay staff and Central Sector Ministry.

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

Diocesan Advisory Committee: 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 Mission and Pastoral Committee: 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 oversees arrangements for pastoral supervision and care. Since August 2009 this committee is also responsible for the oversight of closed churches and for overseeing finding appropriate alternative uses for church buildings, which have been declared redundant. The membership of this Committee is now the same as Bishop's Council.

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

Agenda Planning: 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 is a group whose role is to ensure there is cohesion and joined up thinking across the spectrum 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.

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 2012, and current Trustees will serve until 30 September 2015. Following the Diocesan Synod elections a new Bishop's Council will be elected and will be in place from 1 October 2015, and members will serve until 30 September 2018.

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*.

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 is 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 2015 was £316,223 (2014: £311,046).

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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 subsidiary companies as at the year-end. The Board however is the sole member of St Chads Retreats Centre, a charitable company incorporated on 4th March 2014 registered at Companies House in England and Wales under reference 08922281 and a registered charity number 1157619. The accounts for this subsidiary are consolidated in these financial statements.

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 Community Trust, a separate registered charitable company. 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.

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Trustees' responsibilities statement

The Trustees (who are also directors of Lichfield Diocesan Board of Finance (Incorporated) for the purposes of company law) are responsible for preparing the Trustees' 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. Under company law the Trustees must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the charitable company and the group and of the incoming resources and application of resources, including the income and expenditure, of the charitable group 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 judgments and accounting 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 group will continue in operation.

The Trustees are responsible for keeping adequate accounting records that are sufficient to show and explain the charitable company and the group's transactions and disclose with reasonable accuracy at any time the financial position of the charitable group 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 the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Trustees are responsible for the maintenance and integrity of the corporate and financial information included on the charitable group's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Disclosure of information to auditors

Each of the persons who are Trustees at the time when this Trustees' report is approved has confirmed that:

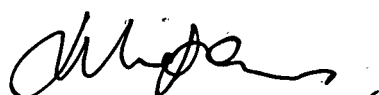
- so far as that Trustee is aware, there is no relevant audit information of which the charitable group's auditors are unaware, and
- that Trustee has taken all the steps that ought to have been taken as a Trustee in order to be aware of any relevant audit information and to establish that the charitable group's auditors are aware of that information.

Auditors

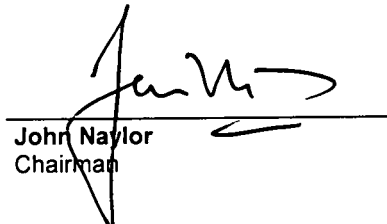
The auditors, Dains LLP, will retire at the Annual General Meeting and offer themselves for re-appointment. A resolution to re-appoint Dains LLP as auditors to the company and to authorise the Trustees to fix their remuneration will be proposed at the Annual General Meeting.

In approving this Trustees' Report, we also approve the Strategic Report including therein, in our capacity as company directors.

This report was approved by the Trustees on 29 June 2016 and signed on their behalf by:



Julie Jones
Chief Executive Officer &
Company Secretary



John Naylor
Chairman

The Lichfield Diocesan Board of Finance (Incorporated)
(A company limited by guarantee)

Independent Auditors' Report to the Members of The Lichfield Diocesan Board of Finance (Incorporated)

We have audited the financial statements of The Lichfield Diocesan Board of Finance (Incorporated) for the year ended 31 December 2015 which comprise the consolidated statement of financial activities, summary income and expenditure account, the consolidated and company balance sheets, the consolidated cash flow statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

Respective responsibilities of Trustees and auditors

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

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's and the parent 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' report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the parent charitable company's affairs as at 31 December 2015 and of the group's 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' report, incorporating the Group strategic report, for the financial year for which the financial statements are prepared is consistent with the financial statements.


The Lichfield Diocesan Board of Finance (Incorporated)
(A company limited by guarantee)

Independent Auditors' Report to the Members of The Lichfield Diocesan Board of Finance (Incorporated)

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:

- the parent charitable company has not kept adequate accounting records, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent charitable company 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

Birmingham
29 June 2016

The Lichfield Diocesan Board of Finance (Incorporated)
(A company limited by guarantee)
Consolidated Statement of Financial Activities
(Incorporating Consolidated Income and Expenditure Account)
For the year ended 31 December 2015

	Note	Unrestricted funds 2015 £000	Restricted funds 2015 £000	Endowment funds 2015 £000	Total funds 2015 £000	Total funds 2014 £000
Income and endowments from:						
Parish Contributions	4	11,251	-	-	11,251	11,112
Archbishops' Council	5	2,228	200	-	2,428	2,212
Other donations	6	461	139	-	600	795
Other trading activities	8	477	-	-	477	466
Investments	9	475	835	15	1,325	1,322
Charitable activities	7	1,972	-	-	1,972	1,640
Other incoming resources	10	34	331	-	365	512
Total income and endowments		16,898	1,505	15	18,418	18,059
Expenditure on:						
Raising funds	11	78	104	-	182	217
Charitable activities	13	16,486	717	-	17,203	16,364
Other expenditure	12	148	119	-	267	593
Total expenditure		16,712	940	-	17,652	17,174
Net income before investment gains		186	565	15	766	885
Net gains on investments and property	18,19	259	1,788	7	2,054	2,422
Net income before transfers		445	2,353	22	2,820	3,307
Transfers between Funds	17,25	1,721	(1,706)	(15)	-	-
Net income		2,166	647	7	2,820	3,307
Net movement in funds		2,166	647	7	2,820	3,307
Reconciliation of funds:						
Total funds at 1 January 2015		13,701	107,007	340	121,048	117,741
Total funds at 31 December 2015		15,867	107,654	347	123,868	121,048

All activities relate to continuing operations.

The notes on pages 28 to 61 form part of these financial statements.

The Lichfield Diocesan Board of Finance (Incorporated)
(A company limited by guarantee)

Summary Income and Expenditure Account
For the year ended 31 December 2015

		Unrestricted funds 2015 £000	Restricted funds 2015 £000	Total funds 2015 £000	Total funds 2014 £000
	Note				
Income		16,898	1,505	18,403	14,694
Gains on investments		259	1,788	2,047	2,417
Gross income in the reporting period		17,157	3,293	20,450	17,111
Less: Total expenditure		16,712	940	17,652	2,332
Net income for the year before transfers		445	2,353	2,798	14,779
Transfers between funds	17,25	1,721	(1,706)	15	-
Net income for the year after transfers		2,166	647	2,813	14,779
Net income for the financial year	25	2,166	647	2,813	14,779

The income and expenditure account is derived from the Statement of Financial Activities with movements in endowment funds excluded to comply with company law. All income and expenditure is derived from continuing activities.

The notes on pages 28 to 61 form part of these financial statements.

The Lichfield Diocesan Board of Finance (Incorporated)

(A company limited by guarantee)


Registered number: 00239561

Consolidated Balance Sheet

As at 31 December 2015

	Note	£000	2015 £000	£000	2014 £000
Fixed assets					
Tangible assets	18		87,898		87,515
Investments	19		38,703		37,324
			<u>126,601</u>		<u>124,839</u>
Current assets					
Stocks	20	9		9	
Debtors: amounts falling due after more than one year	21	886		1,274	
Debtors: amounts falling due within one year	21	2,615		2,808	
Investments	22	301		299	
Cash at bank and in hand		6,063		4,851	
		<u>9,874</u>		<u>9,241</u>	
Creditors: amounts falling due within one year	23	<u>(3,265)</u>		<u>(2,932)</u>	
Net current assets			<u>6,609</u>		<u>6,309</u>
Total assets less current liabilities			<u>133,210</u>		<u>131,148</u>
Creditors: amounts falling due after more than one year	24		<u>(9,342)</u>		<u>(10,100)</u>
Net assets			<u><u>123,868</u></u>		<u><u>121,048</u></u>
Charity Funds					
Endowment funds	25		347		340
Restricted funds	25		107,654		107,007
Unrestricted funds	25		15,867		13,701
Total funds			<u><u>123,868</u></u>		<u><u>121,048</u></u>

The financial statements were approved by the Trustees on 29 June 2016 and signed on their behalf, by:


Mr J T Naylor
Chairman



The notes on pages 28 to 61 form part of these financial statements.

The Lichfield Diocesan Board of Finance (Incorporated)

(A company limited by guarantee)

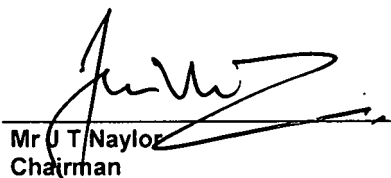
Registered number: 00239561

Company Balance Sheet

As at 31 December 2015

	Note	£000	2015 £000	£000	2014 £000
Fixed assets					
Tangible assets	18		87,493		87,129
Investments	19		38,630		37,254
			<u>126,123</u>		<u>124,383</u>
Current assets					
Debtors: amounts falling due after more than one year	21	1,112		1,468	
Debtors: amounts falling due within one year	21	2,626		2,802	
Investments	22	301		299	
Cash at bank		5,954		4,784	
		<u>9,993</u>		<u>9,353</u>	
Creditors: amounts falling due within one year	23	<u>(3,209)</u>		<u>(2,888)</u>	
Net current assets			<u>6,784</u>		<u>6,465</u>
Total assets less current liabilities			<u>132,907</u>		<u>130,848</u>
Creditors: amounts falling due after more than one year	24		<u>(9,342)</u>		<u>(10,100)</u>
Net assets			<u>123,565</u>		<u>120,748</u>
Charity Funds					
Endowment funds	25		347		340
Restricted funds			107,534		106,862
Unrestricted funds			15,684		13,546
Total funds			<u>123,565</u>		<u>120,748</u>

The financial statements were approved by the Trustees on 29 June 2016 and signed on their behalf, by:


 Mr J T Naylor
 Chairman



The notes on pages 28 to 61 form part of these financial statements.

The Lichfield Diocesan Board of Finance (Incorporated)
(A company limited by guarantee)

Consolidated Cash Flow Statement
For the year ended 31 December 2015

	Note	2015 £000	2014 £000
Cash flows from operating activities			
Net cash provided by operating activities	27	<u>717</u>	<u>287</u>
Cash flows from investing activities:			
Dividends, interest and rents from investments		1,321	1,059
Proceeds from the sale of fixed assets		1,811	-
Purchase of fixed assets		(1,518)	(437)
Interest paid		(38)	(33)
Purchase of investments		(1,332)	(1,509)
Net cash provided by/(used in) investing activities		<u>244</u>	<u>(920)</u>
Cash flows from financing activities:			
Repayments of borrowings		(76)	(79)
Cash inflows from new borrowing		327	98
Net cash provided by financing activities		<u>251</u>	<u>19</u>
Change in cash and cash equivalents in the year		1,212	(614)
Cash and cash equivalents brought forward		<u>4,851</u>	<u>5,465</u>
Cash and cash equivalents carried forward	28	<u><u>6,063</u></u>	<u><u>4,851</u></u>

The Lichfield Diocesan Board of Finance (Incorporated)
(A company limited by guarantee)

Notes to the Financial Statements
For the year ended 31 December 2015

1. Accounting Policies

1.1 Basis of preparation of financial statements

The Lichfield Diocesan Board of Finance (Incorporated) is a charitable company incorporated in England and Wales under the Companies Act and registered as a charity with the Charity Commission in England and Wales. In the event of the charity being wound up, the liability in respect of the guarantee is limited to £1 per member of the charity. The address of the registered office is given in the reference and administration details of these financial statements. The nature of the charity's operations and principal activities are detailed in the trustees report.

The financial statements have been prepared in accordance with Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (effective 1 January 2015) - (Charities SORP (FRS 102)), the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) and the Companies Act 2006

The Lichfield Diocesan Board of Finance (Incorporated) meets the definition of a public benefit entity under FRS 102. Assets and liabilities are initially recognised at historical cost or transaction value unless otherwise stated in the relevant accounting policy.

The Statement of financial activities (SOFA) and Balance sheet consolidate the financial statements of the company and its subsidiary undertaking. The results of the subsidiary are consolidated on a line by line basis.

No separate SOFA has been presented for the company alone as permitted by section 408 of the Companies Act 2006.

1.2 Reconciliation with previous Generally Accepted Accounting Practice

In preparing these accounts, the Trustees have considered whether in applying the accounting policies required by FRS 102 and the Charities SORP FRS 102 the restatement of comparative items was required. Following the transition to FRS102 for the first time in 2015 all of the accounting policies have been aligned with the new accounting standard and where these have resulted in a material change to the amounts, classification or presentation within the financial statements as at the date of transition then a transitional adjustment has been made (see note 35). The principle accounting policies and estimation techniques are as follows.

1.3 Going concern

After making appropriate enquiries, the trustees have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the financial statements. Further details regarding the adoption of the going concern basis can be found in the Accounting Policies.

1.4 Company status

The company is a company limited by guarantee. The members of the company are the Trustees named on page 1. In the event of the company being wound up, the liability in respect of the guarantee is limited to £1 per member of the company.

1. Accounting Policies (continued)

1.5 Income

All income is included in the Statement of Financial Activities (SOFA) when the company is legally entitled to them as income or capital respectively, ultimate receipt is probable and the amount to be recognised can be quantified with reasonable accuracy.

- ii) **Parish Share** is recognised as income of the year in respect of which it is receivable.
- ii) **Rent receivable** is recognised as income in the period with respect to which it relates.
- iii) **Interest and dividends** are recognised as income when receivable.
- iv) **Grants** received which are subject to pre-conditions for entitlement specified by the donor which have not been met at the year-end are included in creditors to be carried forward to the following year.
- v) **Parochial fees** are recognised as income of the year to which they relate.
- vi) **Donations** other than grants are recognised when receivable.
- vii) **Gains on disposal of fixed assets for the LDBF's own use** (i.e. non-investment assets) are accounted for as other incoming. Losses on disposal of such assets are accounted for as other expenditure.
- viii) **Stipends fund income.** The Stipends Fund Capital account is governed by the Diocesan Stipends' Fund Measure 1953, as amended, and the use of the income is restricted for clergy stipends. However, the income is fully expended within the year of receipt and the legal restrictions, therefore, are satisfied. It is on this basis that the income and the (normally much larger) related expenditure are both included in the unrestricted column of the Statement of Financial Activities for the sake of greater clarity and simplicity in financial reporting.

1.6 Expenditure

Expenditure is included on the accruals basis and has been classified under headings that aggregate all costs related to the Statement of Financial Activity category.

- i) **Costs of raising funds** are constrained to costs relating to the temporary renting out of parsonages and investment management costs of glebe and any other investment properties.
- ii) **Charitable expenditure** is analysed between contributions to the Archbishops' Council, expenditure on resourcing mission and ministry in the parishes of the diocese, expenditure relating to the running of the diocesan retreat centre, and expenditure on education and Church of England schools in the diocese.
- iii) **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 LDBF, such grants being recognised as expenditure when the conditions attaching are fulfilled. Grants offered subject to such conditions which have not been met at the year-end are noted as a commitment, but not accrued as expenditure.
- iv) **Support costs** consist of central management, administration and governance costs. The amount spent on raising funds and other activities is considered to be immaterial and all support costs are allocated to the purpose of charitable activities. Costs are allocated wherever possible directly to the activity to which they relate, but where such direct allocation is not possible, the remainder is allocated on an approximate staff time basis.
- v) **Pension contributions.** The LDBF's staff are members of the Church Workers Pension Fund and Clergy are members of the Church of England Funded Pensions Scheme (see note 30). The pension costs charged as resources expended represent the LDBF's contributions payable in respect of the accounting period, in accordance with FRS102. Deficit funding for the pension schemes to which LDBF participates is accrued at current value in creditors distinguished between contributions falling due within one year and after more than one year.

1. Accounting Policies (continued)

1.7 Tangible fixed assets and depreciation

Freehold Property

All properties, including glebe and parsonage houses, are stated at valuation, except for redundant churches that are held at a nil valuation reflecting uncertainty as to their future ownership and use. Valuations are undertaken annually as at 31 December each year by reference to values for detached houses in various areas covered by the Nationwide Building Society monthly house price index data. All properties are subject to an annual impairment review by the Director of Buildings; properties are written down to net realisable value where that is lower than carrying value.

The overall net gain or loss for the year on revaluation is shown in the Statement of Financial Activities. Included under unrestricted funds are properties that have been acquired using general funds and are represented by the designated Board Properties Fund.

Additions are at cost but subject to an annual valuation adjustment at the end of the financial year. Extensions to buildings are capitalised.

No depreciation is provided on buildings as any charge would not be material due to the very long expected useful economic life and because their expected residual value is not materially less than their carrying value. LDBF has a policy of regular repair and maintenance, which in the case of residential properties is in accordance with the Repair of Benefices Buildings Measure 1972 and properties are therefore unlikely to suffer obsolescence. In addition, disposals of properties occur well before the end of their economic lives and disposal proceeds are usually not less than their carrying value.

Sales and purchases of properties are recognised on the date of exchange of contract.

The majority of transfers occur following pastoral reorganisation. A benefice house may be transferred to diocesan glebe or general funds for disposal or to be held as a corporate property, as determined by the particular pastoral scheme. In the majority of such cases, houses are required as functional fixed assets for housing team vicars (in a team ministry) or other members licensed to a benefice and as such are held as corporate property under unrestricted designated funds.

Properties subject to value linked loans

Properties which have been bought with the assistance of value-linked loans from the Church Commissioners are stated using the value of the related loan at the balance sheet date. Each year end the respective property and loan are carried at an index linked current valuation basis.

Investment properties

Glebe properties which are held for investment purposes and rented out have been included at their fair value.

Parsonage houses

Parsonage houses and glebe assets were incorporated into the financial statements for the first time as at January 1997 at an initial carrying value (ICV). All residential properties at that date, including team vicarages held as glebe, were valued by the Director of Buildings, an architect, by reference to Council Tax bandings, and to find the appropriate level within the band, to insurance rebuild value after adding 50% to the latter for land value.

Parsonage houses, also known as benefice houses, are legally vested in the incumbent. However, an incumbent is not free to dispose of the house for his/her own benefit, cannot make alterations or improvements to the property and is not responsible for maintaining the house. In spite of the complex tenure of parsonage houses, LDBF is responsible for the maintenance and insurance of the houses in the same way as for other houses and they are assets of LDBF within the FRS 102 definition as they are 'rights or other access to economic benefits controlled by an entity' and are therefore recognised as fixed assets in the balance sheet.

1. Accounting Policies (continued)

Tangible fixed assets are stated at cost or valuation less depreciation. Depreciation is provided at rates calculated to write off the cost or valuation of fixed assets, less their estimated residual value, over their expected useful lives on the following bases:

Freehold property improvements	- 2.5% straight line
Motor vehicles	- 20% straight line, no depreciation charge in the year of acquisition
Office equipment	- 20% straight line, no depreciation charge in the year of acquisition

1.8 Investments

Investments are a form of basic financial instrument and are initially recognised at their transaction value and subsequently measured at their fair value as at the balance sheet date using the closing quoted market price. The Statement of financial activities includes the net gains and losses arising on revaluation and disposals throughout the year.

1.9 Interest receivable

Interest on funds held on deposit is included when receivable and the amount can be measured reliably by the company; this is normally upon notification of the interest paid or payable by the Bank.

1.10 Glebe land

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. Where planning permission has been received, the land in question is specifically revalued at a maximum of 50% of the sale value (forced sale value), subject to certain conditions agreed with the land agents.

Investment property

Properties that are identified as Investment opportunities are classified as Investment properties. These are revalued annually using Diocesan Investment Properties are revalued each year using the Nationwide Regional Quarterly Series – All Properties, Regional Quarterly Indices (West Midlands Region).

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: -

Addersley S Peters (except Nave and Tower)	Battlefield
Longford	Patshull S Mary
Preston Gubbals	Shrewsbury S Mary
Stirchley S James	Wroxeter S Andrew

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.

1. Accounting Policies (continued)

1.11 Financial instruments

The company only has financial assets and financial liabilities of a kind that qualify as basic financial instruments. Basic financial instruments are initially recognised at transaction value and subsequently measured at their settlement value with the exception of bank loans which are subsequently measured at amortised cost using the effective interest method.

1.12 Stocks

Stocks are valued at the lower of cost and net realisable value after making due allowance for obsolete and slow-moving stocks. Cost includes all direct costs and an appropriate proportion of fixed and variable overheads.

1.13 Taxation

The company is considered to pass the tests set out in Paragraph 1 Schedule 6 of the Finance Act 2010 and therefore it meets the definition of a charitable company for UK corporation tax purposes. Accordingly, the company is potentially exempt from taxation in respect of income or capital gains received within categories covered by Chapter 3 Part 11 of the Corporation Tax Act 2010 or Section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively to charitable purposes.

1.14 Fund balances

Fund Balances are split between unrestricted (general and designated), restricted and endowment funds.

General funds are unrestricted funds which are available for use at the discretion of the Trustees in furtherance of the general objectives of the company and which have not been designated for other purposes.

Designated funds comprise unrestricted funds that have been set aside by the Trustees for particular purposes. The aim and use of each designated fund is set out in the notes to the financial statements.

Restricted funds are funds which are to be used in accordance with specific restrictions imposed by donors or which have been raised by the company for particular purposes. The costs of raising and administering such funds are charged against the specific fund. The aim and use of each restricted fund is set out in the notes to the financial statements.

Endowment funds are those held on trust to be retained for the benefit of the charitable company as a capital fund. In the case of the endowment funds administered by the LDBF (Stipends Fund Capital, Parsonage Houses and Schools), there are discretionary powers to convert capital into income and, as a result, these funds are classified as expendable endowment. Endowment funds where there is no provision for expenditure of capital are classified as permanent endowment.

"Special trusts" (as defined by the Charities Act 2011) and any other trusts where the company acts as trustee and controls the management and use of the funds, are included in the company's own financial statements as charity branches. Trusts where the LDBF acts merely as custodian trustee with no control over the management of the funds are not included in the financial statements but are summarised in the notes to the financial statements.

The Lichfield Diocesan Board of Finance (Incorporated)
(A company limited by guarantee)

Notes to the Financial Statements
For the year ended 31 December 2015

1. Accounting Policies (continued)

1.15 Pensions

The company participates in the Church of England Funded Pensions Scheme for stipendiary clergy and the Defined Benefits Scheme section of Church Workers Pension Fund for lay staff. The pension charges are based on a full actuarial valuation dated 31 December 2012 for the Church of England Funded Pensions scheme and 31 December 2013 for Church Workers Pension Fund.

2. Judgement and key sources of estimation uncertainty

The preparation of the financial statements in conformity with generally accepted accounting practice requires the directors to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expenditures during the reporting period. Actual results in the future could differ from those estimates. In this regard, the directors believe that the critical accounting policies where judgements or estimating are necessarily applied are summarised below.

Depreciation and residual values

The Trustees have reviewed the asset lives and associated residual values of all fixed asset classes, and in particular, the useful economic life and residual values of office equipment, and have concluded that asset lives and residual values are appropriate

3. Income from donations and legacies

	Unrestricted funds 2015 £000	Restricted funds 2015 £000	Endowment funds 2015 £000	Total funds 2015 £000	Total funds 2014 £000
Parish Contributions	11,251	-	-	11,251	11,112
Archbishops' Council	2,228	200	-	2,428	2,212
Other	461	139	-	600	795
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total donations and legacies	13,940	339	-	14,279	14,119
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

In 2014, of the total income from donations and legacies, £ 13,677,000 was to unrestricted funds and £ 442,000 was to restricted funds

4. Parish contribution

	Unrestricted funds 2015 £000	Restricted funds 2015 £000	Endowment funds 2015 £000	Total Funds 2015 £000	Total Funds 2014 £000
Current year apportionment requested	11,600	-	-	11,600	11,604
Less share written off not provided for	(209)	-	-	(209)	(239)
Less increase in provision for doubtful debts	(140)	-	-	(140)	(253)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	11,251	-	-	11,251	11,112
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

The Lichfield Diocesan Board of Finance (Incorporated)
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Provision for doubtful debts

	2015 £000	2014 £000
Total share arrears as at 31 December	1,967	2,154
Arrears received in January 2016	(229)	(384)
Provision at year end	<u>1,738</u>	<u>1,770</u>
Provision for doubtful debts as at 1 January	1,769	1,665
Written off in the year	(171)	(148)
	<u>(1,598)</u>	<u>(1,517)</u>
Increase in provision for doubtful debts in the year	<u><u>140</u></u>	<u><u>253</u></u>

Current year receipts represent 92.63% of the total apportioned (2014: 90.99%). At the end of January the current years receipts represented 94.44% of the total apportioned (2014: 94.16%).

Current Years receipts are recorded until the end of January each year with the January receipts being treated as year end debtors. All arrears at the 31 January each year are then provided for. When all receipts for previous and future years are included 98.53% of the total apportioned (2014: 95.01%).

5. Archbishop's Council

	Unrestricted funds 2015 £000	Restricted funds 2015 £000	Endowment funds 2015 £000	Total Funds 2015 £000	Total Funds 2014 £000
Stipend Allocation	2,150	-	-	2,150	2,212
Mission development funding	78	200	-	278	-
	<u>2,228</u>	<u>200</u>	<u>-</u>	<u>2,428</u>	<u>2,212</u>

In 2014, of the total archbishops's council income, £ 2,212,000 was to unrestricted funds.

6. Other donations

	Unrestricted funds 2015 £000	Restricted funds 2015 £000	Endowment funds 2015 £000	Total Funds 2015 £000	Total Funds 2014 £000
All Churches Trust	228	-	-	228	223
Walter Stanley Trust	112	-	-	112	117
Other donations	96	130	-	226	161
St Chad's Retreat Centre	25	9	-	34	294
	<u>461</u>	<u>139</u>	<u>-</u>	<u>600</u>	<u>795</u>

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7. Charitable activities

	Unrestricted funds 2015 £000	Restricted funds 2015 £000	Endowment funds 2015 £000	Total funds 2015 £000	Total funds 2014 £000
Statutory fees	1,232	-	-	1,232	1,112
Chaplaincy income	283	-	-	283	210
Guaranteed annuities	2	-	-	2	2
St Chad's Retreat Centre	455	-	-	455	316
	<u>1,972</u>	<u>-</u>	<u>-</u>	<u>1,972</u>	<u>1,640</u>

In 2014, of the total income from charitable activities, £ 1,640,000 was to unrestricted funds .

8. Other trading activities

	Unrestricted funds 2015 £000	Restricted funds 2015 £000	Endowment funds 2015 £000	Total funds 2015 £000	Total funds 2014 £000
Housing income	257	-	-	257	256
Parish services	193	-	-	193	192
St Chad's Retreat Centre	27	-	-	27	18
	<u>477</u>	<u>-</u>	<u>-</u>	<u>477</u>	<u>466</u>

In 2014, of the total fundraising income, £ 466,000 was to unrestricted funds.

9. Investment income

	Unrestricted funds 2015 £000	Restricted funds 2015 £000	Endowment funds 2015 £000	Total funds 2015 £000	Total funds 2014 £000
Rents receivable	183	42	-	225	261
Dividends receivable	259	781	15	1,055	1,015
Interest receivable	30	12	-	42	43
St Chad's Retreat Centre	3	-	-	3	3
	<u>475</u>	<u>835</u>	<u>15</u>	<u>1,325</u>	<u>1,322</u>

In 2014, of the total investment income, £ 496,000 was to unrestricted funds, £811,000 was to restricted funds and £15,000 was to endowment funds.

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10. Other incoming resources

	Unrestricted funds 2015 £000	Restricted funds 2015 £000	Endowment funds 2015 £000	Total funds 2015 £000	Total funds 2014 £000
Gains on sale of assets	34	331	-	365	45
Gains on pensions revaluations	-	-	-	-	181
Funds introduced	-	-	-	-	286
	<u>34</u>	<u>331</u>	<u>-</u>	<u>365</u>	<u>512</u>

In 2014, of the total other incoming resources, £ 181,000 was to unrestricted funds and £ 331,000 was to restricted funds.

11. Raising funds

	Unrestricted funds 2015 £000	Restricted funds 2015 £000	Endowment funds 2015 £000	Total funds 2015 £000	Total funds 2014 £000
Agents fees	54	85	-	139	144
Rental costs	24	19	-	43	73
	<u>78</u>	<u>104</u>	<u>-</u>	<u>182</u>	<u>217</u>

In 2014, of the total raising funds, £196,000 was to unrestricted funds and £21,000 was to restricted funds.

12. Other expenditure

	Unrestricted funds 2015 £000	Restricted funds 2015 £000	Endowment funds 2015 £000	Total funds 2015 £000	Total funds 2014 £000
Extra- Ordinary costs relating to pensions	148	119	-	267	593
	<u>148</u>	<u>119</u>	<u>-</u>	<u>267</u>	<u>593</u>

In 2014, of the total other expenditures, £190,000 was to unrestricted funds and £403,000 was to restricted funds.

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	Unrestricted funds 2015 £000	Restricted funds 2015 £000	Endowment funds 2015 £000	Total Funds 2015 £000	Total Funds 2014 £000
13. Charitable activities					
Contribution to Archbishops' Council					
Training for Ministry	413	-	-	413	390
National Church Responsibilities	345	-	-	345	335
Mission Agency Pension Contributions	23	-	-	23	22
Retired Clergy Housing Costs	123	-	-	123	119
Pooling of Ordinary Candidates Maintenance Grants	(49)	-	-	(49)	(48)
	<u>855</u>	<u>-</u>	<u>-</u>	<u>855</u>	<u>818</u>
Resourcing Ministry and Mission					
Parish Ministry					
Stipends and related costs	7,290	26	-	7,316	7,298
Pensions	1,461	9	-	1,470	1,509
Housing Costs	2,495	133	-	2,628	2,620
Removal, resettlement and other grants	195	29	-	224	173
Other expenses	450	-	-	450	312
	<u>11,891</u>	<u>197</u>	<u>-</u>	<u>12,088</u>	<u>11,911</u>
Support for Ministry					
Support for Ministry	3,086	491	-	3,577	3,124
St Chad's Retreat Centre	481	29	-	510	336
	<u>3,567</u>	<u>520</u>	<u>-</u>	<u>4,087</u>	<u>3,460</u>
Expenditure on Education					
Education	173	-	-	173	175
	<u>173</u>	<u>-</u>	<u>-</u>	<u>173</u>	<u>175</u>
Total	<u><u>16,486</u></u>	<u><u>717</u></u>	<u><u>-</u></u>	<u><u>17,203</u></u>	<u><u>16,364</u></u>

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14. Analysis of support costs

	Unrestricted funds 2015 £000	Restricted funds 2015 £000	Endowment funds 2015 £000	Total Funds 2015 £000	Total Funds 2014 £000
Central administration	950	-	-	950	872
Support schools	173	-	-	173	175
Governance					
- Audit	23	-	-	23	20
- Registrar and chancellor	68	-	-	68	69
- Synodical costs	34	-	-	34	29
	<u>1,248</u>	<u>-</u>	<u>-</u>	<u>1,248</u>	<u>1,165</u>

15. Analysis of expenditure including support costs

	Activities undertaken 2015 £000	Grants 2015 £000	Support 2015 £000	Total 2015 £000	Total 2014 £000
Raising funds	182	-	-	182	217
Charitable activities	-	855	-	855	818
Resources parish summary	14,188	739	1,248	16,175	15,380
Education	164	9	-	173	175
Other	267	-	-	267	593
Total	<u>14,801</u>	<u>1,603</u>	<u>1,248</u>	<u>17,652</u>	<u>17,183</u>

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16. Staff costs

Employee costs were as follow:

	2015 £000	2014 £000
Wages and salaries	1,873	1,637
Social security costs	152	137
Other pension costs	267	220
	<u>2,292</u>	<u>1,994</u>

The average number of persons employed by the group during the year was as follows:

	2015 No.	2014 No.
Management and administration	27	22
Addition for mission	9	3
Archdeacons and Bishop's support staff	10	8
Central sector ministers / advisers and support staff	36	28
St Chad's Retreat Centre	20	20
Total	<u>102</u>	<u>81</u>

The average number of persons employed by the group employees based on full time equivalents, during the year was as follows:

	2015 No	2014 No
Management and administration	24.99	21.87
Addition for mission	5.16	2.73
Archdeacons and Bishop's support staff	8.47	8.47
Central sector ministers / advisers and support staff	27.27	28.33
St Chad's Retreat Centre	11.00	20.00
	<u>76.89</u>	<u>81.40</u>

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The number of employees whose emoluments exceeded £60,000 was:

	2015 No	2014 No
£60,000 - £70,000	1	2
£70,000 - £80,000	2	1
	<hr/>	<hr/>
	3	3
	<hr/>	<hr/>

In the year pension payments of £26,883 (2014 - £25,628) were made for these persons.

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

Remuneration of key management personnel

Key management personnel are deemed to be those having authority and responsibility, delegated to them by the trustees, for planning, directing and controlling the activities of the diocese. During 2015 they were:

Diocesan Secretary and Company Secretary	Mrs J Jones
Director of Finance	Mr J Hill
Director of Property	Mr A Mason
Director of Education	Mr C Hopkins

Remuneration, pensions and expenses for these 4 employees amounted to £313,960 (2014 - £301,410).

Trustees' emoluments

No Trustee received any remuneration for services as Trustee. 14 trustees (2014 - 15 trustees) received travelling and out of pocket expenses, totalling £16,474 (2014 - £16,268) in respect of General Synod duties, duties as archdeacon or area/rural dean, and other duties as Trustees.

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Trustees expenses by stipend and housing detail

The following table gives details of the Trustees who were in receipt of a stipend and/or housing provided by the LDBF during the year:

		Housing	Stipend	
The Rt. Rev. Jonathan Gledhill	Bishop of Lichfield	No	No	To 30/09/2015
The Rt. Rev. Mark Rylands	Bishop of Shrewsbury	Yes	No	
The Rt. Rev. Geoff Annas	Bishop of Stafford	Yes	No	
The Rt Rev Clive Gregory	Bishop of Wolverhampton	Yes	No	
The Very Rev. Adrian Dorber	Dean of Lichfield	No	No	
The Ven Simon Baker	Archdeacon of Lichfield	Yes	Yes	
The Ven. Paul Thomas	Archdeacon of Salop	Yes	Yes	
The Ven Matthew Parker	Archdeacon of Stoke	Yes	Yes	
The Ven Dr Sue K Weller	Archdeacon of Walsall	No	Yes	
Mr John Naylor	Chair, DBF	No	No	
The Rev Preb John Allan	Chair, House of Clergy	Yes	Yes	
Mr John (Tug) Wilson	Chair, House of Laity	No	No	
Mrs Alison Primrose	Chair of the DBE	No	No	
The Rev P Cansdale		Yes	Yes	
The Revd Pam Daniel		Yes	Yes	To 31/08/2015
Revd Martin Rutter		Yes	Yes	From 01/09/2015
Revd Michael Last		Yes	Yes	From 01/09/2015
The Revd Mark Kinder		Yes	Yes	To 31/08/2015
The Revd Brian Leathers		Yes	Yes	To 31/08/2015
The Revd Richard Grigson		Yes	Yes	To 31/08/2015
The Revd John Coyne		Yes	Yes	To 31/08/2015

The LDBF is responsible for funding via the Church Commissioners the stipends of licensed stipendiary clergy in the diocese, other than bishops and cathedral staff. The LDBF is also responsible for the provision of housing for stipendiary clergy in the diocese including the suffragan bishop but excluding diocesan bishop and cathedral staff.

Stipends cost note

The LDBF paid an average of 288 (2014 – 292) stipendiary clergy as office-holders holding parochial or diocesan appointments in the diocese, and the costs were as follows:

	2015	2014
	£'000	£'000
Stipends	6,895	6,929
National insurance contributions	545	539
Pension costs - current year	1,651	1,658
- deficit reduction	902	797
	-----	-----
	9,993	9,923
	=====	=====

The stipends of the four Bishops were paid and funded by the Church Commissioners.

The stipends of the Diocesan Bishop and Suffragan Bishops are funded by the Church Commissioners and are in the range £34,460 - £42,880 (2014 range £33,780 - £42,040). The annual rate of stipend, funded by the LDBF, paid to Archdeacons in 2015 was in the range £33,010 - £44,715 (2014 range £32,360 – £33,010) and other clergy who were Trustees were paid in the range £24,175 - £25,585 (2014 range £23,815 – £25,195). The Archbishops' Council has estimated the value to the occupant, gross of income tax and national insurance, of church provided housing in 2015 at £9,910 (2014 - £9,910).

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17. Analysis of transfers between funds

	General unrestricted funds £000	Designated funds £000	Restricted funds £000	Endowment funds £000
Investment Income towards General Costs	900	(177)	(708)	(15)
Transfer of property classification	-	1,965	(1,965)	-
Transfer to Vacnacy in See (Designated)	(1)	1	-	-
Transfer to Lambeth Conference (Designated)	(1)	1	-	-
Transfer to DBS Pension Provision	(50)	50	-	-
Transfer All Churches Grant to Misison Development Funding	(11)	11	-	-
Transfer to General Reserves	124	(126)	2	-
Transfer to support CBSO Post	-	(16)	16	-
Transfer re Clergy pensions Deficit payments	(902)	-	902	-
Transfer re Mortgages payments	(27)	-	27	-
Lent Appeal rer Matsolane	(3)	-	3	-
Transofrming Communities - Good Society	(5)	-	5	-
Bishops Ordination Fund	20	-	(20)	-
Telford Pioneer Post support	(35)	-	35	-
St Chad's Retreat Centre	(27)	-	27	-
Total	(18)	1,709	(1,676)	(15)

18. Tangible fixed assets

Group	Freehold land and building £000	Leasehold property £000	Motor vehicles £000	Office equipment £000	Total £000
Cost or valuation					
At 1 January 2015	87,293	164	-	752	88,209
Additions	1,508	-	9	55	1,572
Disposals	(2,700)	(164)	-	(169)	(3,033)
Revaluation surplus	1,631	-	-	-	1,631
At 31 December 2015	87,732	-	9	638	88,379
Depreciation					
At 1 January 2015	17	154	-	523	694
Charge for the year	25	10	-	63	98
On disposals	-	(164)	-	(147)	(311)
At 31 December 2015	42	-	-	439	481
Net book value					
At 31 December 2015	87,690	-	9	199	87,898
At 31 December 2014	87,276	10	-	229	87,515

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Company	Freehold Land £000	Leasehold Property £000	Office equipment £000	Total £000
Cost or valuation				
At 1 January 2015	86,890	164	752	87,806
Additions	1,476	-	52	1,528
Disposals	(2,700)	(164)	(169)	(3,033)
Revaluation surplus/(deficit)	1,631	-	-	1,631
At 31 December 2015	87,297	-	635	87,932
Depreciation				
At 1 January 2015	-	154	523	677
Charge for the year	-	10	63	73
On disposals	-	(164)	(147)	(311)
At 31 December 2015	-	-	439	439
Net book value				
At 31 December 2015	87,297	-	196	87,493
At 31 December 2014	86,890	10	229	87,129

19. Fixed asset investments

Group	Agricultural land £000	Residential property £000	Listed investments £000	Total £000
Market value				
At 1 January 2015	11,463	1,341	24,520	37,324
Additions	-	-	1,332	1,332
Disposals	(151)	-	(146)	(297)
Revaluations	-	21	323	344
At 31 December 2015	11,312	1,362	26,029	38,703
Historical cost	3,998	817	18,691	23,506

Company	Agricultural land £000	Residential property £000	Listed investments £000	Total £000
Market value				
At 1 January 2015	11,463	1,341	24,450	37,254
Additions	-	-	1,332	1,332
Disposals	(151)	-	(146)	(297)
Revaluations	-	21	320	341
At 31 December 2015	11,312	1,362	25,956	38,630
Historical cost	3,998	817	18,627	23,442

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Group

	At 1 January 2015 £000	Additions £000	Disposals £000	Chang in market value £000	At 31 December 2015 £000
Unrestricted funds					
Unlisted investments	6,055	50	(33)	42	6,114
Investment properties	180	-	-	3	183
Listed investments	70	-	-	3	73
	<u>6,305</u>	<u>50</u>	<u>(33)</u>	<u>48</u>	<u>6,370</u>
Restricted funds					
Unlisted Investments	18,054	1,282	(113)	271	19,494
Investment Properties	1,162	-	-	18	1,180
Land Investments	11,463	-	(151)	-	11,312
	<u>30,679</u>	<u>1,282</u>	<u>(264)</u>	<u>289</u>	<u>31,986</u>
Endowment funds					
Unlisted Investments	340	-	-	7	347
	<u>340</u>	<u>-</u>	<u>-</u>	<u>7</u>	<u>347</u>
	<u>37,324</u>	<u>1,332</u>	<u>(297)</u>	<u>344</u>	<u>38,703</u>

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Company

	At 1 January 2015 £000	Additions £000	Disposals £000	Chang in market value £000	At 31 December 2015 £000
Unrestricted funds					
Unlisted investments	6,055	50	(33)	42	6,114
Investment properties	180	-	-	3	183
	<u>6,235</u>	<u>50</u>	<u>(33)</u>	<u>45</u>	<u>6,297</u>
Restricted funds					
Unlisted Investments	18,054	1,282	(113)	271	19,494
Investment Properties	1,162	-	-	18	1,180
Land Investments	11,463	-	(151)	-	11,312
	<u>36,914</u>	<u>1,332</u>	<u>(297)</u>	<u>334</u>	<u>38,283</u>
Endowment funds					
Unlisted Investments	340	-	-	7	347
	<u>37,254</u>	<u>1,332</u>	<u>(297)</u>	<u>341</u>	<u>38,630</u>
	<u>37,254</u>	<u>1,332</u>	<u>(297)</u>	<u>341</u>	<u>38,630</u>

20. Stocks

	Group		Company	
	2015 £000	2014 £000	2015 £000	2014 £000
Finished goods	<u>9</u>	<u>9</u>	<u>-</u>	<u>-</u>

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21. Debtors

	Group		Company	
	2015	2014	2015	2014
	£000	£000	£000	£000
Due after more than one year				
Other debtors	3	6	3	6
Loans	883	1,268	1,109	1,462
	886	1,274	1,112	1,468
	Group		Company	
	2015	2014	2015	2014
	£000	£000	£000	£000
Due within one year				
Parish share (net of provision)	229	384	229	384
Amounts owed by group undertakings	-	-	42	34
Assigned fees	161	172	161	172
Loans	189	164	189	164
Outstanding sale proceeds	-	136	-	136
Prepayments	380	569	376	558
Recharges	615	645	615	645
Due from Board of Education	587	129	587	129
Sundry	454	609	427	580
	2,615	2,808	2,626	2,802
Loans				
	Group		Company	
	2015	2014	2015	2014
	£000	£000	£000	£000
Sub-Header				
Due in under on year				
Staff loans	14	14	14	14
Clergy loans	19	11	19	11
Cathedral	50	50	50	50
Loans to Parishes	106	89	106	89
	189	164	189	164
Due in more than one year				
Staff loans	41	33	41	33
Clergy loans	32	27	32	27
Equity sharing loan (Perrycroft Crescent)	50	50	50	50
Loan to the Cathedral	350	400	350	400
Loans to the Parishes	410	758	636	952
	883	1,268	1,109	1,462
Total	1,072	1,432	1,298	1,626

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Provision for doubtful debt - shares

	2015 £000	2014 £000
Share		
Balance as at 1 January	1,769	1,665
Provision written off in year	(171)	(148)
Current years arrears - added to provision	140	253
	<u>1,738</u>	<u>1,770</u>
Provision as at 31 December	<u>1,738</u>	<u>1,770</u>

Provision for doubtful debt

	2015 £000	2014 £000
Diocesan Loan Fund	338	338
Sundry Sales Accounts	23	23
	<u>361</u>	<u>361</u>

22. Current asset investments

	Group		Company	
	2015 £000	2014 £000	2015 £000	2014 £000
West Bromwich building society corporate deposit	301	299	301	299

23. Creditors:
Amounts falling due within one year

	Group		Company	
	2015 £000	2014 £000	2015 £000	2014 £000
Loans from Church Commissioners - CCLA	50	50	50	50
Loans from Church Commissioners - Mortgage	10	27	10	27
Payments received on account	16	16	-	-
Trade creditors	1,245	1,092	1,242	1,091
Amounts owed to group undertakings	1	-	-	-
Deferred grants	291	400	291	400
Other taxation and social security	7	8	-	-
Corporate deposit creditor	1,034	1,206	1,034	1,206
Church Commissioners stipend account	441	19	423	5
Accruals	170	114	159	109
	<u>3,265</u>	<u>2,932</u>	<u>3,209</u>	<u>2,888</u>

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24. Creditors:
Amounts falling due after more than one year

	<u>Group</u>		<u>Company</u>	
	2015	2014	2015	2014
	£000	£000	£000	£000
Loans from Church Commissioners - CCLA	350	400	350	400
Loans from Church Commissioners - Mortgages	33	44	33	44
Loans from Church Commissioners - Value linked loans	297	297	297	297
DBS pension	8,328	9,111	8,328	9,111
Deferred grants	334	248	334	248
	9,342	10,100	9,342	10,100

Included within the above are amounts falling due as follows:

	<u>Group</u>		<u>Company</u>	
	2015	2014	2015	2014
	£000	£000	£000	£000
Between one and two years				
Loans from Church Commissioners - CCLA	50	50	50	50
Loans from Church Commissioners - Mortgages	33	11	33	11
Between two and five years				
Loans from Church Commissioners - CCLA	200	200	200	200
Loans from Church Commissioners - Mortgages	-	28	-	28
Over five years				
Loans from Church Commissioners - CCLA	100	150	100	150
Loans from Church Commissioners - Mortgages	-	5	-	5

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24. Creditors:
Amounts falling due after more than one year (continued)

Creditors include amounts not wholly repayable within 5 years as follows:

	Group		Company	
	2015	2014	2015	2014
	£000	£000	£000	£000
Repayable by instalments	100	155	100	155

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.

CCLA - value linked loans

Value-linked loans (VLLs) represent amounts advanced to the DBF for the purchase of properties on an equity sharing basis and are repayable on the disposal of the related property. As at 31st December 2015 the Board had no intention of disposing of any of those properties funded via VLLs.

Church of England Defined Benefits Scheme (DBS)

The Charity participated in the DBS, part of the Church Workers Pension Fund until 30 September 2012, when the Charity ceased to use the scheme and transferred to the Pension Builder Scheme. Amounts outstanding represent the shortfall on the employer sub pool.

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25. Statement of funds

	Brought Forward £000	Incoming resources £000	Resources Expended £000	Transfers in/out £000	Gains/ (Losses) £000	Carried Forward £000
Designated funds						
Ashworth/Lowe	3,734	158	-	(158)	53	3,787
Chairmans Fund	12	6	(2)	-	-	16
Pension/Surplus Provision	89	1	-	(90)	-	-
DBF Designated Houses	3,850	49	(11)	1,959	210	6,057
Swanwick	4	53	(6)	-	-	51
Diocesan Growth Fund	611	3	(4)	1	-	611
Vacancy in See Contingency Fund	12	-	(2)	1	-	11
Lambeth Conference	8	-	-	1	-	9
Forthergill Bequest	243	11	-	(11)	5	248
Other Legacies	15	19	-	-	1	35
General Designated Funds (2006 Surplus)	192	8	(112)	92	-	180
DBS Pension Provision	148	-	(155)	50	-	43
Stipend Reserve - Designated	485	-	-	(20)	-	465
Double Glazing Scheme	341	10	(190)	-	-	161
Community of St Chad	2	-	-	-	-	2
Addition for Mission	105	415	(277)	-	-	243
Mission development	52	78	(79)	10	-	61
	<u>9,903</u>	<u>811</u>	<u>(838)</u>	<u>1,835</u>	<u>269</u>	<u>11,980</u>
General funds						
General	3,647	15,584	(15,393)	(117)	(15)	3,706
St Chad's Retreat Centre	151	503	(481)	3	5	181
	<u>3,798</u>	<u>16,087</u>	<u>(15,874)</u>	<u>(114)</u>	<u>(10)</u>	<u>3,887</u>
Total Unrestricted funds	<u>13,701</u>	<u>16,898</u>	<u>(16,712)</u>	<u>1,721</u>	<u>259</u>	<u>15,867</u>
Endowment funds						
Endowment funds	<u>340</u>	<u>15</u>	<u>-</u>	<u>(15)</u>	<u>7</u>	<u>347</u>

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25. Statement of funds (continued)

Restricted funds

	Brought Forward £000	Incoming resources £000	Resources Expended £000	Transfers in/out £000	Gains/ (Losses) £000	Carried Forward £000
Property Reserve	2,868	(62)	(9)	-	38	2,835
Trust Reserve	2,304	66	(20)	(62)	(27)	2,261
End & Glebe	21,397	194	(25)	(929)	318	20,955
Benefice	57,640	153	(13)	(2,328)	1,059	56,511
Stipends Capital	4,857	169	(85)	(23)	107	5,025
Pastoral Fund	7,478	316	(119)	(91)	84	7,668
Diocesan Loan Fund	1,961	47	-	-	19	2,027
Clergy Windows & Orphans	788	43	(21)	-	10	820
Interior Decoration Scheme	182	18	(6)	-	12	206
Lent Appeal	(9)	40	(37)	3	-	(3)
Ordination	98	24	(1)	(20)	1	102
Glebe Land	11,082	-	(8)	(215)	72	10,931
Redundant Property	148	5	-	(5)	-	148
Parish Mission Project	34	1	-	-	-	35
Bridgebuilders	242	10	(6)	-	5	251
Diocesan Growth Fund	(172)	203	(285)	5	-	(249)
Glebe Land Sales	3,493	156	(38)	60	73	3,744
Stipend Trust Reserve	1,461	60	(3)	(57)	16	1,477
Church Building Support Officer	14	21	(43)	16	-	8
Telford Pioneer Officer	12	8	(43)	37	-	14
Lichfield Theological Forum	4	-	-	-	-	4
Ministry at Work	8	10	(18)	-	-	-
Discipleship & Evangelism	-	8	(8)	-	-	-
Transforming Communities	-	5	(2)	5	-	8
Investment Properties	83	1	(2)	(1)	1	82
Resourcing the Future	-	-	-	1,000	-	1,000
Clergy Pensions	(9,111)	-	(119)	902	-	(8,328)
St Chad's Retreat Centre	145	9	(29)	(3)	-	122
	<u>107,007</u>	<u>1,505</u>	<u>(940)</u>	<u>(1,706)</u>	<u>1,788</u>	<u>107,654</u>
Total of funds	<u>121,048</u>	<u>18,418</u>	<u>(17,652)</u>	<u>-</u>	<u>2,054</u>	<u>123,868</u>

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Summary of funds

	Brought Forward £000	Incoming resources £000	Resources Expended £000	Transfers in/out £000	Gains/ (Losses) £000	Carried Forward £000
Designated funds	9,903	811	(838)	1,835	269	11,980
General funds	3,798	16,087	(15,874)	(114)	(10)	3,887
	13,701	16,898	(16,712)	1,721	259	15,867
Endowment funds	340	15	-	(15)	7	347
Restricted funds	107,007	1,505	(940)	(1,706)	1,788	107,654
	121,048	18,418	(17,652)	-	2,054	123,868

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.

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.

5. Swanwick Conferences

The fund originates from surpluses from previous Swanwick Conferences to help and support future bi-annual conferences. The next conference is in 2014.

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 2014 to 2016, £600,000 (£200,000 per annum for each of the three years) is to be used to continue to support growth projects.

7. Vacancy in See Fund

The fund represents a contingency against potential future costs in the event of the See becoming vacant.

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 –

25. Statement of funds (continued)

Ashworth/Lowe) and the income is used to finance the day-to-day activities of the Board.

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. In 2014 £50,000 was set aside for a diocesan conference.

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 4.7 months. It is believed that this is sufficient time to restructure the finances and liabilities. This fund is used from surplus funds to ensure the minimum reserve level is obtained.

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.

14. Double Glazing

In 2008 it was agreed to set aside approx. £1m to be used over future years to ensure all Diocesan Vicarages and associated properties had adequate double glazing. The funds would be made available with transfers of no more than £250,000 per annum from the Housing Budget plus significant transfers from the Pastoral and Diocesan Stipends Fund.

15. Community of S Chads

Any surplus from the Community of S Chads project be set aside each year to assist with future printing and advertising costs.

16. Addition for Mission

Funds set aside for Mission Orientated projects from the Church Commissioners Ministry Allocation. Posts are funded for a maximum of three years.

17. Mission Development Fund

Funds set aside from the Church Commissioners Mission Development Fund and supported from part of the grant from All Churches Trust, so support one off diocesan mission projects based on the five Diocesan Themes.

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.

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25. Statement of funds (continued)

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)

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)

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. 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.

8. 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.

9. Church Mission

The fund was created by the World Mission officer in 2001 – to help support parish overseas and mission projects. The fund gives grants to assist with projects and receives donations from participating parishes.

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.

25. Statement of funds (continued)

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. Bridgebuilders

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

15. 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 2014 to 2016, £600,000 (£200,000 per annum for each of the three years) is to be used to continue to support growth projects.

16. 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.

17. 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.

18. 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.

19. 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.

20. Lichfield Theological Forum

Surplus funds from the Lichfield Centre for Christian Studies that are held to promote a Theological MBA degree within the diocese in association with local Further and Higher Educational establishments.

21. Telford Pioneer

In accordance with the Diocesan Strategy for Growth, various pioneer posts have been created. One of these posts is in Priors Lee in Telford and this fund represents Restricted funds given or transferred to support the project.

22. DBF Investment Property Reserve

This fund represents Diocesan property that has been identified as surplus to requirement but offers a good investment return as an investment asset to the Board.

23. Ministry at Work

A project based on forging links with the wider Business community in Stoke on Trent

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25. Statement of funds (continued)

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.

26. Analysis of net assets between funds

	Unrestricted funds 2015 £000	Restricted funds 2015 £000	Endowment funds 2015 £000	Total funds 2015 £000	Total funds 2014 £000
Tangible fixed assets	7,313	80,585	-	87,898	87,515
Fixed asset investments	6,369	31,988	347	38,704	37,324
Debtors due after more than 1 year	-	887	-	887	1,274
Current assets	2,185	6,802	-	8,987	7,968
Creditors due within one year	-	(3,266)	-	(3,266)	(2,932)
Creditors due in more than one year	-	(9,342)	-	(9,342)	(10,100)
	<u>15,867</u>	<u>107,654</u>	<u>347</u>	<u>123,868</u>	<u>121,048</u>

27. Reconciliation of net movement in funds to net cash flow from operating activities

	2015 £000	2014 £000
Net income for the year (as per Statement of financial activities)	2,820	3,307
Adjustment for:		
Depreciation charges	98	10
Dividends, interest and rents from investments	(2,054)	(2,422)
Loss/(profit) on the sale of fixed assets	9	(2)
Increase in stocks	-	(9)
Increase in debtors	(581)	(188)
Increase/(decrease) in creditors	425	(409)
Net cash provided by operating activities	<u>717</u>	<u>287</u>

28. Analysis of cash and cash equivalents

	2015 £000	2014 £000
Cash in hand	5,762	4,552
Notice deposits (less than 3 months)	301	299
Total	<u>6,063</u>	<u>4,851</u>

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29. Related party transactions

The Charity has taken advantage under Financial Reporting Standard Number 102 section 33 - "Related Party Disclosures" not to disclose transactions with other Group entities as the entities are wholly owned subsidiaries and their results are consolidated within these results.

30. Post balance sheet events

There were no post balance sheet events or contingent liabilities at the balance sheet date.

31. Capital commitments

At 31 December 2015 the group and company had capital commitments as follows:

	<u>Group</u>		<u>Company</u>	
	2015	2014	2015	2014
	£000	£000	£000	£000
Contracted for but not provided in these financial statements	-	-	-	-

32. Pension commitments

The Lichfield Diocesan Board of Finance participates in two pension schemes administered by the Church of England Pensions Board, which holds the assets of the schemes separately from those of the DBF and the other participating employers. One of these is the Church of England Funded Pensions Scheme for stipendiary clergy. The other is the Church Workers Pension Fund. The Church Workers Pension Fund has a section known as the Defined Benefits Scheme, a deferred annuity section known as Pension Builder Classic and a cash balance section known as Pension Builder 2014.

These schemes are multi-employer last man standing defined benefit pension schemes for which the DBF is unable to identify its share of the underlying assets and liabilities as each employer is exposed to actuarial risks associated with the current and former employees of other entities participating in the scheme. For multi-employer schemes where this is the case, paragraph 28.11 of FRS102 requires the DBF to account for pension costs on the basis of contributions actually payable to the scheme in the year and, where contributions are affected by a surplus or deficit in the scheme, to disclose information about the surplus or deficit and the implications of the surplus or deficit for the DBF. A valuation of each scheme is carried out once every three years.

Church of England Funded Pensions Scheme (CEFPS)

Lichfield Diocesan Board of Finance participates in the Church of England Funded Pensions Scheme for stipendiary clergy. This scheme is administered by the Church of England Pensions Board, which holds the assets of the schemes separately from those of the Employer and the other participating employers.

Each participating employer in the scheme pays contributions at a common contribution rate applied to pensionable stipends.

The scheme is considered to be a multi-employer scheme as described in Section 28 of FRS 102. This means it is not possible to attribute the Scheme's assets and liabilities to specific employers and that contributions are accounted for as if the Scheme were a defined contribution scheme. The pensions costs charged to the SoFA in the year are contributions payable towards benefits and expenses accrued in that year, plus any impact of deficit contributions (see below).

A valuation of the Scheme is carried out once every three years. The most recent Scheme valuation completed was carried out at 31 December 2012. Though work has commenced on the 31 December 2015 valuation, the final report and recovery plan is not expected to be finalised until late 2016 and is not formally required to be finalised until 31 March 2017. The 2012 valuation revealed a deficit of £293m, based on assets of £896m and a funding target of £1,189m, assessed using the following assumptions:

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32. Pension commitments (continued)

- An investment strategy of:
 - for investments backing liabilities for pensions in payment, an allocation to gilts, increasing linearly from 10% at 31 December 2012 to two thirds by 31 December 2029, with the balance in return-seeking assets; and
 - a 100% allocation to return-seeking assets for investments backing liabilities prior to retirement;
 - Investment returns of 3.2% p.a. on gilts and 5.2% p.a. on equities;
 - RPI inflation of 3.2% p.a. (and pension increases consistent with this);
 - Increase in pensionable stipends of 3.2% p.a.;
 - Post-retirement mortality in accordance with 80% of the S1NFA and S1NMA tables, with allowance for future improvements in mortality rates from 2003 in line with the CMI 2012 core projections, with a long term annual rate of improvement of 1.5% for females and males.

Following the 31 December 2012 valuation, a recovery plan was put in place until 31 December 2025 and the contribution rates (as a percentage of pensionable stipends) were set as follows:

% of pensionable stipends	1 January 2014 to 31 December 2014	1 January 2015 to 31 December 2025
Accrual of future service benefits (including expenses)	25.8%	25.8%
Deficit repair contributions	12.4%	14.1%
Total contribution rate	38.2%	39.9%

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

	2015 £	2014 £
Balance sheet liability at 1 January	9,111,000	9,475,000
Deficit contribution paid	(902,000)	(797,000)
Interest cost (recognised in SoFA)	199,000	318,000
Remaining change to the balance sheet liability* (recognised in SoFA)	<u>(80,000)</u>	<u>115,000</u>
Balance sheet liability at 31 December	<u>8,328,000</u>	<u>9,111,000</u>

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

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

	December 2015	December 2014	December 2013
Discount rate	2.5% pa	2.3% pa	3.5% pa
Price inflation	2.4% pa	2.7% pa	3.2% pa
Increase to total pensionable payroll	0.9% pa	1.2% pa	1.7% pa

Church Workers Pension Fund (CWPF)

Lichfield DBF (DBS) participates in the Defined Benefits Scheme section of CWPF for lay staff. The Scheme is administered by the Church of England Pensions Board, which holds the assets of the schemes separately from those of the Employer and the other participating employers.

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

Defined Benefits Scheme

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32. Pension commitments (continued)

The Defined Benefits Scheme ("DBS") section of the Church Workers Pension Fund provides benefits for lay staff based on final pensionable salaries.

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

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

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

If, following an actuarial valuation of the Life Risk Pool, there is a surplus or deficit in the pool and the Actuary so recommends, further transfers may be made from the Life Risk Pool to the employers' sub-pools, or vice versa. The amounts to be transferred (and their allocation between the sub-pools) will be settled by the Church of England Pensions Board on the advice of the Actuary.

A valuation of the DBS is carried out once every three years, the most recent having been carried out as at 31 December 2013. In this valuation, the Life Risk Section was shown to be in deficit by £4.9m and £4.3m was notionally transferred from the employers' sub-pools to the Life Risk Pool. This increased the Employer contributions that would otherwise have been payable. The overall deficit in the DBS was £12.9m.

Following the valuation, the Employer has entered into an agreement with the Church Workers Pension Fund to pay expenses of £10,800 per year.

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

	2015	2014
	£	£
Balance sheet liability at 1 January	36,000	105,000
Deficit contribution paid	-	(74,000)
Interest cost (recognised in SoFA)	-	1,000
Remaining change to the balance sheet liability*(recognised in SoFA) 0	<u>(36,000)</u>	<u>4,000</u>
Balance sheet liability at 31 December	-	<u>36,000</u>

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

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

	December 2013	December 2014	December 2015
Discount rate	1.30%	0.00%	0.00%

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33. Operating lease commitments

At 31 December 2015 the group had annual commitments under non-cancellable operating leases as follows:

	Land and buildings		2015 £000	Other 2014 £000
	2015 £000	2014 £000		
Group and company				
Expiry date:				
After more than 5 years	-	14,000	-	-

Following the year end the Charity purchased the freehold to which the above operating lease commitment relates.

34. Principal subsidiaries

Company name	Country	Percentage holding	Description
St Chad's Retreat Centre	England and Wales	100	Operation of Shallowford House and Dovedale House

35. Transition to FRS102

This is the first year Lichfield Diocesan Board of Finance has presented its results under FRS 102 and SORP2015. The last financial statements under previous UK GAAP were for the year ended 31 December 2014. The date of transition to FRS 102 was 1 January 2014. Set out below are a reconciliation of the surplus for the year and the reserves from the amounts previously stated in the 2014 financial statements following the change in accounting policies.

Reconciliation of the net income for the financial year as previously stated to that restated	Unrestricted funds 2014 £000	Restricted funds 2014 £000	Endowment funds 2014 £000	Total 2014 £000
Surplus /(deficit) as previously reported (before investment gains)	300	(255)	-	45
Defined benefit pension scheme - clergy	-	364	-	364
Defined benefit pension scheme - churchworkers	148	-	-	148
Depreciation written back	45	933	-	978
Adjustment to property transfers	32	(131)	-	(99)
Adjustment to property sales	-	(551)	-	(551)
Total adjustment to net income	225	526	-	751
Net income for the year under FRS102 (before investment gains)	525	360	-	885

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Reserves reconciliation – 1 January 2014

	Unrestricted funds 2014 £000	Restricted funds 2014 £000	Endowment funds 2014 £000	Total 2014£000
As at 1 January 2014 – as previously reported	10,416	63,519	321	74,256
Defined benefit pension scheme - clergy	-	(9,475)	-	(9,475)
Depreciation Written Back	431	10,021	-	10,452
Revaluation of Property	1,679	35,398	-	37,077
Depreciation Written Back	-	-	-	-
As at 1 January 2014 – Restated	12,526	99,463	321	112,310

Reserves reconciliation – 31 December 2014

Surplus at 31 December 2014 – as previously reported	679	1,770	19	2,468
Defined benefit pension scheme - clergy	-	364	-	364
Defined benefit pension scheme - churchworker	148	-	-	148
Revaluation of Property	271	5,159	-	5,430
Depreciation Written Back	45	933	-	978
Adjustment to Property Transfers	32	(131)	-	(99)
Adjustment to Property Sales	-	(551)	-	(551)
Revised Surplus for the Year	1,175	7,544	19	8,738
Revised Reserve as at 31 December 2014	13,701	107,007	340	121,048