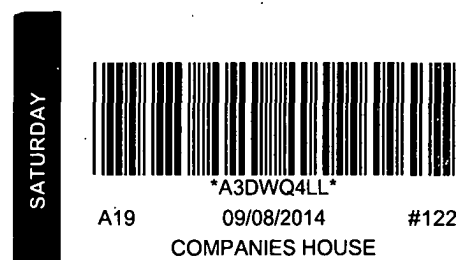


Lichfield Diocesan Board of Finance (Incorporated)

**Annual Report & Financial Statements
for the year ended
31 December 2013**



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Chairman's Report

It is good to report a sound financial performance within the Lichfield Diocese in 2013. Although the net movement in funds before revaluations amounted to a deficit of £0.103m (2012: £0.306m), the overall surplus for the Diocesan Board of Finance amounted to £3.430m (2012: £1.080m).

Despite continued uncertainty in the national economy, income rose to £17.988m in 2013 (2012: £17.040m), mainly as a result of increased realised gains on asset disposals. The generous giving by parishioners within the diocese in the form of Parish Share constitutes the principal source of our regular income. Most of this giving goes to fund the salaries, housing, pension and other costs of our clergy and by the end of the financial year a very encouraging 95.48% of the amounts requested had been paid, and 371 of our 448 parishes had paid their share in full.

However, the majority of the overall surplus arose from Property and Glebe revaluations (£1.348m) and General Stock Market investments which increased by £2.123m.

Underpinning the overall good result for the year was not only the strong Parish Share performance, but also useful increases in fee income which totalled £1.122m and gains on property disposals of £1.108m.

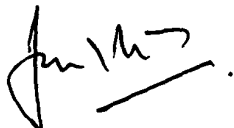
Expenditure in 2013 was £18.091m (2012: 17.346) and liquidity increased to £5.465m (2012: £3.236m)

Experience dictates that it is rare that all the components of the diocesan income stream are consistently positive, and in particular we must expect annual fluctuations in the values of long term stock market holdings. Our policy is to continue to provide a stable financial environment for the diocese by matching our core financial commitments to the income which we can reasonably expect over the medium to long term. Any shorter term funding which we are fortunate enough to receive will be used to support strategic initiatives with defined timescales.

I would like to express the Board's thanks to all who work so diligently on the financial affairs of the diocese and especially to those who serve on our sub-committees. Special thanks are due to our Officers and Staff who all contribute so much, often well beyond the normal calls of duty, to the work and faithful wellbeing of our diocese. Most of all, thanks are due to all those in our parishes who give so generously and work so hard to provide the financial foundation of our work and witness within the Diocese of Lichfield.

We all know that the maintenance of robust and stable finances in our parishes and within our diocese will always be challenging: however, this year's good result should be an encouragement to us all.

John T Naylor
Chairman



13 May 2014

Auditors' Report

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

We have audited the financial statements of Lichfield Diocesan Board of Finance (Incorporated) for the year ended 31 December 2013 which comprise the Statement of Financial Activities, the Balance Sheet, the Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

Respective responsibilities of Trustees and Auditor

As explained more fully in the Trustees' Responsibilities Statement set out on page 16, the Trustees (who are also the Directors of the charitable company for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

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

Scope of the Audit of the Financial Statements

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

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

Opinion on Financial Statements

In our opinion the financial statements:

- give a true and fair view of the state of the charitable company's affairs as at 31 December 2013, and of its incoming resources and application of resources, including its income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

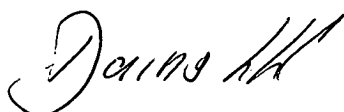
Opinion on other matter prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

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

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



Andrew Morris FCA (Senior Statutory Auditor)

For and on behalf of
Dains LLP
Statutory Auditor
Chartered Accountants
Birmingham

13 May 2014

Trustees' Annual Report including Strategic Report For the year ended 31 December 2013

The Trustees, who are also Directors for the purpose of company law, present their combined Trustees' report and Directors' report, together with the audited financial statements, for the year ended 31 December 2013.

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

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

1. Structure of the Church of England

Summary Information

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

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

Her Majesty the Queen, who is Supreme Governor of the Church of England, appoints Archbishops, Bishops and Deans of Cathedrals on the advice of the Prime Minister. The two Archbishops and 24 Senior Bishops sit in the House of Lords.

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

The Three National Church Institutions

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

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

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

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

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

The Cathedral

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

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

2. Structure, Governance and Management

The Diocese of Lichfield serves a population of approximately 2.00 million covering 1,744 square miles throughout Staffordshire, the northern half of Shropshire and much of the Black Country. The diocese has 274 benefices, 423 parishes and 578 churches.

The diocese is arranged as four Archdeaconries, in three Episcopal Areas, with a total 29 Deaneries.

Company Status

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

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

Principal Activities

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

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

Organisation

Diocesan Governance

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

Diocesan Synod

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

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

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

The membership of Diocesan Synod and therefore Bishop's Council is part ex-officio and part elected: elections are held every three years, the last occasion being in October 2012.

The current Synod will serve until 31 July 2015, when after the elections the newly elected Synod will serve from 1 August 2015 to 31 July 2018.

Membership of Diocesan Synod as at 31 December 2013

President	The Diocesan Bishop
Chairman of The Board	Mr J Naylor
Deputy Chairman of The Board	The Venerable C Sims
Chair of the House of Clergy	The Rev J Allan
Chair of the House of Laity	Mr J Wilson

Ex-Officio Members

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

General Synod Representatives

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

*Also ex-officio

** Also elected Deanery Representatives

House of Laity Ex-Officio

Diocesan Chancellor	Mr S Eyre
Chair of the Diocesan Board of Finance	Mr J Naylor
Chair of the Diocesan Advisory Committee	The Venerable J B Hall
Chair of the Diocesan Board of Education	Dr A Primrose

Elected Members

Each Deanery Synod elects 1 clergy and 1 lay member who are members of the Diocesan Synod. A varying number of additional clergy and additional lay members (who need not be members of the Deanery Synod) are elected from each of the 29 Deaneries, depending on the number of members on the electoral rolls

Lichfield Archdeaconry

Lichfield	The Revd J Allan RD*	Mr E Green
	The Revd D Bishop	Mrs P Leake
	The Revd D Leake	Mrs L Rawling
	The Revd L McKeon	Mr N Rutter
	The Revd J Waterfield	Mr J Wilson**
Penkridge	The Revd S Bowie	Mr M Cadwallader
	The Revd C Host	Dr I Host
	The Revd P Slusar	Mr J Jordan
	The Revd G Yerbury	Mrs E Wallin
Rugeley	The Revd S C Davis	Mrs C J Brown
	The Revd J Leonardi	Mrs J Francis
		Mr G Joynson MBE
Tamworth		Mrs G Joynson
	The Revd D Dyson	Mr D Faultless
	The Revd O Harrison	Mr D Litchfield
	The Revd K Lindsay- Smith	Mrs P West
	The Revd J Trood RD	Mr C Westbrook

Salop Archdeaconry

Edgmond/Shifnal	The Revd E Ward	Mr D Beddows
		Mr A Charles
		Mr R Kettlewell
Ellesmere	The Revd P Edge RD	Mrs D Lake
Hodnet	The Revd J Wilson	Mr G Chapman
		Mr R Revell
Oswestry	The Revd L Chapman	Mr M Brennan
		Mr M Davie
		Mrs B Harbron
		Mrs V Thompson

Shrewsbury	The Revd P Cansdale	Mrs R Friend
	The Revd P Firmin	Mr I Hall
	The Revd D O'Brien	Mr I Hacking
	The Revd M Salmon	
Telford	The Revd T Carter	Mr D Broome
	The Revd B Jameson	Mr R Page
	The Revd A Smith RD	
Wem & Whitchurch Wrockwardine	The Revd R Haarhoff	Mr C Corbet
	The Revd Canon W Price RD	Mr M Rigley
	The Revd D Chantry RD	Mrs M Candlin
	The Revd G Phillips	

Stoke Archdeaconry

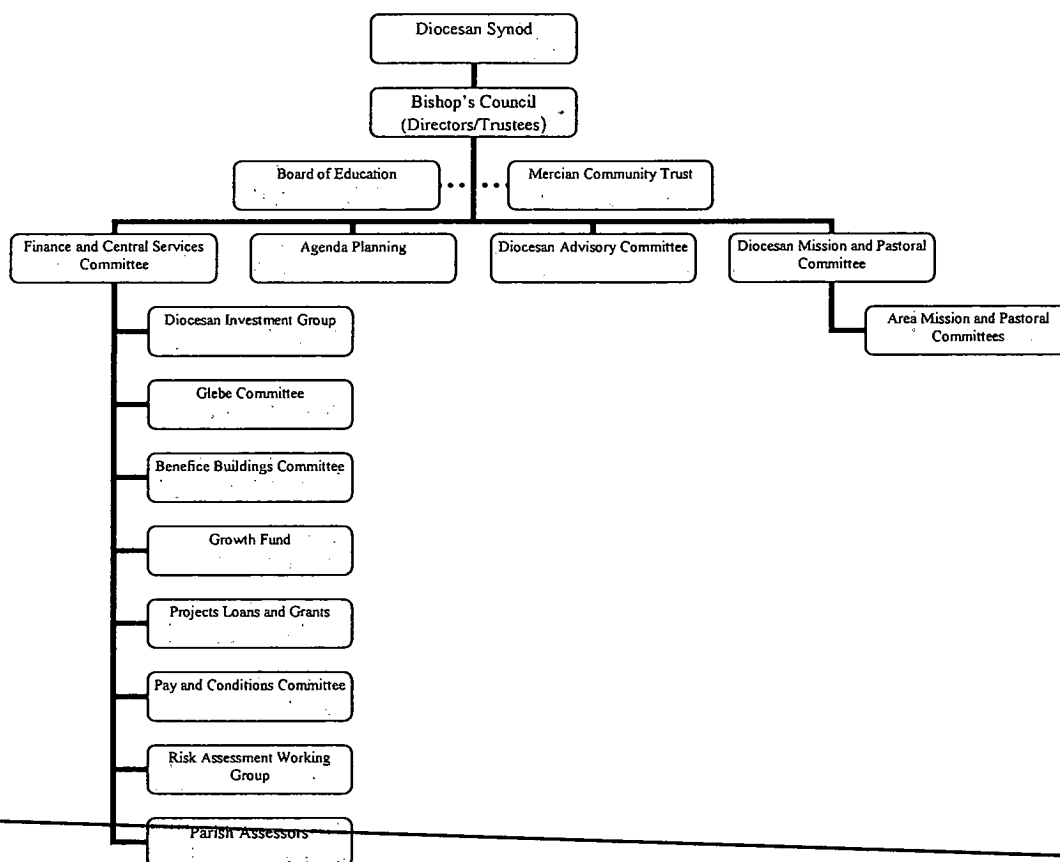
Alstonefield	The Revd A Ballard	Mrs P Gilman
	The Revd J Forrester RD	Mr R Morley
Cheadle	The Revd L Lucking	Mr P Bowran
	The Revd S Osbourne RD	Mrs M Lomax
		Mrs S Warren
Eccleshall	The Revd N Clemas RD	Mrs N Eyre-Walker
	The Revd A Hetherington	Mr C Jones
		Mr B Laver
Leek	The Revd R Woods	Mrs M Winfield
		Miss A Jervis
Newcastle	The Revd T Bloor RD The Revd Dr C Clapham The Revd N Edwards	Mr K Oliver
		Mrs J Pearson
		Mr D Wright
		Mr S Clifford
		Mr C Gill
		Mrs J Locke
		Mr J Maddison
		Mr D Morgan
		Mrs D Abram
		Mrs M Austen
Stafford	The Revd S Abram The Revd E Evans The Revd S Symons	Mrs B Metcalf
		Mr J Clark
		Mrs D Sterling
Stoke North	The Revd C Broad The Revd D McIndoe The Revd J Stather	Miss L Gater
		Miss A Phillips
		Mrs M Snape
Stoke	The Revd J Alessi The Revd N Evans The Revd G Eze The Revd Preb D Lingwood	Mr J Hill
		Mrs I Leese
		Mr M Whittaker
Stone	The Revd P Dakin RD The Revd P Kingman	Mr I Forster
		Dr P Graetz
Tutbury	The Revd M Freeman RD The Revd N Irons	Mrs M Fitchett
		Mr T Foster

Uttoxeter	The Revd A Ridley	Mrs Y Johnson
	The Rev L Rees	Mr J Wedd
	The Revd B Leathers RD	Mrs J Gent
	The Revd S Willetts	Miss B Stubbs
		Mrs J Ward
<u>Walsall Archdeaconry</u>		
Trysull	The Revd P Brown	Mrs V Bamber
	The Revd J Hartswell	Mrs B Edwards
	The Revd R Reeve	Mrs L Hingley
	The Revd Dr C Rudd	Mr C Randles
		Mr R Pithers
		Mr K Whitehouse
Walsall	The Revd N Carter	Nr N Beck
	The Revd M Kinder	Mrs D Carter
	The Revd A Morris	Mr G Eardley
	The Revd Preb C Ramsey	Mr P Ford
	The Revd M Rutter RD	Mr D Perkins
	The Revd I Templeton	
Wednesbury	The Revd M Ennis	Mrs A Dent
	The Revd D Marsh	Mr B Bent
	The Revd T Vasby - Burnie	
West Bromwich	The Revd R Farrell	Mrs L Kindsay
	The Revd P Daniel	Mrs C Pegler
	The Revd K Njenga	
	The Revd A Smith RD	
Wolverhampton	The Revd R Duckett	Mr J Challen
	The Revd B Mash	Mr N Clark
	The Revd S Schofield	Mrs M Nicholls
		Mr W Nicholls
Wulfrun	The Revd J Leach	
	The Revd S Leach	
	The Revd R Maxfield	
	The Revd R Merrick	

Nominated Members

Mrs E Binsley (Mothers Union)
The Revd G Fisher (Director of Parish Mission)
Mr J R L Hill (Director of Finance)
Dr A Primrose (Board of Education)
The Revd D Primrose (Director of Transforming Communities)

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.

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.

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

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.

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

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.

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 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*.

Trustees' Responsibilities Statement

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

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

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

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

Provision of Information to Auditors

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

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

Website

Further details on the Lichfield Diocesan Board of Finance and its programmes can be obtained from the website: www.lichfield.anglican.org. The Trustees are responsible for the maintenance and integrity of the corporate and financial information included on the charitable company's website. Legislation in the United Kingdom governing

preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Custodian Trustees

The diocese is fortunate to have a separate legal entity in the Lichfield Diocesan Trust (see Connected Charities) to act as custodian to parish funds. There 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 2013 was £295,051 (2012: £264,736) see page 49.

Related Parties

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

Parochial Church Councils (PCCs)

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

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

Subsidiary Undertakings

The Board has no trading or other charitable subsidiary companies as at the year-end.

Connected Charities

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

Lichfield Diocesan Board of Education, a registered charitable company, which has responsibility for 205 church schools across the diocese, provides pastoral and professional support to all its schools and has a particular commitment to enhancing the quality of provision for religious education, collective worship and spiritual, moral, social and cultural development of all pupils. The Board of Education also helps to promote this work through a trading subsidiary that operates a Service Level Agreement. Only the grant paid to the Board of Education is enclosed within these financial statements.

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

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

Mercian 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.

Pension Scheme

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

Church of England Funded Pensions Scheme

The Lichfield Diocesan Board of Finance participates in this scheme, available for clergy and licensed lay workers. Currently the diocese has 301 members in the scheme out of a total membership of approximately 8,500 active members.

The Church of England Funded Pensions Scheme is a defined scheme but the Lichfield Diocesan Board of Finance is unable to identify its share of the underlying assets and liabilities – each diocese/employer in the scheme pays a common contribution rate. A valuation of the Scheme was carried out as at 31 December 2012. This revealed a shortfall of £293m, with assets of £896m and a funding target of £1,189m, assessed using the following assumptions:

- 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 2/3 by 31 December 2029, with the balance in return-seeking assets; and
 - for investments backing liabilities prior to retirement, a 100% allocation to return-seeking assets.
- Investment returns of 3.2% pa on gilts and 5.2% pa on equities;
- RPI inflation of 3.2% pa (and pension increases consistent with this);
- Increase in pensionable stipends of 3.2% pa; and
- Post-retirement mortality in accordance with 80% of the S1NMA and S1NFA tables, with allowance made for 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 males and females.

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

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

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

Church of England Defined Benefits Scheme (DBS)

The Board participated in the DBS, part of the Church Workers Pension Fund until 30 September 2012 when the Board ceased to use the Scheme and transferred to the Pension Builder Scheme below.

Due to the transfer closure of using this Fund the liability of the shortfall in the Employer sub pool has reduced to £98,607 pa payable from 01 October 2012 until 01 February 2015.

Church of England Pension Builder Scheme (PBS).

For eligible salaried employees from 01 October 2012, the Board participates in the PBS, within the Church Workers Pension Fund.

The PBS is a defined benefit scheme, which is administered by the Church of England Pensions Board and provides benefits at retirement based on contributions made to the PBS prior to the date of retirement.

The assets of the PBS are held separately from those of the employer. As at the formal valuation at December 2010, the PBS was in surplus on an ongoing funding basis. The next formal valuation of the PBS is due as at December 2013 and the work will be performed over 2014.

The Board 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 PBS. For schemes like this, paragraph 9(b) of financial Reporting Standard 17 (FRS17) required the Board to account for pension costs on the basis of contributions actually payable to the Scheme in the year.

The Board contributes 12% of basic salary and the employees are given the option to make an additional contribution if they so wish. Any additional contribution up to 3% will be matched by the Board on a 1:1 basis. The contributions for the year totalled £160,398 (2012: £38,325).

The Board had 46 active members and 9 deferred member in the DCS as at 31 December 2013.

Risk Management

In order to identify the major risks to which the Board is exposed a full risk assessment review has been carried out under the headings of Governance and Management, Operations, Financial, Environmental/External Factors and Compliance with Law and Regulation. A detailed risk register has been compiled a consolidated list and a total of 77 (2012:81) potential risks have been identified and assessed as to the likelihood of their happening and the potential impacts on the Board were they to occur. A new scoring system has been introduced in accordance with the guidelines issued by the Charity Commission. A low risk item scores 1 and a high risk item 5 and is monitored based on Impact and Likelihood. The two scores are then multiplied together to give an overall Risk Score. Any risk with a score in excess of 15 is considered a high risk area.

Only five of these identified risks (2012: 5) are deemed to be high risk. Existing and new control systems have been identified to limit these risks and these have been documented in the risk register. The Directors have approved this document and are able to confirm that they are satisfied that adequate control actions and monitoring processes are in place to mitigate the charity's exposure to major risks.

The Risk Management Committee review the risk register annually and report to the Directors and Trustees for approval.

Category of Risk	No of Risks Identified	No. Deemed High in Likelihood and Impact
Governance and Management	12	-
Operational	31	1
Financial	22	3
Environmental and External	9	1
Compliance	3	-

High Risk Areas are:-

Risk	Steps to Mitigate
Operational	
Safeguarding Issues	Quarterly meeting of Safeguarding Group Raise awareness of issues and ensure good communications of appropriate mechanisms for operation
Finance	
Poor Cash flow	Regular monitoring of diocesan cash flow by the Finance Committee
Inability to meet commitments	Identification of major sensitivities and develop more adequate information flow between operational managers.
Dependency on Parish Share	Ensure good reserve policy and communications about the importance of regular share payments to parishes
Environmental & External Factors	
Shortage or Ordained Clergy	Draw up a contingency plan to be communicated to deaneries Minister for Lay Development for future staffing. New approach to deployment

3. Reference and Administrative Details of the Board

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

President	The Bishop of Lichfield
Chair	Mr J T Naylor
Vice Chair	The Archdeacon of Walsall
Ex-Officio	The Bishop of Shrewsbury The Bishop of Stafford The Bishop of Wolverhampton The Dean of Lichfield The Archdeacon of Lichfield The Archdeacon of Salop The Archdeacon of Stoke-upon-Trent The Revd J Allan RD Mr J Wilson Mrs E Townsend (to 27 Feb 2013) Dr A Primrose (from 27 Feb 2013)
Elected	The Revd P Cansdale The Revd Preb P Daniel The Revd M Kinder The Revd D Leake The Revd B Leathers Mrs P Allen Mr D Beswick Mrs D Carter (to 12 September 2013) Mr A Charles Mr J Clark Mr R Currell (to 19 March 2013) Mr C Gill Mr D C Jones (from 27 November 2013) Mr G Joynson MBE Mrs J Locke (from 26 June 2013) Mr W Nicholls MBE Mr C Randles Mrs L Rawling Mr M Revell

Nominated by the Bishop The Revd R Grigson
Mrs J Price (to 19 Oct 2012/from 12 Feb 2013)
The Revd J Coyne (from 23 May 2013)

Co-Opted Member None

Principal Officers and Advisers

**Chief Executive Officer &
Company Secretary** Mrs J Jones BSc FCIPD

Director of Finance Mr J R L Hill FCMA CGMA

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

Auditors: Dains LLP, 15 Colmore Row, Birmingham B3 2BH

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

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

Investment Advisers: CCLA Investment Management Ltd, Senator House
85 Queen Victoria Street London EC4V 4ET
EFG Harris Allday, 33 Great Charles Street, Birmingham.
Ecclesiastical Investment Management Ltd, 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

4. Objectives and Activities

Public Benefit

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

The Board believes that, by promoting the work of the Church of England in the diocese of Lichfield, it helps to promote the whole mission of the Church (pastoral, evangelistic, social and ecumenical) more effectively, both in the diocese as a whole and in its individual parishes, and that in doing so it provides a benefit to the public by:

- Providing facilities for public worship, pastoral care and spiritual, moral and intellectual development, both for its members and for anyone who wishes to benefit from what the Church offers; and
- Promoting Christian values, and service by members of the Church in and to their communities, to the benefit of individuals and society as a whole.

Aims

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

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

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

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

Statutory Functions

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

Strategic Report

5. Achievements and Performance

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

Operational Performance

In addition in January 2011 Plain Speaking/Deployment was launched to look at the diocese and compare sustainability in Mission and Resources. As this is an ongoing exercise and the results will structure the future diocesan policies over the coming years. This will include changes in patterns of deployment and reimagining ministry and is included under Plans for the Future on page 46.

Parish Share

By the end of January 2014 the diocese had received 93.80% (91.51% in 2012) of the requested Parish Share in the year and has met all of its financial obligations to continue resourcing diocesan needs as these arise, including the support of the Ministry, provision of well-maintained houses for clergy, meeting National Church responsibilities, and enriching and facilitating many other aspects of church life throughout the diocese of Lichfield, such as retreats and cultural and spiritual gatherings.

Achievements and Challenges

The Diocesan Annual Report is available at www.lichfield.anglican.org. This report highlights all the Objectives, Achievements and Challenges the diocese faces, in particular covering the work of Local and World Mission, Ministry (Lay and Local development as well as Stipendiary), Education, Transforming Communities as well as Administration, including Statutory and Legal obligations. An executive summary of the report is as follows:-

Administration

Administration is wholeheartedly focused on mission and ministry across our Diocese, and supporting the wider work of the Church of England. Mindful of the quinquennial goals, it is driven by our five themes of growth: discovering the heart of God, growing disciples, reaching new generations, transforming communities and practising generosity.

Administration spans Finance, Communications, Governance, HR, Safeguarding, the DAC, and Property & Glebe. It provides a framework to enable and equip parish churches, schools, chaplaincies and the cathedral in their mission and ministry. 2013 saw progress across the board, meeting and exceeding the objectives set for the year.

In 2013 the Board met all its legal obligations, introduced radical changes to make the Diocesan Budget more mission-oriented, and introduced the new Share apportionment system which allows parishes to prepare medium-term budgets.

Communications had Spotlight revamped, the Bulletin reinvigorated, the website relaunched, social media, video and audio content stepped up, and greater media coverage of church life than before.

Governance undertook a comprehensive review of our committee structure, reviewed the DMPC, and improved the new database which enhanced parishes' ability to input data.

Human Resources continued to advise parishes that employ staff, updated the Diocesan website with relevant information, wrote an Employee Handbook specifically for parishes that they can adapt for their own needs.

Safeguarding continued to advise the Bishops and parishes on a variety of issues, dealing skilfully with individuals who needed personal help and advice.

Diocesan Advisory Committee carried out over 60 site inspections, giving advice to parishes and handling over 2000 enquiries, as well as offering training courses and guidance notes on practical topics.

~~**Property & Glebe** saw further improvements in Housing Management, with more planned maintenance, and improved safety. A new BBC Chair was appointed, and the Property Management database improved to inform planned maintenance decisions. Agricultural Land Management and Cathedral and Close Management also saw strong performance.~~

Local and World Mission

The local mission department exists to encourage evangelism, mission and growth in the churches of Lichfield Diocese. Reporting to Bishop Mark (Shrewsbury), it includes Spirituality, Parish Development Advisers, Youth & Children, and Fresh Expressions. Reaching New Generations, both for 0-18 and 19-35, were a big focus of the work in 2013.

World mission acts so "we never forget that we are part of not just the wider Church of England and Anglican Communion, but the worldwide church of God" (Bishop Jonathan). In 2013, its partnerships and exchanges with Companion Dioceses in Qu'Appelle, Matlosane, West Malaysia, and the development of the Community of St Chad all continued to create deeper and meaningful links.

Ministry

God calls all to ministry in the service of the Kingdom. The Ministry department exists to facilitate God-given vocations to accredited and ordained ministry. Lay Development, Ordinands, Self Supporting Ministry, Reader Training, Deaf Chaplaincy, all sit under Ministry. In 2013, Ministry raised the profile of vocations, and developed new training and resources.

Transforming Communities

The Transforming Communities department supports churches as they engage in their local communities, so that, in obedience to God, they might discern the movement of His Spirit in the world and express the love of Christ.

In 2013, the department made progress on three big themes: care for the environment, sharing in ministry with older people, and tackling poverty & its causes.

Education

The Board of Education is a statutory body with responsibilities in relation to 204 Church of England schools within the Diocese, attended by 44,000 children, working with seven Local Authorities.

In 2013, the Board established St Chad's Academies Trust and laid the groundwork for the Church of England Central Education Trust – a significant strategic development. It established a new Schools Standards & Effectiveness Committee, and RAG rated all 204 schools.

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. 60 full or part time staff.

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

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

Free (Unrestricted) Reserves – Liquidity

In the early months of recent years, the receipt of Parish Share has fallen up to two months in arrears. In the last 12 months, the Board witnessed arrears exceeding £2m

for ten of the 12 months (the same as in 2012), peaking at £2.415m. As the Board is not an organisation that can raise additional funds at short notice, it should retain a **minimum** Free Reserve equivalent to two months Parish Share (i.e. 2013: £1.934m), (2012: £1.983m).

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

The Parish Share increases reduced in each of the years 2008 to 2011 from 4% down to 1.5%, and sustained at 1.5% for 2012 to 2014. These reduced and then sustained levels of Parish Share increases have been despite the significant increases in Clergy Pension contributions.

In light of the economic climate and following discussions with various parishes and Deaneries it is felt prudent to strengthen the Free Reserves as the opportunity to do so has arisen. Due to the decline in the interest rates available and a volatile Global Economic Market, resulting in greater yields the Board has reduced the level of cash (liquidity) to maintain, and then increase the required level of Investment Income, in order to reduce the burden on parishes in accordance with the financial strategies.

In light of the out turn, Investment performance and change in Share Allocation the Free Reserve Situation as at the end of 2013 was £2.792m (2.89 months), marginally less than in 2012 where the comparative figures were £2.878m (2.97 months). This is felt to be suitable at the present time.

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

	£m
Investments	1.914
Current Assets	5.596
Liabilities	(4.718)
Total Free Reserve	<u>2.792</u>

This level of Free Reserves gives the Board some flexibility in future years against potential increases in expenditure or a fall in income. A strong reserves base allows the diocese more flexibility in dealing with such issues, for example it can allow a phased introduction of any such change in circumstance in future years. In the meantime additional income generated by the Free Reserves will allow additional

funds to be made available within the Budget each year, thus reducing the burden on parish income further.

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

For many years the Board has operated well below this level of reserve.

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

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

Pastoral Fund (Restricted)

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

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

Diocesan Stipends Fund (Restricted)

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

This fund is also used for purchasing curates houses and team vicarages, and it receives the proceeds of sales of any Glebe Land.

Stipend Trust Reserve

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

In order to increase the income available to the Board and meet the increasing financial liability the Board is facing through continual triennial pension increases, it had been agreed that an additional £5m would be raised by 2007 through the sale of excess housing stock. This target was reached at the end of 2008. How future Pension Costs are to be met is currently being reviewed by the Investment and Finance Groups, in conjunction with Staffing Projections and Housing Stock Requirements. In order to help reduce the burden on parishes and to strengthen the overall reserves and Investment Income position it has been agreed to try and raise a further £3m from surplus house sales under a policy to "Maximise DBF Assets". It is hoped that this will be achieved by 2015 to ensure sufficient income can be raised internally to ensure that the current Parish Share levels can be retained and managed expenditure levels sustained.

Designated Funds

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

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

Stipend Reserve

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

Policy

With the creation of the Free Reserve and the relevant limits, it was agreed that the Stipend reserve be reset at a minimum of 4.7 months of the Stipend, NI and Pension Costs (£4.82m), (2012: £4.72m). It is also believed to be an appropriate level of investment to generate a required amount of income to assist with the Diocesan Budget income.

Year End Position

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

Naturally, due to the global economic problems, the reserve had been significantly devalued, and in 2009 it was agreed to add the Restricted Stipend Trust Reserve to this particular reserve as well as creating a Stipend Reserve Designated Account. The reason for the creation of the additional designated funds is to give the Board added flexibility. Any excess reserve in later years as a result of capital growth or following amendments to the Reserve Policy may be transferred, either to Unrestricted Funds or to the Designated Fund for future allocation by the Trustees.

With the recovery in the equity markets witnessed last year the Stipend Reserve as at 31 December 2013 was valued as follows:

Ashworth/Lowe (Designated)	£3.547m
Fothergill and other Legacies (Designated)	£0.243m
Stipend Reserve (Designated)	£0.485m
Stipend Trust Reserve (Restricted)	£1.395m
 Total Stipend Reserve	 <u>£5.670m</u>

This gives a Stipend Reserve of 5.53 months (2012: 4.85 months) Whilst this is above the recommended minimum level of reserve, in the current climate it is felt adequate and offers some form of flexibility to support free reserves should the occasion arise during 2014.

In accordance with the Accounting Regulations, the Board is required to express the purposes of each of the Designated and Restricted funds and these are given on page 74.

Other Designated Reserves

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

- *Ashworth/Lowe* – see *Stipend Reserve* above
- *Chairman's Fund* - a small fund used to receive the Queen Victoria Clergy Fund to help clergy with holiday expenses
- *Pension Fund 1994* - the income is used to support the Diocesan Growth Fund. It is possible the capital may be required in future to support future increases in clergy pension costs
- *DBF Designated Funds* – a small fund used to assist in the purchase of Board houses as opposed to Glebe or Benefice property

- *Swanwick Conference* – bi-annual event. Designated funds to raise income to finance the Conference. The next Conference is in 2014.
- *Diocesan Growth Fund (Designated)* - Unrestricted funds that are set aside to generate income to help finance projects from the Growth Fund. If the Growth Fund ceases to exist, then the capital may either be added to the Diocesan Surplus Fund or Unrestricted Funds.
- *Vacancy in See* – this reserve is used when the Diocesan Bishop's post is vacant.
- *Lambeth Conference* – to help finance the next conference in 2018.
- *Fothergill and other legacies* – see Stipend Reserve.
- *DBS Pension Provision* – Pension deficit to be financed to 2015.
- *Stipend Reserve Designated* – see Stipend Reserve.
- *Future Liabilities Provision* – to be used to smooth any increase in clergy pension and any other increase in liabilities.
- *Designated General Funds* - After the General Reserves policies have been secured, excess funds have been transferred into this Designated Fund, and the Trustees have considered applications and allocated funds according to specific areas of work. These areas of work remain outside the overall Diocesan Budget and are therefore time limited. Once the funds are exhausted for a specific area of work then the respective work ceases or it must be incorporated into the Diocesan Budget.

Investment Powers

The Board is granted power to invest in suitable investments under its Memorandum and Articles of Association. As a charity, the Trustees have a duty of care to take such advice as is appropriate before investments are undertaken. This advice is sought from the Central Board of Finance (CCLA) in London, 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.

Investment Policy

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

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

Investment policy for long-term funds is aimed primarily at generating a sustainable income, with due regard to the need for the preservation of capital value, and the possible need to realise investments to meet operational needs. The Board does not

have a policy of generating income at excessive or high risk – known as “purchasing income”, where high returns are guaranteed at the expense of capital.

The Glebe Land Investments are held for the purpose of raising income to achieve the maximum contribution possible to clergy stipends on an ongoing basis. The Glebe Land is 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 the last twelve months the Diocesan Investment Group has continued to broaden the Investment portfolio to take into consideration, infra-structure, index linked stocks and also Auto Call accounts that offer more diversity and greater returns, and are tracked to reflect the economic climate. There is naturally a slightly greater risk but this is reflected in the greater returns on offer.

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

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

It was agreed that annual meetings with the CCLA, Ecclesiastical and EFG would be arranged and the portfolio split be reconsidered periodically to ensure that the Board's investment policy reflected the changing economic climate and global markets. This has been ratified by the Board of Directors.

Within the guidelines a policy on Investment diversification was agreed as follows:-

Policy

The Board remain reliant on Common Investment funds for the bulk of their investments to avoid unnecessary costs and resources managing a larger portfolio. However which fund user and the percentage of investments in which category is an area for the Investment Group to decide and monitor on a regular basis.

1. Between 75% and 85% of the Investment Portfolio to be invested in common Investment Funds (currently 81%). Of this sum
 - a. Between 50% and 70% to be invested in General Investment Funds (currently 64%)
 - b. Between 15% and 25% in Property Funds (20%)
 - c. Between 15% and 25% in Global, higher earning accounts (16%)
2. The remaining 15% to 25% to be invested in Nominees or Corporate deposits. Of this sum
 - a. Between 12.5% and 17.5% in Higher yielding Auto Call or Fixed rate Bonds
 - b. Between 12.5% and 17.5% in medium to higher risk category investments based on potential rapid capital growth or high yielding stocks

It was agreed that no more than £2m is held in any one bank in respect of Corporate Deposits and on the nominee accounts no more than 5% of the portfolio be held in any one specific holding

It should be noted that this is a short to medium term aim – and changes in current percentages across the different funds will in all probability be carried out as and when new funds become available for investment. Whilst concerns remain over the Property Funds, there is the issue of income to consider as well as protection of capital funds. The CCLA Property Fund that has merged their two holdings – COIF and CBF – is currently under constant review and high on the priorities of the Investment Group.

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

Proportion of investments at 31 December was as follows: -

	CBF Inv Fund	Property Fund	FISF	Equities	Property
2013	48.53%	12.92%	-	33.94%	4.61%
2012	51.22%	14.82%	-	31.03%	2.93%
2011	48.16%	16.79%	-	31.59%	3.46%
2010	59.71%	16.84%	-	23.45%	-
2009	58.47%	18.64%	6.25%	16.64%	-
2008	61.92%	22.88%	-	15.20%	-
2007	60.12%	24.38%	-	15.50%	-
2006	62.59%	24.97%	-	12.44%	-

Included in the equities was a deliberate investment policy to invest up to £500,000 in auto call investments and bonds and a further £500,000 in medium risk investments. These higher risk investments varied between low income investments with large capital potential and also higher earning stocks where the capital would offer small capital growth.

Compared to policy:-

Fund	Target	As at 31 December	Note
Common Investment Funds	75% - 85%	83.26 (87.19%: 2012)	Of this holding, 88.00% is held with the CCLA and 12.00% held with Ecclesiastical (as in 2012)
Investment Fund	50% - 70%	69.37% (67.01%: 2012)	
Property	15% - 25%	18.47% (17.51%:2012)	
Global	15% - 25%	12.51% (15.48%: 2012)	

Nominees	15%- 25%	16.74%	
Percentage within the holding			
Auto Call/Bonds	12.5% - 17.5%	15.60% (15.30%)	
High	12.5% -17.5%	17.20% (15.30%)	Increased due to growth

Investment Performance

Overall Performance

Investments are held in both Glebe Land and through investments on the Stock Market. The total value of investments (excluding short term cash deposits and Money Markets) was £22.501m (£20.130m in 2012). The total income return for the year was 4.91% (2012: 4.93%), and the total return on investments for the year was +16.28% (2012: +11.50%). This represents an increase in net capital value of 11.37% in the year.

These figures exclude the revaluation of the Glebe Land. This is compared to the FTSE 100, which over the same period saw a Total Rate of Return of around 10.26%; however a better indicator would be against the WM Co Charity Fund index (CFS) Total Return of 16.90% in the same period.

Performance Averages

~~Taking the above information into consideration, over the last three years, the average income return by the Board is measured at 4.87%; over the last five years at 4.84% and over 7 years with an average of 4.51%. This is set against a benchmark of 4.0%~~

The total return on investment securities for over the last three years shows an average return of 8.96%, over five years 10.05% and seven years 4.55%. This is set against a desired benchmark of an 8% average over a sustained period of time – a minimum of 5 years. It must be taken into consideration in 2008 the Total Return showed -20.65% due to the rapid decline in share values and 2011 showed a Total Return of -0.90%.

Glebe Land

Included in the Board's investments are £10.402m (£9.415m in 2012) of Glebe Land, which is represented by a mixture of predominantly agricultural, some farm holdings and some small pieces held under grazing licences.

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

In 2007 significant work had been carried out to identify the category which each parcel of land owned by the Board in order to carry out a revaluation exercise. This

represented the first revaluation of these particular assets since their introduction into the annual accounts in 1998. This allowed a register of assets to be drawn enabling an annual revaluation.

As at the 31 December 2013 the Glebe Land Investments had risen to £10.402m – representing an increase of £0.992m in capital revaluation. The income generated in the year from Glebe Land was £0.184m. This gave an annual income return of 1.90% (2012: 2.22%) - it is accepted that Glebe Land income returns are far lower than equities and bonds and therefore income is monitored against a benchmark of around 2.50%.

The Overall Annual Rate of Return on Glebe Land was 12.40% (2011: 4.21%).

Future Investment Review

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

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

This does leave the Investment Group with the challenge of raising additional income in the present economic climate, whilst protecting the longer term capital value of the assets. With demands on low to medium liquidity and continued concerns over the timing of share collection, this has led to some difficult decision making being required to meet the short-term income targets set within the Financial Plan. It has been identified to meet all the aims and objectives, the key is to ensure the Asset Allocation is well balanced to meet the increasing demands in different sectors (capital and income) and constantly monitor and review.

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

6. Financial Review

Overall Financial Position

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

Income before revaluation adjustments totalled £17.988m (2012: £17.040m) and expenditure amounted to £18.091m (2012: £17.346m).

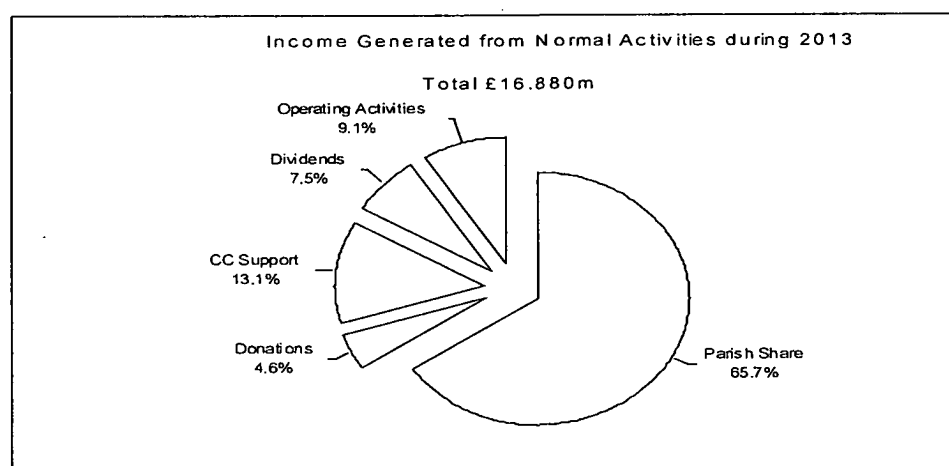
The Statement of Financial Activities (SOFA) for the year shows net outgoing resources of £0.103m (2012: outgoing £0.306m), before revaluations. These figures include the surplus on sale of property in the year of £1.108m (2012: £0.346m).

After the revaluation adjustment, the net movement in funds amounted to a surplus of £3.430m (2012: £1.080m). During the year the total fund balances increased from £70.826m to £74.256m.

There was a net overall cash inflow of £2.229m (2012: cash outflow £2.187m), mainly due to an increase in house sales.

	£'000
Net resources expended on normal operations	(103)
Gain on revaluation of investments	3,471
Gain on sale of investments	62
Net movement in funds	3,430

Income (See Accounting Policies Note 1(c) on page 56)



NB: The above chart excludes the profit on sale of property and funds introduced.

Voluntary Income

1. Parish Share

The Parish Share represents the principal source of income for the diocese. In 2013, a total of £11.609m was requested from the parishes in comparison to £11.898m in 2012. By 31 December 2013, a total of £10.591m (2012: £10.645m) had been received, providing a collection rate of 91.23%. This compares to 89.48% collection in 2012.

By 31 January 2014 the collection rate was 95.48%, compared with 95.12% last year, based on final shares requested after Special Assessments and Adjustments.

The Diocese also records overall receipts, in a 12 month period irrespective of year of allocation. The budget each year includes a target. In 2013 a total of 95.46% was received against a target of 95% compared to 2012 where 94.63% was achieved compared to a similar target of 95%.

2. Income from the Archbishops' Council

Support from the National Church still forms a significant part of the Board's income at 13.12% (2012: 12.65%). Lichfield is one of only a few dioceses, which receive support exceeding £1m and only one of eight that receive in excess of £1.5m, and the sixth highest receiver. The Board is aware that fifteen dioceses do not receive any support at all and is most grateful therefore for the help it receives.

	£'000
Selective Allocations	1,948
Parish Mission Funding	264
Total Received from National Church in Support	<hr/> 2,212

3. Other Voluntary Income

This category includes donations and legacies from both internal funds and third parties. In the year income amounted to £0.488m (2012: £0.548m). The main purposes for this area of income are as follows:

	£'000
Stipends	366
Mission, Ministry and Transforming Communities	12
Double Glazing	14
Church Building Supports Officers	37
Bishop's Lent Appeal (for local and international projects)	40
Bishop's Ordination Fund (help for ordinands in training)	19
	<hr/> 488

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

	£'000
Walter Stanley Trust (towards clergy costs in West Bromwich)	116
Ecclesiastical Insurance Group (EIG)	212
English Heritage	37

In addition, the Board is extremely grateful to Messrs Robbins and Fletcher, Revd L Wheeler, The Bishop of Stafford and the Diocesan Bishop who have supported the work of the diocese with regular donations throughout the course of the year.

4. Income from Activities for Generating Funds

This section includes income generated from ordinary activities operated by the Board. It includes rent received from vacant parsonages and glebe (curates houses and team vicarages), plus commission received from operating a central Gift Aid Scheme.

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

The Diocesan Gift Aid Scheme enables parishes to reclaim tax efficient giving via the diocese, as opposed to dealing with the HM Revenue and Customs direct. The Scheme charged a 4% commission on tax reclaimed to assist on covering the costs of running the scheme. However from 01 November 2013 the Commission rate has been dropped for parishes in respect of all tax reclaimed for the tax year 2013/14. In addition in January 2013 the diocese launched Giving Direct to parishes, again free of charge, inviting parishes to encourage donors to give by Direct Debit, with an inflationary increase option. In the last 12 months a total of £1.020m (excluding interest) has been reclaimed and distributed back to parishes compared to £0.95m in the previous year. The latest estimates show that tax-efficient giving across the diocese is approximately 55% although on planned giving the figure is closer to 70%.

During the year a total of £0.294m was generated in the year, compared with £0.332m in 2012. Details are shown in Note 5 to the financial statements.

5. Investment Income

Over the last year, the diocese generated £1.267m through dividends, interest received and Glebe Land rents. This represents an increase on 2012 when £1.221m was generated. With interest rates remaining at a low rate, the Diocesan Investment Group has been pro-active in managing investments and at the same time getting the liquidity balance right. The aim is to ensure that more income is generated than expected in the current climate. This has included the introduction of structured products, ensuring that the Board protected the long term capital, whilst interest rates are low and inflation at a higher rate than predicted. The higher inflation erodes the capital value in real terms if funds are left in cash or on deposit – however this has to be balanced against the required liquidity required by the Board.

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

This change is reflected with interest earned falling further by £0.07m from £0.039m to £0.032m.

The rents received from Glebe Land decreased slightly to £0.184m from £0.204m in 2012. Investment Property rent received in the year increased to £0.028m from £0.011m in 2012.

Full detail is provided in note 6 to the financial statements.

6. Incoming Resources from Charitable Activities

This section includes the income generated through Statutory Fees and other income that is received from activities undertaken by the Board over the last 12 months.

During this period the total income generated increased significantly to £1.531m from the figure of £1.268m in 2012.

In addition to the Parish Share, the parishes also contributed a further £1.122m in statutory fees, due to services undertaken by the parish clergy within the diocese, a significant rise from £0.894m in the previous twelve months. Part of this is due to the rise in fees charged in 2013 under the new legislation and partly due to more regular returns being undertaken by parishes.

Chaplaincy Income fell marginally whilst income from the Church Commissioners through Guaranteed Annuities and other Allowances fell as expected due to the change in legislation and systems utilised centrally by the National Church.

In respect of the income from the Church Commissioners, in the early part of the year there was a change in the way the payroll was operated in accordance with the HMRC changes. This meant that apart from the Guaranteed Annuities, all other allowances were recorded centrally in a different way – thus reducing the liability on the Board through stipend costs but equally reducing the amount of allowances received by the diocese. A nil net difference it simply reflects in a fall in stipend costs and an equal reduction in income.

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

This policy also meant that all new appointments from July 2005 did not receive any Guaranteed Annuities. The receipt by the diocese represents certain clergy who retained their Annuity towards their stipend plus other contributions from pension

funds and historical funds towards certain appointments. It is envisaged this amount will fall gradually over the forthcoming years as the annuities decline.

Miscellaneous income under this section is represented by sales and other income generated by various activities, such as conferences and courses. Over the last 12 months this increased from £0.138m in 2012 to £0.156m in 2013. The rise or fall in income is due to the timing of courses, conferences and training events being run to help clergy and laity across the diocese.

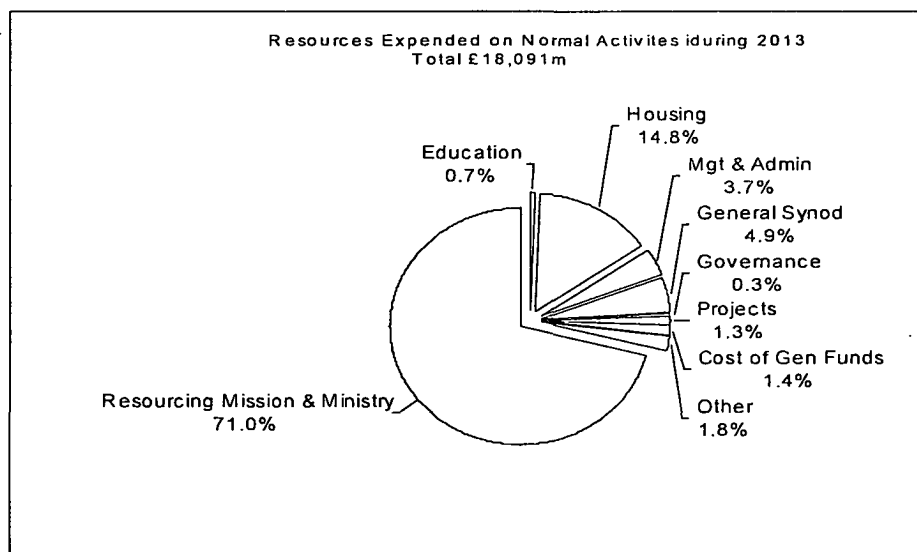
7. Other Incoming Resources

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

In the year nine properties were sold, realising a surplus on sale of £1.108m, compared to five properties being sold in 2012 with a surplus in that year of £0.346m.

Expenditure (See Accounting Policy Note 1 (d) on Page 56)

Total resources expended in the year were £18.091m (2012: £17.346m)



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

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

Cost of Generating Funds

Unlike many organisations in the charity sector, the Board spends only a nominal amount in this area (1.4%). In 2013 the Board restructured the work of the Christian Giving Unit, and amalgamated it with other areas of work to create a new streamlined Parish Resources team. This exercise actually reduces the overall costs in the year by around £0.038m. The new Team that also works closely with the Mission and Transforming Communities Department, as well as the Parish Assessors, involves enabling parishes to become financially viable by establishing good practice in stewardship, budgeting, and carrying out financial reviews as well as identifying sources of funding for parish capital projects. In addition they assist with the encouragement of tax efficient giving and to encourage increased giving.

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

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

~~However, Agents' Commission and associated costs in renting or leasing out vacant houses and Glebe Land are included. In the year the diocese incurred expenditure of £73,752 (2012: £58,569).~~

Charitable Activities

1. Contributions to Archbishops' Council

In the year the diocese made a contribution of £880,845 (2012: £815,733) towards the Budget of General Synod. This cost includes a contribution of £385,270 (2012: £379,435) towards training future clergy and £316,629 (2012: £311,185) towards National Church responsibilities.

2. Expenditure on resourcing Ministry and Mission

The majority of the Board's expenditure is in this particular area. In total £16.193m was expended in 2013 compared with £15.742m in 2012.

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

Details are given under Note 12 to the financial statements. Other expenses under Parish Ministry £456,780 (2012: £389,532) include the following:

	2013	2012
	£'000	£'000
Extra Parishes Expenses	52	43
Sequestration Costs	94	35
Training Ordinands	187	188
Stipend Grants towards Projects or Contribution to Shared Posts	105	105
Rural Dean/Team Rector Expenses	13	13
Criminal Records Bureau	5	5
	<hr/> 456	<hr/> 389

Expenditure on Diocesan Projects

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

During 2013, £201,989 (2012: £206,753) was awarded in grants from the Diocesan Growth Fund. This Fund was set up in October 2004, partly funded by interest from the Designated Fund and a grant from the Archbishops' Council for Mission Initiative Projects. The combination of the designated funds, and the funds from the Archbishops' Council, plus continuation-funding being supported from General Designated Funds, means that in total £2.382m has been awarded from the Growth Fund. At the end of the year, £0.424m represented funds to be paid out in future years and is, therefore, included in deferred creditors. Grants are accounted for in the year they are awarded in accordance with the required accounting regulations.

The Diocesan Bishop's Lent Appeal awarded grants of £40,000 in 2013 compared with £46,000 in 2012. The grants awarded in 2013, were towards the excellent Participatory Budgeting exercise in the summer of 2013 and a grant towards Link4Life. The Link4Life project is partnering with Hands@work in Africa where the project takes members of local schools and communities from Staffordshire to projects amongst the poorest areas of Africa.

Participatory Budgeting invited those communities within the diocese that are within the top 10% of National Deprivation indices to propose the projects that they wish to see in their neighbourhoods.

The Board made no Political Grants or Donations in 2013.

Governance Costs

In accordance with the reporting regulations, more emphasis is being placed on measuring the costs of governance to charities. Included within this particular section are such costs as Auditors' fees and General Synod Representation, as well as the

costs of preparing and attending meetings. In the year the total expenditure on such costs was £63,273 compared with £70,973 in 2012.

Other Resources

This section includes a loss on the sale of fixed assets that were no longer required or used by the charity. In addition it also includes the expenditure on maintaining and disposing of redundant church buildings and provisions for doubtful debts.

7. Plans for the Future

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.

Continue to “Go for Growth” by embracing five themes.

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

i) Discovering the Heart of God

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

ii) Growing Disciples

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

iii) Reaching new Generations

Perhaps our greatest challenge is acknowledging and then acting on our need to reach the next generation for Christ. The age profile of the Church of England in general is high. We appear to lose our youth and not necessarily see them return again. Despite real efforts by many churches to engage with this issue we still need to do more as a diocese to engage with youth culture and provide an environment where a vibrant faith can grow. This might mean painful but creative changes to the way we have always done things. It may mean we need to offer a varied diet of liturgy that is not always Eucharistic.

iv) Transforming Communities

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

v) Practising Generosity

It is important that our churches live out the grace of God. The Church, as a founding member of civil society needs to practise generosity as we place our networks, buildings and other assets as 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.

Addition for Mission

2013 represented the final year of the latest triennial funding from the Church Commissioners. Significant work was carried out in various conversations with the Commissioners over introducing a more sustainable forecast in future allocations and also some flexibility on the use of the allocation.

In October 2013 the Church Commissioners issued the new triennial funding stream and with the blessing of the National Church and College of Bishops agreed to allow some of the allocation to be used for wider Ministry and Mission opportunities, as well as for the payment of stipend if dioceses so wished.

~~This coincided with the Diocesan Synod approving a more strategic and flexible budget that was Mission and Ministry driven. The new budget allocated £1.75m to Stipends and allocated £0.198m per annum for three years from 2014 towards Mission orientated projects across the diocese. The first three projects were approved by Bishop's council in February 2014 – Messy Church Discipleship, Church Plant in Stafford Street, Walsall and a Mission and Growth Planter in the Stafford Area.~~

The latest forecasts from the Commissioners also indicate there will be a further £0.203 available in 2015 and an additional £0.100m in 2016 for further projects.

Mission Development

In addition to the funds above, the diocese will also receive £275,000 per annum for three years towards Mission Development. £200,000 per annum will be allocated to the Growth Fund and the balance plus £11,500 from the All Churches Grant will be set aside to support Mission Initiatives, in Transforming Communities, Reaching New Generations and Following on (Growing Disciples).

8. Custodian Trustees

The Board acts as Custodian Trustees to six specific funds totalling £295,051 as at 31 December 2013. In five circumstances the funds held represent the capital from trust funds where the income is paid to locally held accounts to be distributed at the

discretion of either the respective Archdeacon or the Diocesan Bishop. The one exception is the fund held to support Women's Ministry that is operated through the Board's books to award grants to assist with the training of Women Ministers.

Fund	Balance at 31 December 2013
Archdeacon of Lichfield Disc Fund	£30,895
Archdeacon of Stoke Disc Fund	£63,741
Archdeacon of Salop Disc Fund	£28,232
Archdeacon of Walsall Disc Fund	£98,817
Bishop of Lichfield Disc Fund	£44,080
Women's Ministry	£29,286

9. Appointment of Auditors

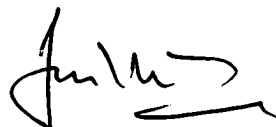
The Auditors, Dains LLP, will retire at the Annual General Meeting and offer themselves for re-appointment. A resolution to re-appoint Dains LLP as auditors to the company and to authorise the Trustees to fix their remuneration will be proposed at the Annual General Meeting.

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

This report was approved by the Board on 13 May 2014.



Julie Jones
Chief Executive Officer
Diocesan Secretary



John Naylor
Chairman

STATEMENT OF FINANCIAL ACTIVITIES FOR THE YEAR ENDED 31 DECEMBER 2013
Including Income & Expenditure Accounts

	Notes	Unrestricted Funds		Restricted Endowment funds		Total Funds 2013	Total funds 2012
		General £'000	Designated £'000	£'000	£'000	£'000	£'000
INCOMING RESOURCES							
Incoming Resources from Generated Funds							
Voluntary Income							
Parish Contributions	2	11,088	-	-	-	11,088	11,213
Archbishops' Council	3	1,948	-	264	-	2,212	2,112
Other	4	352	32	104	-	488	548
Activities for Generating funds	5	294	-	-	-	294	332
Investment Income	6	273	178	801	15	1,267	1,221
Incoming resources from Charitable Activities							
Statutory fees, Chaplaincy & Other	7	1,500	31	-	-	1,531	1,268
Other Incoming Resources	8	-	223	885	-	1,108	346
Total Incoming Resources		15,455	464	2,054	15	17,988	17,040
Resources Expended							
Costs of Generating Funds							
Cost of Generating Voluntary Income	9	59	-	41	-	100	138
Investment Management Costs	10	133	-	19	-	152	111
Charitable Activities							
Contributions to Archbishops' Council	11	881	-	-	-	881	816
Resourcing Ministry & Mission	12	14,915	173	1,105	-	16,193	15,742
Education	13	128	-	-	-	128	165
Diocesan projects	14	-	-	242	-	242	273
Governance Costs	15	62	-	1	-	63	71
Other Resources expended	16	1	-	331	-	332	30
Total resources expended		16,179	173	1,739	-	18,091	17,346
Net incoming/(outgoing) resources before transfers		(724)	291	315	15	(103)	(306)
Gross Transfers between funds	18	923	(20)	(888)	(15)	-	-
Net Incoming/(Outgoing) resources before other recognised gains and losses		199	271	(573)	-	(103)	(306)

	Notes	Unrestricted Funds		Restricted Funds	Endowment Funds	Total Funds 2013	Total funds 2012
		General £'000	Designated £'000	£'000	£'000	£'000	£'000
Other recognised gains/(losses)							
Gain/(loss) on revaluations of investments for charity's own use		147	356	2,939	29	3,471	1,340
Gain in Investment Assets		8	-	54	-	62	46
Net Movements in funds	20	354	627	2,420	29	3,430	1,080
Reconciliation of funds							
Total funds 01 January 2013		3,241	6,194	61,099	292	70,826	69,746
Total Funds at 31 December 2013		3,595	6,821	63,519	321	74,256	70,826

All incoming resources and resourced expended derived from continuing activities

The notes on pages 82 to 106 form part of these financial statements

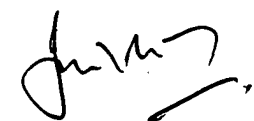
BALANCE SHEET

Company Number : 00239561

BALANCE SHEET AS AT 31 DECEMBER 2013

	Notes	2013 £'000	2012 £'000
Tangible Assets	23	34,777	36,356
Investments	24	33,991	30,146
		<u>68,768</u>	<u>66,502</u>
Current Assets			
Debtors	25	2,414	1,875
Investments	26	296	293
Cash at Bank and in hand		5,465	3,236
		<u>8,175</u>	<u>5,404</u>
Creditors: amounts falling due within one year	27	(2,999)	(1,539)
Net current assets		<u>5,176</u>	<u>3,865</u>
Debtors falling due in more than One Year	25	1,332	1,240
Total Assets less Current Liabilities		<u>75,276</u>	<u>71,607</u>
Creditors falling after more than one year	27	(1,020)	(781)
Net assets		<u>74,256</u>	<u>70,826</u>
The funds of the Charity			
Endowments	28	321	292
Restricted	28	63,519	61,099
Unrestricted			
General	28	3,595	3,241
Designated	28	6,821	6,194
Total funds		<u>74,256</u>	<u>70,826</u>

Approved, authorised and issued by the Board of Trustees on 13 May 2014.



John Naylor

Director / Trustee / Chairman of the Board of Finance

CASHFLOW STATEMENT

	2013	2012
	£'000	£'000
Net Outgoing Resources before transfers	(103)	(306)
Profit on sale of Investments	62	46
Normal Trading Profit	<u>(41)</u>	<u>(260)</u>
Net Outgoing Resources from Normal Operating Activities	(41)	(260)
Depreciation	787	757
Net Gain on sale of Tangible Assets	(1,107)	(340)
Net Gain on sale of Investments	(62)	(46)
Interest and dividends receivable	(1,055)	(1,006)
Interest Payable	28	24
(Increase)/Decrease in Debtors	(419)	(148)
(Decrease)/Increase/ in Creditors	1,239	(1,092)
Net Cashflow from operating activities	<u>(630)</u>	<u>(2,111)</u>
Returns on Investments and servicing of finance		
Interest and dividends received	1,055	1,006
Interest Paid	(28)	(24)
	<u>1,027</u>	<u>982</u>
Capital expenditure and financial investment		
Expenditure on tangible fixed assets	(93)	(1,343)
Sale of tangible fixed assets	1,993	894
Purchase of Investments	(546)	(611)
Net Movement in Short Term Investments	(3)	(2)
Sale of Investments	233	236
Movement in Parish Loans (Advanced and repaid)	(212)	(190)
	<u>1,372</u>	<u>(1,016)</u>
Net cash (Outflow)/Inflow before financing	<u>1,769</u>	<u>(2,145)</u>
Financing		
Loans Advanced – CCLA	500	-
Loans Repaid – Property Mortgages	(40)	(42)
	<u>460</u>	<u>(42)</u>
(Decrease)/Increase in cash	<u>2,229</u>	<u>(2,187)</u>

ANALYSIS OF CHANGES IN NET FUNDS

	As at 01 January 2013 £'000	Cashflow £'000	As at 31 December 2013 £'000
Cash at Bank	3,236	2,229	5,465
Debt			
Loans from CCLA	-	500	500
Loans from Church Commissioners	435	(40)	395
	435	460	895
Net funds	3,671	2,689	6,360

Reconciliation of net cashflow to movement in net funds

	2013 £'000	2012 £'000
(Decrease)/Increase in cash during the year	2,229	(2,187)
Cashflow from decrease in debt and financing	460	(42)
	2,689	(2,229)
Net funds as at 01 January	3,671	5,900
Net funds as at 31 December	6,360	3,671

1. Accounting policies

(a) *Basis of Preparation*

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

(b) *Fund Accounting*

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

Unrestricted Funds

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

Designated Funds

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

Restricted Funds

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

Permanent Endowments

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

mean, for example, the application of the proceeds of sale of endowment land and buildings in purchase or improvement of other property.

(c) *Incoming Resources and Investment Income*

All incoming resources are included in the Statement of Financial Activities when the charity is legally entitled to the income and the amount can be quantified with reasonable accuracy and there is certainty of receipt. (see page 38)

Voluntary Income

Parish Share:-

The Parish Share for the year ended 31 December 2013 is shown as the total Parish Share less specific provisions for doubtful debts for the current and prior years, in accordance with the accruals concept. The Management Accounts show the actual amount of Parish Share received in the year, irrespective of year of allocation, less specific amounts written off.

Activities for Generating Funds

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

Investment Income

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

Incoming Resources from Charitable Activities

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

(d) *Recognition of Liabilities*

Expenditure is included on the accruals basis and has been classified under headings that aggregate all costs related to the SOFA category. Grants payable are charged in the year when the offer is conveyed to the recipient, except in those cases where the offer is conditional on the recipient satisfying performance or other discretionary requirements to the satisfaction of the Board. Grants offered subject to such conditions, which have not been met at

the year end, would be noted as a commitment, but not accrued as expenditure.

Resources Expended:- (see page 43)

Cost of Generating Funds

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

Charitable Activities

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

Governance Costs

These costs represent the cost of Audit and committee representation.

(e) *Support Costs and Allocations*

Where costs cannot be directly attributed to particular headings they have been allocated or apportioned to activities on a basis consistent with the use of resources. Central support costs are apportioned on the basis of estimated usage of resources at the Diocesan Office. The apportionment in 2012 can be summarised as follows:-

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

(f) *Depreciation and Amortisation*

(i) Freehold Property

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

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

(ii) *Leasehold Property*

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

(iii) *Office Equipment*

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

(g) *Investments*

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

(h) *Glebe Land*

As reported in the Trustees Annual Report, the Glebe Land has been under review over the last three years to categorise each "terrier". The categories include potential development, future development, good investment land, and potential short term sale. The review was completed in 2007, and the new revaluations are included in the Balance Sheet. An annual revaluation is carried out as a desktop revaluation in accordance with FRS 15. The revaluation is shown in the Statement of Financial Activities for the year.

2. **Property**

(a) *General*

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

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

(b) Mortgages and charges on property

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

Property Type	Fixed	Variable	Total	2011
	£	£	£	£
Benefice Houses	-	22,262	22,262	29,310
Glebe Houses	-	76,647	76,647	109,307
Board Houses	-	-	-	-
Total	-	98,909	98,909	138,617

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

Number of Properties	CCs' Proportion	Board Proportion	Amount	2012
			£	£
0 (0)	Less than 50%	More than 50%	-	-
2 (3)	51% - 99%	1% - 50%	182,100	182,100
4 (4)	100%	Nil	197,000	197,000
Total			379,100	379,100
Total Equity Sharing Loan Funding of the above			291,500	291,500

(c) Property Reserve

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

(d) Endowment & Glebe Measure 1976 Houses

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

(e) Benefice Property Fund

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

(f) Glebe Land Capital Fund

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

(g) 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).~~

(h) Redundant Church Property Fund

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

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

Battlefield	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.

Notes to the Accounts

	Unrestricted Funds		Restricted Funds	Endowment funds	Total Funds 2013	Total Funds 2012
	General £'000	Designated £'000	£'000	£'000	£'000	£'000
2 Parish Contributions						
Parish Share Contributions Requested	11,609	-	-	-	11,609	11,898
Less Parish Share written off not provided for	(203)	-	-	-	(203)	(404)
Less Increase in Provision for Doubtful Debts	(318)	-	-	-	(318)	(281)
	<u>11,088</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,088</u>	<u>11,213</u>
Provision for Doubtful Debts						
Total Parish Share Arrears as at 31 December 2013					1,971	1,818
Arrears received in January 2014					(306)	(292)
					<u>1,665</u>	<u>1,526</u>
Provision for Doubtful Debts as at 01 January 2012					1,526	1,488
Written off in the year					(179)	(243)
					<u>1,347</u>	<u>1,245</u>
Increase in Provision for Doubtful Debts in the year					<u>318</u>	<u>281</u>
3 Voluntary Income from Archbishops' Council						
Selective Allocation	1,948	-	-	-	1,948	1,859
Parish Mission Fund	-	-	264	-	264	253
	<u>1,948</u>	<u>-</u>	<u>264</u>	<u>-</u>	<u>2,212</u>	<u>2,112</u>
4 Other Voluntary Income						
Ecclesiastical Group	212	-	-	-	212	207
Walter Stanley Trust	115	-	-	-	115	154
Donations	16	10	62	-	88	94
Gift Aid Reclaim	3	-	4	-	7	7
Training income	-	-	-	-	-	19
Other	6	22	38	-	66	67
	<u>352</u>	<u>32</u>	<u>104</u>	<u>-</u>	<u>488</u>	<u>548</u>
5 Income from Activities for Generating Funds						
Gift Aid Commission	35	-	-	-	35	41
Rental Income from Parsonages	95	-	-	-	95	97
Rental Income from Glebe Houses/DBF	164	-	-	-	164	194
	<u>294</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>294</u>	<u>332</u>

	Unrestricted Funds		Restricted Funds	Endowment Funds	Total Funds 2013	Total Funds 2012
	General £'000	Designated £'000	£'000	£'000	£'000	£'000
6 Investment Income						
Dividends Received	84	171	750	15	1,020	964
Interest Receivable	5	7	20	-	32	39
Investment Interest	-	-	3	-	3	3
Rents Receivable	184	-	28	-	212	215
	<u>273</u>	<u>178</u>	<u>801</u>	<u>15</u>	<u>1,267</u>	<u>1,221</u>
7 Incoming Resources from Charitable Activities						
Statutory Fees	1,122	-	-	-	1,122	894
Chaplaincy Income	183	-	-	-	183	177
Church Commissioners	2	-	-	-	2	32
Income From Sequestration Accounts	68	-	-	-	68	27
Miscellaneous Income	125	31	-	-	156	138
	<u>1,500</u>	<u>31</u>	<u>-</u>	<u>-</u>	<u>1,531</u>	<u>1,268</u>
8 Other Incoming Resources						
Gain on Disposal of Property	-	223	885	-	1,108	346
Funds Introduced	-	-	-	-	-	-
	<u>-</u>	<u>223</u>	<u>885</u>	<u>-</u>	<u>1,108</u>	<u>346</u>
9 Cost of Generating Voluntary Income						
Fund Raising Expenditure	59	-	41	-	100	138
	<u>59</u>	<u>-</u>	<u>41</u>	<u>-</u>	<u>100</u>	<u>138</u>
10 Investment Management Fees						
Investment Management Fees	9	-	6	-	15	10
Agents Fees & Commissions	69	-	5	-	74	59
Associated Costs	55	-	8	-	63	42
	<u>133</u>	<u>-</u>	<u>19</u>	<u>-</u>	<u>152</u>	<u>111</u>
11 Contributions to Archbishops' Council						
Training for Ministry	385	-	-	-	385	380
National Church Responsibilities	317	-	-	-	317	311
Grants and Provisions	38	-	-	-	38	42
Mission Agency Pension Contributions	16	-	-	-	16	21
Retired Clergy Housing Costs (CHARM)	120	-	-	-	120	110
Pooling of Ordinand Candidates Costs	5	-	-	-	5	(48)
	<u>881</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>881</u>	<u>816</u>

	Unrestricted Funds		Restricted Funds	Endowment Funds	Total Funds 2013	Total Funds 2012
	General	Designated				
	£'000	£'000	£'000	£'000	£'000	£'000
12 Expenditure on resourcing Ministry and Mission						
Parish Ministry:-						
Stipends & National Insurance	7,358	-	-	-	7,358	7,593
Pensions Contributions	2,264	-	-	-	2,264	1,876
Housing Costs	2,295	161	901	-	3,357	3,204
Removal, resettlement and other grants	141	-	-	-	141	183
Other expenses	457	-	-	-	457	389
	12,515	161	901	-	13,577	13,245
Support for Ministry	1,735	8	204	-	1,947	1,835
Management & Administration (inc Legal Retainers)	665	4	-	-	669	662
	14,915	173	1,105	-	16,193	15,742
Housing Costs include:-						
Depreciation	-	41	859	-	900	893
Maintenance	1,390	120	8	-	1,518	1,371
Management of Housing Stock	254	-	-	-	254	251
Council Tax/Water Rates	651	-	-	-	651	668
Miscellaneous	-	-	34	-	34	21
	2,295	161	901	-	3,357	3,204
Support for Ministry Includes:-						
Central Sector Ministry	1,042	-	-	-	1,042	888
Diocesan Services to Parishes	242	-	-	-	242	244
Archdeacons, Bishop support costs	413	-	-	-	413	409
Miscellaneous	38	8	204	-	250	294
	1,735	8	204	-	1,947	1,835
13 Expenditure on Education						
Administration	128	-	-	-	128	165
	128	-	-	-	128	165
14 Expenditure on Diocesan Projects						
Growth Fund Projects	-	-	202	-	202	207
Bridgebuilders	-	-	-	-	-	20
Diocesan Bishop's Lent Appeal	-	-	40	-	40	46
	-	-	242	-	242	273

	Unrestricted Funds		Restricted Funds	Endowment Funds	Total Funds 2013	Total Funds 2012
	General	Designated				
	£'000	£'000	£'000	£'000	£'000	£'000
15 Governance Costs						
Audit Fees	23	-	-	-	23	23
Diocesan Synod Expenses	5	-	-	-	5	9
General Synod Representation	16	-	-	-	16	15
Other Committee Costs	18	-	1	-	19	24
	62	-	1	-	63	71

16 Other Resources expended						
Redundant Churches	-	-	7	-	7	5
Loss on Fixed Asset Disposal	1	-	-	-	1	6
Prov'n for Doubtful Debt – Sales	-	-	-	-	-	19
Prov'n for Doubtful Debt – Loan	-	-	324	-	324	-
	1	-	331	-	332	30

**17 Analysis of Resources Expended
including allocation of support costs**

	Activities Undertaken Directly	Grant Funding of Activities	Support Costs	Total
	£'000	£'000	£'000	£'000
Costs of Generating Voluntary Income	100	-	-	100
Investment Management Costs	152	-	-	152
Contributions to Archbishops' Council	881	-	-	881
Resourcing Ministry & Mission	14,885	643	665	16,193
Education	128	-	-	128
Diocesan Projects	-	242	-	242
Governance Costs	40	-	23	63
Other Resources Expended	332	-	-	332
	16,518	885	688	18,091

	Unrestricted Funds		Restricted Endowment	
	General	Designated	Funds	Funds
	£'000	£'000	£'000	£'000
18 Analysis of transfers between funds				
Investment Income transferred from Designated reserves	172	(172)	-	-
Investment Income transferred from Restricted Reserves*	676	-	(661)	(15)
Transfer training income from Ordination Fund	16	-	(16)	-
Transfer to Defined Pensions Liability	(98)	98	-	-
Development Bids	66	(64)	(2)	-
Transfer through Pastoral Schemes & Orders in Council	-	118	(118)	-
Mortgage Interest repayment via Church Commissioners	(35)	-	35	-
Miscellaneous Grants	(42)	3	39	-
Double Glazing Project	-	165	(165)	-
Transfer (to)/from General Designated Funds	168	(168)	-	-
	923	(20)	(888)	(15)

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

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

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

In addition there is a transfer of £1.948m in respect of Stipend Allocation received from the Church Commissioners.

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

19 Net Incoming/(outgoing) or the year

These are after charging:-

	2013	2012
	£'000	£'000
Auditors' Remuneration – Audit Fee	23	23
Auditors' Remuneration – non audit services	4	4
Depreciation of tangible fixed assets - owned by the Board	974	958
Depreciation of tangible fixed assets - leased by the Board	8	7
Profit on disposal of fixed assets	(1,108)	(346)
Unrealised Gains/(loss) on revaluation of Investments	3,471	1,340
Lease payments of buildings - St Mary's House	14	14
Gross Rental Income	(471)	(492)

20 Summary of Fund Movements

	Balances at 01 Jan 2013	Incoming Resources	Outgoing Resources	Transfers	Gains and Losses	Balances at 31 Dec 2013
	£'000	£'000	£'000	£'000	£'000	£'000
Unrestricted Funds						
General	3,241	15,455	(16,179)	923	155	3,595
Designated						
Ashworth/Lowe	3,212	158	-	(158)	335	3,547
Chairman's Fund	1	5	-	-	-	6
Pension/Surplus Provision	322	2	-	(116)	-	208
DBF Designated Houses	974	223	(50)	119	-	1,266
General Designated	242	1	(3)	(15)	-	225
Swanwick	(3)	43	(5)	-	-	35
Diocesan Growth Fund	611	4	(4)	1	-	612
Vacancy in See Contingency Fund	8	-	-	1	-	9
Lambeth Conference	6	-	-	1	-	7
Fothergill Bequest	208	13	-	(13)	21	229
Legacies Other	14	1	-	(1)	-	14
DBS Pensions Provn	(214)	-	-	99	-	(115)
Stipend Reserve	485	-	-	-	-	485
Future Liabilities Provn	103	1	-	(104)	-	-
Double Glazing Scheme	225	13	(111)	165	-	292
Community of S Chads	-	-	-	1	-	1
	6,194	464	(173)	(20)	356	6,821
Restricted Funds						
Property Reserve	1,176	-	(34)	(25)	-	1,117
Trust Reserve	1,495	57	(2)	(58)	225	1,717
End & Glebe	11,218	786	(289)	(1,077)	-	10,638
Benefice	21,109	100	(558)	(228)	-	20,423
Stipends Capital	2,249	164	(9)	1,240	385	4,029
Pastoral Fund	6,732	243	(171)	(252)	604	7,156
Diocesan Loan Fund	1,939	62	(249)	-	107	1,859
Clergy Widows & Orphans	672	28	(22)	-	72	750
Interior decoration Scheme	106	18	(2)	-	25	147
Lent Appeal	5	40	(43)	-	-	2
Ordination	79	22	(5)	(16)	8	88
Glebe Land	9,366	-	(5)	(377)	1,038	10,022
Church Mission Project	28	1	-	-	3	32
Redundant Property	491	4	(9)	(4)	3	485
Bridgebuilders	207	7	-	-	15	229
Diocesan Growth Fund	(150)	266	(202)	4	-	(82)
Glebe Land Sales	3,090	157	(48)	(105)	293	3,387
Mission Shaped Ministry	1	-	(1)	-	-	-
Stipend Trust Reserve	1,231	55	(4)	(52)	165	1,395
Church Building Support Officer	3	22	(42)	18	-	1
Place of Worship Support Officer-	41	15	(2)	(18)	-	36
Telford Pioneer Post	6	7	(41)	38	-	10
Lichfield Theological Forum	5	-	-	-	-	5
DBF Investment Property Reserve	-	-	(1)	24	50	73
	61,099	2,054	(1,739)	(888)	2,993	63,519
Endowment Fund	292	15	-	(15)	29	321
	70,826	17,988	(18,091)	-	3,533	74,256

21 Directors Remuneration and expenses

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

During the year the Board made contributions to the Church Commissioners at the standard rate agreed by the Diocesan Synod towards the stipends, national insurance and pensions contributions of the licensed clergy who are Directors of the Board and provided houses, including the payment of council tax, water rates and maintenance costs, as part of the normal clergy remuneration. Directors were reimbursed for travel, subsistence and incidental costs incurred in undertaking their ministerial activities totalling £563 (2012: £1,660)

22 Employee Details

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

	2013 Nos	2012 Nos
Management & Administration	21	19
Archdeacons' & Bishops' Support Staff	9	9
Central Sector Ministers/Advisers & Support Staff	32	31
	<hr/> 62	<hr/> 59

The staff costs for the above were as follows:-

	£'000	£'000
Gross Salaries	1,336	1,311
NI Costs	125	121
Pension Contributions	220	303
	<hr/> 1,681	<hr/> 1,735

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

	<u>2013</u>	<u>2012</u>
£60,000 - £70,000	1	2
£70,000 - £80,000	2	1
£80,000 - £90,000	1	1

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

23 Tangible Assets

	Parsonages £'000	Glebe/ Team Vicarages/ DBF £'000	Leasehold Property £'000	Office Equipment £'000	Total £'000
At cost or Valuation					
At 01 January 2013	27,698	18,137	164	627	46,626
Additions in the year	28	-	-	65	93
Transfers under Pastoral Schemes	(232)	232	-	-	-
Transfer to Investment Properties	-	(170)	-	-	(170)
Disposal in the Year	-	(710)	-	(6)	(716)
At 31 December 2013	27,494	17,489	164	686	45,833
Accumulated Depreciation					
At 01 January 2013	6,560	3,186	137	387	10,270
Charge for the year	550	350	8	74	982
Transfers in year	(60)	60	-	-	-
Transfer to Investment Properties	-	(38)	-	-	(38)
Disposals	-	(155)	-	(3)	(158)
At 31 December 2013	7,050	3,403	145	458	11,056
Net Book Value at 31 December 2013	20,444	14,086	19	228	34,777
Net Book Value at 01 January 2013	21,138	14,951	27	240	36,356

Fixed Assets Reserve Movement

	Net Book Value 01 Jan 13 £'000	Additions £'000	Disposals £'000	Transfers £'000	Dep'n £'000	Net Book Value 31 Dec 13 £'000
Unrestricted Reserves	266	65	(2)	-	(83)	246
Designated Reserves						
General Designated	1	-	(1)	-	-	-
DBF Designated House Funds	1,792	-	(259)	118	(41)	1,610
	1,793	-	(260)	118	(41)	1,610
Restricted Reserves						
Property Reserves	1,389	-	-	(25)	(34)	1,330
Trust Reserves	93	-	-	-	(2)	91
Endowment & Glebe Fund	11,328	-	(296)	(53)	(262)	10,715
Benefice Property Fund	21,137	28	-	(172)	(550)	20,445
Redundant Church Property Fund	350	-	-	-	(10)	340
	34,297	28	(296)	(250)	(858)	32,921
Totals	36,356	93	(558)	(132)	(982)	34,777

24 Investments

	Agricultural Land £'000	Residential Property £'000	Commercial Property £'000	Listed Invest £'000	Total £'000
At 01 January 2013	9,416	600	-	20,130	30,146
Additions	-	-	-	412	412
Transfer Investment Properties	-	132	-	-	132
Disposals	(5)	-	-	(165)	(170)
Revaluations	992	356	-	2,123	3,471
At 31 December 2013	10,403	1,088	-	22,500	33,991
Cost as at 31 December 2013	4,149	768	-	16,596	21,513
Cost as at 31 December 2012	4,154	636	-	16,348	20,717

Investment By Fund

	01 Jan 13 £'000	Additions £'000	Transfers £'000	Disposals £'000	Revalue £'000	31 Dec 13 £'000
Unrestricted	1,733	54	-	(22)	149	1,914
Designated						
Ashworth/Lowe	3,199	-	-	-	335	3,534
Fothergill	207	-	-	-	20	227
Other	14	-	-	-	-	14
	3,420	-	-	-	355	3,775
Restricted						
Trust Reserve	1,373	-	-	-	226	1,599
Stipends Capital	2,375	25	433	-	384	3,217
Stipends Capital - Glebe Land	3,051	-	-	-	294	3,345
Stipend Trust Reserve	1,222	-	-	-	165	1,387
Clergy Widows and Orphans	620	-	-	-	72	692
Pastoral Fund	5,120	208	-	(143)	601	5,786
Diocesan Loan Fund	1,042	-	-	-	106	1,148
Bridgebuilders	144	-	-	-	15	159
Interior Decoration Fund	294	25	-	-	24	343
Ordination Candidates	73	-	-	-	9	82
Church Mission Fund	22	-	-	-	2	24
Glebe Land	9,365	-	(325)	(5)	987	10,022
Red Churches Property Fund	-	100	-	-	3	103
DBF Investment Property Reserve	-	-	24	-	50	74
	24,701	358	132	(148)	2,938	27,981
Permanent Endowment	292	-	-	-	29	321
	30,146	412	132	(170)	3,471	33,991

25 Debtors	2013 £'000	2013 £'000	2012 £'000	2012 £'000
Due within one year				
Parish Share Arrears as at 31 December	1,971		1,818	
Less Provision for Doubtful Debts	<u>(1,665)</u>		<u>(1,526)</u>	
		306		292
Assigned Fees		152		130
Prepayments		283		321
Loans		198		78
Accrued Income		208		240
Outstanding Sale Proceeds		146		-
Recharges		637		574
Due from Board of Education		163		33
Sundry		321		207
		<u>2,414</u>		<u>1,875</u>
Due after one year				
Sundry	2		3	
Loans	<u>1,330</u>	<u>1,332</u>	<u>1,237</u>	<u>1,240</u>
Total		<u>3,746</u>		<u>3,115</u>
Loans				
Due in under one year				
Staff Loans		14		16
Cathedral		50		-
Loans to Parishes		134		62
		<u>198</u>		<u>78</u>
Due in more than one year				
Staff Loans		26		24
Equity Sharing Loan (Perrycroft Crescent)		50		50
Loan to the Cathedral		450		-
Loans to Parishes		803		1,163
		<u>1,329</u>		<u>1,237</u>
Total Loans as at 31 December		<u>1,527</u>		<u>1,315</u>
Provision for Doubtful Debt				
Share				
Balance as at 01 January		1,526		1,488
Provision written off in year		(179)		(243)
Current years arrears – added to provision		318		281
New Provision as at 31 December		<u>1,665</u>		<u>1,526</u>

	Unrestricted Funds		Restricted Funds	Endow'nt Funds	Total 2013	Total 2012
	General Designated				£'000	£'000
	£'000	£'000	£'000	£'000	£'000	£'000
26 Short Term Investment						
West Bromwich Building Society Corporate Deposit	-	-	296	-	296	293
	-	-	296	-	296	293

27 Creditors	2013	2012
	£'000	£'000
Amounts falling due within one year		
Creditors	1,173	929
Accruals	90	188
Academies	1,200	-
DBS Pensions	99	99
Deferred Grants	359	288
Loans from Church Commissioners		
Value Linked Loans	-	-
CCLA	50	-
Mortgages	28	35
	<u>2,999</u>	<u>1,539</u>
Amounts falling due after one year		
Deferred Grants	187	266
DBS Pensions	16	115
Loans from Church Commissioners		
Value Linked Loans	297	297
CCLA	450	-
Mortgages	70	103
	<u>1,020</u>	<u>781</u>
Total	<u>4,019</u>	<u>2,320</u>

Mortgages falling due after one year:-

1- 2 Years	27	30
2 - 5 Years	30	50
After 5 Years	13	23
	<u>70</u>	<u>103</u>

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

Church of England Defined Benefits Scheme (DBS)

The Board participated in the DBS, part of the Church Workers Pension Fund until 30 September 2012 when the Board ceased to use the Scheme and transferred to the Pension Builder Scheme below.

Due to the transfer closure of using this Fund the liability of the shortfall in the Employer sub pool has reduced to £98,607 pa payable from 01 October 2012 until 01 February 2015.

28 Summary of Assets per fund

	Fixed Assets		Current Creditors		Net Assets
	Tangible Investments		Assets		
	£'000	£'000	£'000	£'000	£'000
Unrestricted Funds – General	246	1,734	6,204	(4,769)	3,595
Designated Funds					
Ashworth/Lowe	-	3,534	13	-	3,547
Chairman's Fund	-	-	12	(6)	6
Pensions/Surplus Fund	-	-	208	-	208
DBF Designated Fund	1,610	-	469	(813)	1,266
General Designated	-	-	472	(247)	225
Swanwick Conference	-	-	35	-	35
Diocesan Growth Fund	-	-	614	(2)	612
Vacancy in See	-	-	9	-	9
Lambeth Conference	-	-	7	-	7
Fothergill Bequest	-	227	2	-	229
Other Legacy	-	14	-	-	14
DBS Pensions Liability	-	-	-	(115)	(115)
Stipend Reserve	-	-	485	-	485
Future Clergy Pensions Provn	-	-	140	(140)	-
Double Glazing	-	-	471	(179)	292
Community of S Chads	-	-	1	-	1
	1,610	3,775	2,938	(1,502)	6,821
Restricted Funds					
Property Reserve	1,330	-	-	(213)	1,117
Trust Reserve	91	1,599	27	-	1,717
Endowment & Glebe	10,715	-	-	(77)	10,638
Benefice	20,445	-	-	(22)	20,423
Stipends Capital	-	3,217	1,579	(767)	4,029
Pastoral Fund	-	5,786	1,580	(210)	7,156
Diocesan Loan Fund	-	1,148	881	(170)	1,859
Clergy Widows & Orphans	-	692	79	(21)	750
Interior Decoration Scheme	-	343	84	(280)	147
Church Mission	-	24	8	-	32
Diocesan Bishop's Lent Appeal	-	-	51	(49)	2
Diocesan Bishop's Ordination Candidates' Fund	-	82	22	(16)	88
Glebe Land	-	10,022	-	-	10,022
Redundant Property	340	103	42	-	485
Place of Worship Support Officers	-	-	80	(44)	36
Church Building Supports Officer	-	-	58	(57)	1
Bridgebuilders	-	159	90	(20)	229
Diocesan Bishop's Growth Fund	-	-	363	(445)	(82)
Telford Pioneer	-	-	10	-	10
Glebe Land Sales	-	3,345	99	(57)	3,387
Stipend Trust Reserve	-	1,387	14	(6)	1,395
Mission Shaped Ministry	-	-	11	(11)	-
Lichfield Theological Forum	-	-	5	-	5
DBF Investment Property Reserve	-	74	-	(1)	73
	32,921	27,981	5,083	(2,466)	63,519
Endowment Fund	-	321	-	-	321
	34,777	33,991	14,225	(8,737)	74,256

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

Designated Funds

1. Ashworth/Lowe

This fund arose from two legacies left to the Board for general purposes and a stipends reserve fund created to hold sufficient funds in cash or “near cash” to cover the cost of 6 months’ clergy stipends, National Insurance and pensions. It provides the Board with a contingency fund equivalent to a minimum of 4.7 months’ stipends and is considered to be an appropriate level of investment to generate a required amount of income to assist the Diocesan Budget – see page 30.

2. Chairman’s Fund

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

3. Pension Provisions Fund

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

4. DBF Designated Houses Fund.

The fund is represented by property purchased from Unrestricted Funds, including providing housing for deserted clergy spouses. There are twelve properties in this class, of which the fund has less than 50% interest in six properties, four of which are wholly owned by the Church Commissioners via an Equity Sharing Loan. Details of the Loan Agreements are shown under Accounting Policies Section 2b on page 59.

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 be used to continue to support growth projects.

7. Vacancy in See Fund

The fund represents a contingency against potential future costs.

8. Lambeth Conference

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

9. Fothergill Bequest (inc other Legacies)

In 2005, the Board was in receipt of the residual estate of the late A P Fothergill. In accordance with the terms of his will, the income and capital may be utilised by the Board as the Directors think fit. The funds have been Designated so that the capital reserve is used towards the current policy of having six months costs in reserves (see 1 – Ashworth/Lowe) and the income is used to finance the day-to-day activities of the Board – see page 30.

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. See note 11 above.

13. Future Liabilities Provision

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

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.

Restricted Funds

1. Trust Reserve

This fund derives from a combination of legacies and donations, which have been left to the Board in trust funds. This fund also includes the proceeds from Trust funds that have been left for the benefit of the Board and subsequently wound up under the Charities Act 2011. Only the income may be used and is transferred annually to the Unrestricted Fund towards supporting the Diocesan Budget.

2. Endowment and Glebe

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

3. Benefice Property

This fund only contains Benefice Property – Vicarages etc. for Incumbents and Team Rectors. When a property is sold, the proceeds are transferred to the

Pastoral Fund. When a property is purchased the funds are transferred from the Pastoral Fund Account back into this fund.

4. Pastoral Fund (Restricted Fund) – see page 27

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

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

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

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

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

6. Diocesan Loan Fund

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

7. 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.

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 (see page 50)

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.

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.
