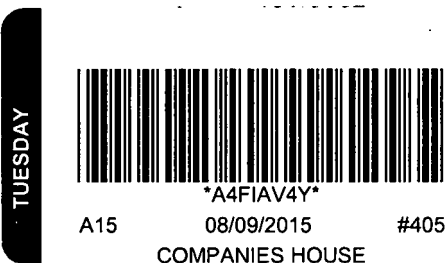


The Lichfield Diocesan Board of Finance (Incorporated)

Annual Report and Financial Statements

For the year ended 31 December 2014



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

Contents

	Page
Reference and administrative details of the charity, its trustees and advisers	1 - 2
Chairman's statement	3
Trustees' report	4 - 36
Independent auditors' report	37 - 38
Consolidated statement of financial activities	39
Consolidated balance sheet	40
Company balance sheet	41
Consolidated cash flow statement	42
Notes to the financial statements	43 - 69

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

Reference and Administrative Details of the Company, its Trustees and Advisers
For the year ended 31 December 2014

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 (resigned 28 September 2014) The Archdeacon of Stoke upon Trent (appointed 28 September 2014)
Ex-Officio	The Bishop of Shrewsbury The Bishop of Stafford The Bishop of Wolverhampton The Dean of Lichfield The Archdeacon of Lichfield The Archdeacon of Salop The Archdeacon of Stoke upon Trent The Archdeacon of Walsall (appointed 1 January 2015) The Revd J Allan RD Mr J Wilson Dr A Primrose
Elected	The Revd Cansdale The Revd Preb P Daniel The Revd M Kinder The Revd D Leake (resigned 8 July 2014) The Revd B Leathers Mrs P Allen Mr D Beswick Mr A Charles Mr J Clark Mr C Gill Mr D C Jones Mr G Joynson MBE Mrs J Locke Mr W Nicholls MBE Mr C Randles Mrs L Rawling Mr M Revell
Nominated by the Bishop	The Revd Grigson Mrs J Price The Revd J Coyne
Co-Opted Member	Mr P J Snelson (appointed 27 November 2014)
Chief Executive Officer & Company Secretary	Mrs J Jones BSc FCIPD
Director of Finance	Mr J R L Hill FCMA CGMA
Company registered number	00239561
Charity registered number	1107827
Registered office	St Mary's House The Close Lichfield Staffordshire WS13 7LD

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

Reference and Administrative Details of the Company, its Trustees and Advisers
For the year ended 31 December 2014

Administrative details (continued)

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

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

Chairman's Statement
For the year ended 31 December 2014

The chairman presents his statement for the year.

Overall, 2014 saw another sound financial performance within the Lichfield Diocese. The net movement in the group's funds before revaluations amounted to a surplus of £0.045m (2013: deficit of £0.103m), but the overall surplus for the group amounted to £2.467m (2013: £3.430m).

During the year income increased very slightly to £18.459m (2013: £17.988m). The principal income stream – the generous giving by parishioners in the form of Parish Share – remained constant at £11.113m (2013: £11.088m), and by the end of January 2014 the collection rate was 96.13% (2013: 95.48%). This produced 66% of the diocese's income.

Income received from the Church Commissioners amounted to £2.230m (13% of the total) and 12% was provided by Investment income generated through dividends, interest and glebe land rents received. This amounted to £1.322m (2013: £1.267m) which was especially encouraging during a period of low interest rates. Income from statutory fees amounted to £1.080m (2013: £1.122m) and gains on the disposal of property were £0.595m (2013: £1.108m).

The costs of stipends, pensions and housing costs of clergy within the diocese – a total of £14.27m – represented 82% of total expenditure. Of the remainder, Central Sector Ministry costs amounted to 7% of expenditure, together with General Synod costs (5%) and Administration costs (6%).

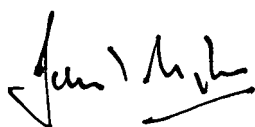
Within the year, the Total Funds of the group increased to £76.723m (£74.256m). The principal movement within the Balance Sheet was an increase of £3.333m in the value of investments. Our overall policy remains to match our core financial commitments to the income which we can reasonably expect over the medium to long term. We continue to apply any short term funding which we receive to support strategic initiatives which have defined timescales.

In the recent past, the Diocesan Board of Finance has drawn modestly on financial reserves to balance annual budgets. Given the uncertainties in the national economy as a whole, and in the level of financial support which the diocese can reasonably expect in the future from the Church Commissioners, our strategy will be to rebuild our reserves as and when any surpluses occur, with particular regard to the long term requirements to resource future ministry within the diocese.

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

Although there are inevitably funding uncertainties for the future, for the time being we can take heart that our finances are presently sound, and we can continue to be encouraged by this year's good financial result.

Finally, I would like to express the Board's warm and grateful thanks to Bishop Jonathan Gledhill for his wise and prayerful contribution to our proceedings as our Diocesan Bishop during the last 12 years: we wish him health and contentment in his well-earned retirement.



Name John Naylor
Chairman

Date 24 June 2015

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

Trustees' Report
For the year ended 31 December 2014

The Trustees (who are also directors of the charity for the purposes of the Companies Act) present their annual report together with the audited financial statements of Lichfield Diocesan Board of Finance (Incorporated) (the company and the group) for the year ended 31 December 2014. The Trustees confirm that the Annual report and financial statements of the company and the group comply with the current statutory requirements, the requirements of the company and the group's governing document and the provisions of the Statement of Recommended Practice (SORP) "Accounting and Reporting by Charities" issued in March 2005.

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. Aims, objectives and activities
4. Achievements and performance
5. Financial review
6. Plans for future periods
7. Funds held as Custodian Trustee for others
8. 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 Lichfield Diocesan Board of Finance (Incorporated)
(A company limited by guarantee)

Trustees' Report (continued)
For the year ended 31 December 2014

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.

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

Trustees' Report (continued)
For the year ended 31 December 2014

Membership of Diocesan Synod as at 31 December 2014

President	The Diocesan Bishop
Chairman of The Board	Mr J Naylor
Deputy Chairman of The Board	The Venerable M Parker (from 28 Sept 2014)
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 S Weller (from 01 Jan 2015)
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 Revd Preb P Hawkins	Mrs P Allen
The Revd M Hobbs	Mr D Beswick**
The Revd M Ireland	Mr C Corbet**
The Revd N Irons	Mrs J Monckton
The Revd S Pratt**	Mr C K Tan
	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

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 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 G Yerbury	Mr J Jordan
		Mrs E Wallin
Rugeley	The Revd S C Davis	Mrs C J Brown
		Mrs J Francis
		Mr G Joynson MBE
		Mrs G Joynson
Tamworth	The Revd D Dyson	Mr D Faultless
	The Revd O Harrison	Mrs K Gopsill
	The Revd K Lindsay- Smith	Mr D Litchfield
		Mrs P West

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

Trustees' Report (continued)
For the year ended 31 December 2014

Salop Archdeaconry
Edmond/Shifnal

The Revd E Ward

Mr D Beddows
Mr A Charles
Mr R Kettlewell

Ellesmere

The Revd P Edge RD
The Revd J Wilson

Mrs D Lake

Hodnet

The Revd Z Heming
The Revd M Last

Mr R Revell
Mr B Roper

Oswestry

The Revd H Morby
The Revd S Thorburn

Mr M Brennan
Mr M Davie
Mrs V Thompson

Shrewsbury

The Revd P Cansdale
The Revd P Firmin
The Revd D O'Brien
The Revd M Salmon

Mrs R Friend
Mr I Hall
Mr I Hacking

Telford

The Revd T Carter
The Revd B Jameson
The Revd A Smith RD

Mr D Broome
Mr R Page

Wem & Whitchurch

The Revd R Haarhoff
The Revd Canon W Price RD

Mr C Corbet
Mr M Rigley

Wrockwardine

The Revd D Chantry RD
The Revd G Phillips

Mrs M Candlin

Stoke Archdeaconry

Alstonefield

The Revd A Ballard
The Revd J Forrester RD

Mrs P Gilman
Mr R Morley

Cheadle

The Revd L Lucking
The Revd S Osbourne RD

Mr P Bowran
Mr M Lomax
Mrs S Warren

Eccleshall

The Revd N Clemas RD
The Revd A Hetherington

Ms J Cheadle
Mr C Jones
Mr B Laver
Mrs M Winfield

Leek

The Revd R Woods

Miss A Jervis
Mr K Oliver
Mrs J Pearson
Mr D Wright

Newcastle

The Revd T Bloor RD
The Revd Dr C Clapham
The Revd N Edwards

Mr S Clifford
Mr C Gill
Mrs J Locke
Mr J Maddison
Mr D Morgan

Stafford

The Revd S Abram
The Revd E Evans
The Revd S Symons

Mrs D Abram
Mrs M Austen
Mrs B Metcalf
Mr J Clark
Mrs D Sterling

Stoke North

The Revd C Broad
The Revd D McIndoe
The Revd J Stather

Miss A Phillips
Mrs M Snape

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

Trustees' Report (continued)
For the year ended 31 December 2014

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 G Bott The Revd M Freeman RD The Revd A Ridley The Rev L Rees	Mrs M Fitchett Mr T Foster Mrs Y Johnson Mr J Wedd
Uttoxeter	The Revd B Leathers RD The Revd S Willetts	Mrs J Gent Miss B Stubbs Mrs J Ward

Walsall Archdeaconry

Trysull	The Revd P Brown The Revd J Hartswell The Revd R Reeve The Revd Dr C Rudd	Mrs V Bamber Mrs B Edwards Mrs L Hingley Mr C Randles Mr R Pithers Mr K Whitehouse
Walsall	The Revd N Carter The Revd M Kinder The Revd A Morris The Revd Preb C Ramsey The Revd M Rutter RD The Revd I Templeton	Mr N Beck Mrs D Carter Mr G Eardley Mr P Ford Mr D Perkins
Wednesbury	The Revd M Ennis The Revd D Marsh The Revd T Vasby-Burnie	Mrs A Dent Mr B Bent
West Bromwich	The Revd R Farrell The Revd P Daniel The Revd K Njenga The Revd A Smith RD	Mrs L Kindsay Mrs C Pegler
Wolverhampton	The Revd R Duckett The Revd B Mash The Revd S Schofield	Mr J Challen Mr N Clark Mrs M Nicholls Mr W Nicholls
Wulfrun	The Revd J Leach The Revd S Leach	

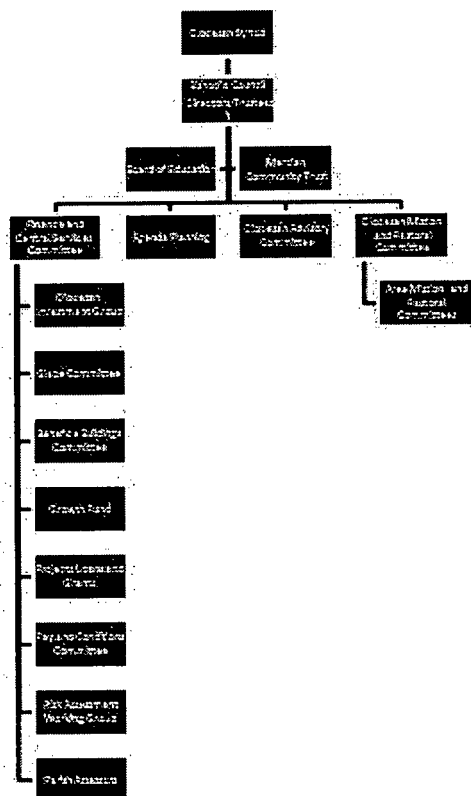
Nominated Members

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)

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

Trustees' Report (continued)
For the year ended 31 December 2014

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.

Diocesan Mission and Pastoral Committee: responsible for approving pastoral reorganisation, taking into account available clergy numbers and making use of new patterns of ministry. It is responsible for assisting in making better provision for the Cure of Souls in the diocese and oversees arrangements for pastoral supervision and care. Since August 2009 this committee is also responsible for the oversight of closed churches and for overseeing finding appropriate alternative uses for church buildings, which have been declared redundant. The membership of this Committee is now the same as Bishop's Council.

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

Trustees' Report (continued)
For the year ended 31 December 2014

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

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

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

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

Finally there is a group whose role is to ensure there is cohesion and joined up thinking across the spectrum of the diocesan organisation and report directly to the Bishop's Council:

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

- **Appointment of Trustees (Directors)**

Trustees (and therefore Directors) are appointed by election every three years, with the exception of the ex-officio members. The last election was in October 2012, and current Trustees will serve until 30 September 2015. Following the Diocesan Synod elections a new Bishop's Council will be elected and will be in place from 1 October 2015, and members will serve until 30 September 2018.

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

- **Website**

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

Custodian Trustees

The diocese is fortunate to have a separate legal entity in the Lichfield Diocesan Trust (see Connected Charities) to act as custodian to parish funds. There is however six trusts that have been transferred to the main Board to act as custodian. These relate to the former Moore Memorial and Tyrell Selwyn Trusts, where the income is to be used to assist financially members of the clergy. The fund is divided into four distinct funds, one allocated to each Archdeaconry. In addition there is a trust to support Women's Ministry and also the capital funds held to support the Diocesan Bishop's Discretionary Fund. The total funds held in the Custodianship of the Board as at 31 December 2014 was £311,046 (2013: £295,051).

- **Related parties**

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

● Parochial Church Councils (PCCs)

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

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

Subsidiary undertakings

The Board has no trading subsidiary companies as at the year-end. The Board however is the sole member of St Chads Retreats Centre, a charitable company incorporated on 4th March 2014 registered at Companies House in England and Wales under reference 08922281 and a registered charity number 1157619. The accounts for this subsidiary are consolidated in these financial statements.

Connected charities

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

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

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

Mercian Community Trust, a separate registered charitable company. The purpose of the company is:

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

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

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 the Church of England Funded Pensions Scheme and employs 294 members of the Scheme out of a total membership of approximately 8,400 active members.

The Church of England Funded Pensions Scheme is a defined benefit scheme but the Lichfield Diocesan Board of Finance is unable to identify its share of the underlying assets and liabilities - each employer in that 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:

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

Trustees' Report (continued)
For the year ended 31 December 2014

- 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.

Lichfield Diocesan Board of Finance section had sufficient assets to cover the Funding Target for completed service at 31 December 2013.

Church of England Pension Builder Scheme (PBS).

For eligible salaried employees who commenced employment after 1 October 2012, Lichfield Diocesan Board of Finance participates in the Church of England Pension Builder Scheme (PBS), within the Church Workers Pension Fund, which is administered by the Church of England Pensions Board.

The PBS is made up of two sections, Pension Builder Classic and Pension Builder 2014, both of which are classed as defined benefit schemes.

Pension Builder Classic provides a pension for members payable from retirement, accumulated from contributions paid and converted into a pension benefit during employment based on terms set and reviewed by the Church of England Pensions Board from time to time. Bonuses may also be declared, depending upon the investment returns and other factors.

Pension Builder 2014 is a cash balance scheme that provides a lump sum that members use to provide benefits at retirement. Pension contributions are recorded in an account for each member. This account may have bonuses added by the Board before retirement. There is no requirement for the Board to grant any bonuses. The account, plus any bonuses declared, is payable from members' Normal Pension Age.

At 31 December 2014, Lichfield Diocesan Board of Finance had 1 deferred members and 11 pensioners in the Pension Builder Classic section and 58 active members in the Pension Builder 2014 section.

The assets of the PBS are held separately from those of the employer. As at the formal valuation as at December 2010, the PBS was in surplus on an ongoing funding basis. A formal valuation of the PBS is being carried out as at December 2013 but, as at February 2015, the final results have yet to be announced. Pension Builder 2014 commenced in February 2014 so will be included in the next valuation due as at December 2016.

Lichfield Diocesan Board of Finance 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 Lichfield Diocesan Board of Finance to account for pension costs on the basis of contributions actually payable to the Scheme in the year.

Lichfield Diocesan Board of Finance 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. Lichfield Diocesan Board of Finance's contributions for the year totalled £112,463 (2013 - £160,398) and there were no contributions outstanding at the year end.

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

Trustees' Report (continued)
For the year ended 31 December 2014

● **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 (2013:77) 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 (2013: 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 Aims, 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.

Group strategic report

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.

4 Achievements and performance

● 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.

● Parish Share

By the end of January 2015 the diocese had received 94.15% (93.80% in 2013) 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 now 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:-

Secretariat

The secretariat is based at St Mary's House. It provides statutory and non-statutory services, primarily to parishes. It is designed to provide a framework to enable and equip parish churches, schools, chaplaincies and the cathedral in their mission and ministry.

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. 2014 saw progress across the board, meeting and exceeding the objectives set for the year.

Finance

During 2014 the Finance Department met all of its legal obligations and continued to provide a high level of service in respect of Clergy Stipends and payroll services including an extended payroll service to parishes. For the second year running we were able to present a mission focused budget, using in excess of £200,000 for additional mission posts and projects.

During 2014 we continued to administer and improve the parish share formula that had been approved in 2012. This seeks to correlate costs with actual deployment and enables parishes to prepare medium term budgets and to consider deployment needs. We received in excess of £11m in share thanks largely to a record breaking December.

The new Fees Measure is now properly embedded and our fee income this year has been in excess of £1m. The Auto Enrolment date for those on the DBF centralised payroll was 01 May 2014. We successfully made the transition to Pension Builder 2014 for all DBF employees.

Parish Resources worked with 87 parishes all at different stages of their stewardship journeys. During 2014 we brought in approx. £1.25m in Gift Aid and redistributed to parishes. Small Donations (GASDS) completed its first tax year, realising an extra £1,250 (the maximum) for numerous parishes. In 2014 we hosted the National Stewardship Conference, which

was deemed a great success.

Property & Glebe saw further improvements. Twenty kitchens, eight bathrooms and twelve boilers were replaced; twenty-seven houses had double-glazing completed and invoiced, totalling nearly £170,000. A total of 61 quinquennials and 30 ingoing surveys together with seeking tenders were carried out. Sales and transfers (to investment) totalled £1.1m with nearly another £1m sold, subject to contract. Initiatives designed to protect the clergy and their families include concluding installation of carbon monoxide monitors and fitting of smoke detectors; On rental management - 2014 income totalled £262,144, broadly similar to last year's performance. We secured the services of Mark Laws FRICS in succession to Paul Joseland as Chair of the Glebe Committee; Mark comes with over 35 years of wide-ranging rural management/experience. We have completed the first full 12 months of Service Level Agreement (SLA) with the Cathedral including the successful TUPE transition of the Cathedral Property Manager.

Communications produced 6 Spotlights in the new magazine format, trained the first Anglican Voices, plus dozens of individuals, parishes, and deaneries in communication and media, created a new website front page reflecting our five themes, doubled the size of our social media footprint, managed major media events, and secured greater media coverage of church life than before.

Diocesan Advisory Committee carried out over 80 site and officer visits, giving advice to parishes and handling over 2000 enquiries, as well as offering training courses and guidance notes on practical topics. 2014 saw the successful handover from the outgoing Chair of the DAC, Mr Kevin Hartley to the incoming DAC Chair, the Ven. John Hall.

Administration and Governance saw the creation of a new Diocesan Pastoral Officer, and the implementation of new arrangements for DMPC. The database has an 84% satisfaction rate and more parishes are now inputting data directly to the database, improving standards.

Human Resources continued to advise parishes that employ staff, updated the Diocesan website with relevant information, and updated both the Employee Handbook and Clergy Handbook.

Office Services continue to provide parishes with a printing service which is well received. We negotiated an excellent deal with EE that provides mobile telephones and I-pads at a considerable discount. In response to the Diocesan environmental policy, we continue to recycle as much as possible and to consider "greener" ways of working.

Safeguarding has seen a large change and reorganization with the retirement for Charmian Beech at the end of September, a new team of four, backed by an external audit. The team continued to advise the Bishops and parishes on a variety of issues, dealing skilfully with individuals who needed personal help and advice.

Pastoral Care and Wellbeing is a new role placing a diocesan emphasis on the promotion of the well-being of clergy and their families and of LDBF employees. In a developing role, Jane Tillier has already organised two 'Clergy Wellbeing Quiet Days' at Shallowford House.

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 2014. Ten Consultancies were set up with churches identified by Area Bishops.

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 2014, there were exchanges with all four Companion Dioceses and the Nordkirche. 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 2014, more people discerned a call to ordained ministry. There has been more work across boundaries, with the Reader Banquet series a success.

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 2014, through its networks, the department made progress on three big themes: care for the environment, sharing in ministry with older people, and tackling poverty & its causes. Environmental audits began, the Near Neighbours programme arrived in the Black Country, new industrial chaplaincies started, Transforming Communities Together and For Richer, For Poorer both launched, and the Enabling Church conference was a great blessing.

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

Trustees' Report (continued)
For the year ended 31 December 2014

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 2014, the Church of England Central Education Trust launched – a significant strategic development. A new strategic plan for 2014-16 was entered into. 176 schools bought into service agreements for services related to Christian distinctiveness. The Board oversaw £1.2m capital investment in CE 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 2013), peaking at £2.648m. 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. 2014: £1.932m), (2013: £1.934m).

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 2015. 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 2014 was £2.906m (3.01 months), marginally higher than in 2013 where the comparative figures were £2.792m (2.89 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	2.079
Current Assets	6.537
Liabilities	(5.710)
Total Free Reserve	2.906

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

Trustees' Report (continued)
For the year ended 31 December 2014

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

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

Trustees' Report (continued)
For the year ended 31 December 2014

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 (£4.84m), (2013: £4.82m). 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 2014 was valued as follows:

Ashworth/Lowe (Designated)	£3.734m
Fothergill and other Legacies (Designated)	£0.258m
Stipend Reserve (Designated)	£0.485m
Stipend Trust Reserve (Restricted)	£1.461m
Total Stipend Reserve	<u>£5.938m</u>

This gives a Stipend Reserve of 5.63 months (2013: 5.53 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 2015.

In accordance with the Accounting Regulations, the Board is required to express the purposes of each of the Designated and Restricted funds.

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.

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

Trustees' Report (continued)
For the year ended 31 December 2014

- *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.
- *Addition for Mission*: Funds set aside for Mission Orientated projects from the Church Commissioners Ministry Allocation. Posts are funded for a maximum of three years.
- *Mission Development Fund*: Funds set aside from the Church Commissioners Mission Development Fund and supported from part of the grant from All Churches Trust, so support one off diocesan mission projects based on the five Diocesan Themes.

● **Going concern**

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

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

Trustees' Report (continued)
For the year ended 31 December 2014

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

● **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 £25.861m (£23.588m in 2013). The total income return for the year was 4.36% (2013: 4.91%), and the total return on investments for the year was +9.34% (2013: +16.28%). This represents an increase in net capital value of 4.98% in the year (2013: 11.37%).

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 4.73%; over the last five years at 4.74% and over 7 years with an average of 4.64%. 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 12.38%, over five years 9.60% and seven years 5.56%. 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 £11.463m (£10.402m in 2013) 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 2014 the Glebe Land Investments had risen to £11.463m – representing an increase of £1.061m in capital revaluation. The income generated in the year from Glebe Land was £0.139m. 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 10.20% (2013: 12.4%).

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

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

Trustees' Report (continued)
For the year ended 31 December 2014

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

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

Trustees' Report (continued)
For the year ended 31 December 2014

5 Financial review

● Overall Financial Position

Group

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 £18.459m (2013: £17.988m) and expenditure amounted to £18.414m (2013: £18.091m).

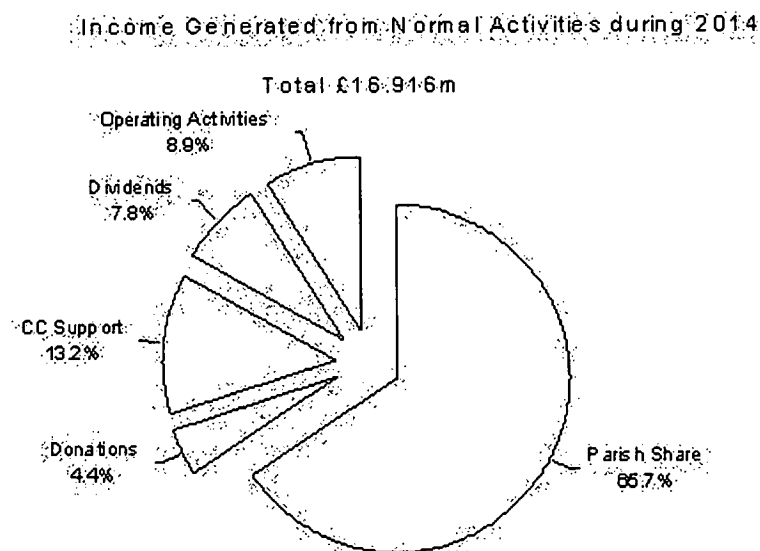
The Statement of Financial Activities (SOFA) for the year shows net incoming resources of £0.045m (2013: outgoing £0.103m), before revaluations. These figures include the surplus on sale of property in the year of £0.595m (2013: £1.108m).

After the revaluation adjustment, the net movement in funds amounted to a surplus of £2.467m (2013: £3.430m). During the year the total fund balances increased from £74.256m to £76.723m.

There was a net overall cash outflow of £0.6811m (2013: cash inflow £2.167m).

	£'000
Net resources expended on normal operations	45
Gain on revaluation of investments	2,374
Gain on sale of investments	48
Net movement in funds	2,467

● Income



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 2014, a total of £11.604m was requested from the parishes in comparison to £11.609m in 2013. By 31 December 2014, a total of £10.559m (2013: £10.591m) had been received, providing a collection rate of 91.00%. This compares to 91.23% collection in 2013.

By 31 January 2014 the collection rate was 96.13%, compared with 95.48% last year, based on final shares requested

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

Trustees' Report (continued)
For the year ended 31 December 2014

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 2014 a total of 95.01% was received against a target of 96% compared to 2013 where 95.42% was achieved compared to a 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 13.16% (2013: 13.12%). 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
Ministerial Training	<u>14</u>
Total Received from National Church in Support	<u>2,226</u>

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 (2013: £0.488m). The main purposes for this area of income are as follows:

	£'000
Stipends	364
Mission, Ministry and Transforming Communities	26
Double Glazing	26
Church Building Supports Officers	21
Bishop's Lent Appeal (for local and international projects)	32
Bishop's Ordination Fund (help for ordinands in training)	<u>19</u>
	<u>488</u>

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

	£'000
Walter Stanley Trust (towards clergy costs in West Bromwich)	117
Ecclesiastical Insurance Group (EIG)	223
English Heritage	21

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).

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 is now free to parishes from 01 November 2013. 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 £1.193m (excluding interest) has been reclaimed and distributed back to parishes compared to £1.020m in the previous year. The latest estimates show that tax-efficient giving across the diocese is approximately 60% although on planned giving the figure is closer to 70%.

During the year a total of £0.258m was generated in the year, compared with £0.294m in 2013. The reason for the decline is due to the scrapping of the Gift Aid Commission Charge in November 2013. Details are shown in Note 5 to the financial statements.

5. Investment Income

Over the last year, the diocese generated £1.320m through dividends, interest received and Glebe Land rents. This represents an increase on 2013 when £1.267m 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. However the Diocese has negotiated a Corporate Deposit Account with instant access with their bankers, giving a premium above base rate dependent on balances over certain limits

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

The rents received from Glebe Land increased from £0.184m in 2013 to £0.216. Investment Property rent received in the year increased to £0.044m from £0.028m in 2013.

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 slightly decreased from £1.531m in 2013 to £1.513m, which in the climate is a remarkable achievement, so remain above £1.5m.

In addition to the Parish Share, the parishes also contributed a further £1.080m in statutory fees, due to services undertaken by the parish clergy within the diocese. This compares with £1.122m in 2013, and £0.894m in 2012. Part of this sustained increase is due to the rise in fees charged under the new Ecclesiastical Fees legislation, which came into force in January 2013 and partly due to more regular returns being undertaken by parishes.

Chaplaincy Income increased marginally, which reflects the change in the increase in agreements on shared ministerial posts. Meanwhile 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 £0.156m in 2013 to £0.192m in 2014. 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

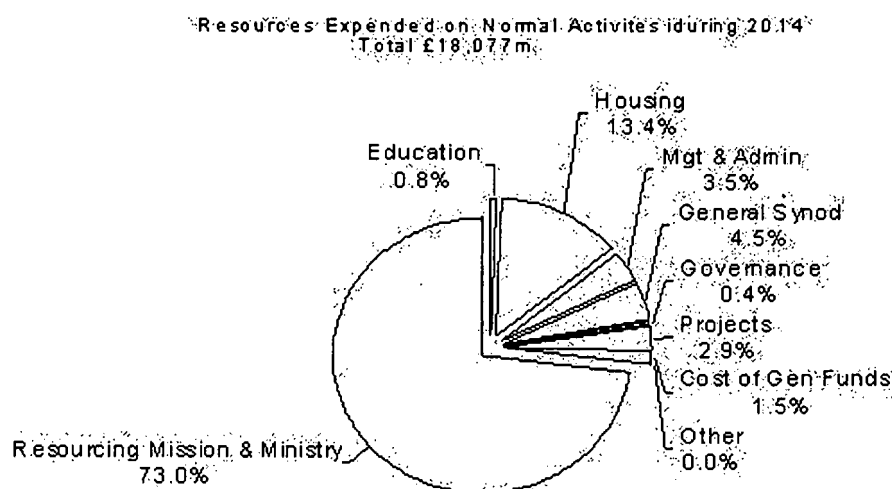
This section deals with funds that have been introduced in the year and surplus from the Sale of Tangible Assets.

In the year six properties were sold, realising a surplus on sale of £0.595m, compared to nine properties being sold in 2013 with a surplus in that year of £1.108m.

In addition this section includes the transfer of Berachah House, the home of the Keele University Chaplain from the Diocesan Trust to the Diocesan Board of Finance. The transfer was completed in November 2014 and totalled £0.286m

• Expenditure

Total resources expended in the year were £18.414m (2013: £18.091m)



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 (1.5%). 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.

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

Trustees' Report (continued)
For the year ended 31 December 2014

In the year the diocese incurred expenditure on Investment Management costs and Agents fees and Commission of £85,598 (2013: £89,324).

Charitable Activities

1. Contributions to Archbishops' Council

In the year the diocese made a contribution of £818,488 (2013: £880,845) towards the Budget of General Synod. This cost includes a contribution of £390,027 (2013: £385,270) towards training future clergy and £297,494 (2013: £316,629) 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 £16.244m was expended in 2014 compared with £16.193m in 2013.

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 £413,249 (2013: £456,780) include the following:

	2014 £'000	2013 £'000
Extra Parishes Expenses	43	52
Sequestration Costs	102	94
Training Ordinands	164	187
Stipend Grants towards Projects or Contribution to Shared Posts	82	105
Rural Dean/Team Rector Expenses	14	13
Criminal Records Bureau	8	5
	<u>413</u>	<u>456</u>

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 2014 £297,006 (2013: £201,989) 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 £2.679m has been awarded from the Growth Fund. At the end of the year, £0.479m 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 £38,924 in 2014 compared with £40,000 in 2013. The grants awarded in 2014, were towards Rooting for Jesus, Enabling Churches for All and Asia CMS.

In 2014, the Board created two new funding streams, Addition for Mission and Mission Development Funding. The Addition for Mission funding is predominantly financed from the Church Commissioners Ministry Support Allocation. The Board agreed with the Commissioners to ring fence £1.75m specifically towards stipends costs and utilise the additional funding for strategically and mission orientated projects across the Diocese. This was done on the basis that the additional funding is short term funding, and cannot be guaranteed at the end of the latest triennial, and therefore enabled the Diocese to budget on a more sustainable level going forward.

The Addition for Mission funds were used to support a project in each Episcopal Area, plus a central post. In Wolverhampton the fund was used to support a Church Plant in Walsall, Stafford Episcopal Area used their allocation for a Mission & Growth Planter in their Area. Salop split their allocation to create several posts, such as two Prayer Advocates, and Evangelism Enablers as well as a Dementia Friendly Church Officer. The Central Post supported the post of a Messy Church Coordinator.

The Mission Development Fund is predominantly supported by the Church Commissioners Mission Development Fund, and part of the grant from All Churches Trust. The fund is designed to assist diocesan initiatives that are supportive of Reaching New Generation, Transforming Communities and Growing Disciples. In 2014 the fund assisted such projects as

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

Trustees' Report (continued)
For the year ended 31 December 2014

Developing Young Leaders, Parish Project Support Officer, and Bursaries for Diocesan Retreat Centres, Prom Praise and Reader Training

The Board made no Political Grants or Donations in 2014.

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 £69,588 compared with £63,273 in 2013.

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.

6 Plans for the future

• Future developments

Deployment

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

With the provision for shortfall in income now embedded within the Diocesan Budget, the Trustees will continue to set annual budgets on a break-even basis, subject to maintaining Free Reserves at the target level and using any additional income to try and smooth the future impact of clergy pension increases. Future Budget Forecasts have filtered in a reduction of up to 40 stipendiary posts. In addition over £250,000 has been removed from central administration costs due to retirements and a change in the Pension Scheme. The Trustees will continue to look at setting priorities of work to ensure the Mission and Ministry are correctly resourced in furthering the aims of the charity. In addition, the Trustees will continue to seek to hold down Parish Share increases in order to allow local funds to be spent on Mission activity.

In addition the Church nationally is facing a reduction in stipendiary clergy in the coming years, with estimates of as much as 40% retiring by 2020, and insufficient Ordinands coming through to replace the retiring clergy. The potential shortfall due to this is around 96 posts. The question facing the diocese and the Church nationally is how to resource the Mission and Ministry in every parish across the diocese.

Resourcing Future Ministry (2019 -2025)

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

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

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

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

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

This fund will not be financed from the Parish Share. The aim is that at some stage in the future it will be designed to ease the burden on parishes through share requests.

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

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

i) Discovering the Heart of God

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

ii) Growing Disciples

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

iii) Reaching new Generations

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

iv) Transforming Communities

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

v) Practising Generosity

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

Strategic Development Funding from the Church Commissioners

Consultations have already commenced between the Church Commissioners and Dioceses over future funding streams. This will directly affect the Ministry or Stipends Allocation the Diocese receives and also the Mission Development Fund. The full extents of the changes are not yet known, although it is anticipated that the level of current funding will fall.

There will be a transitional period of reduction of funding received from the Central Church. Initial suggestions are as long as ten years, although most Dioceses favour a shorter period – no longer than seven years.

From discussions which are at a preliminary stage the Board remains confident that the level of total support will not fall below £1.75m – the current budget forecast for Stipends support. However this does mean that funding for the Growth Fund, Addition for Mission and Mission Development Funding will need to be reconsidered, if able to be supported at all – thus the finance strategy from 2019 as mentioned earlier in this section.

Further funding from the Commissioners will still be available, but it appears that this will only be forthcoming through specific strategic and credible bids.

The Commissioners continue to monitor our "Mission Performance" and have made it clear to all Dioceses that they will not entertain bids that do not directly correlate with Mission Improvement.

Bishop's Staff met early in 2015 with some of the senior Officers to consider the latest Mission statistics, review the Boards progress with Plain Speaking and to brainstorm ideas that will allow us to prepare a possible bid.

The conclusions were as follows:

- parishes in every quadrant need bespoke support from a variety of external sources.
- organise "Tillington 3" to engage the same wide audience as before.
- to do a great deal of data cleansing and analysis to ensure confidence in the figures being presented.
- to put in a professional bid by October 2015 that complements our Plain Speaking work and our Diocesan Mission Action Plan.

We will set up two small working groups:

- (i) Bid preparation (+Clive, AD Matthew, Colin Hopkins, David Primrose and George Fisher + 2 from wider Diocese) The team will be represented at a national training conference on the bid process in May
- (ii) Data analysis (Jonathan Hill, Richard Barrett, Mithra Tonking and a Parish Assessor)

7 Custodian Trustees

The Board acts as Custodian Trustees to six specific funds totalling £311,046 as at 31 December 2014. 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 2014
Archdeacon of Lichfield Disc Fund	£32,548
Archdeacon of Stoke Disc Fund	£67,136
Archdeacon of Salop Disc Fund	£29,735
Archdeacon of Walsall Disc Fund	£104,079
Bishop of Lichfield Disc Fund	£46,428
Women's Ministry	£31,120

Members' liability

The Members of the company and the group guarantee to contribute an amount not exceeding £1 to the assets of the charity in the event of winding up.

Employee involvement and employment of the disabled

Employees have been consulted on issues of concern to them by means of regular consultative committee and staff meetings and have been kept informed on specific matters directly by management. The company and the group carries out exit interviews for all staff leaving the organisation and has adopted a procedure of upward feedback for senior management and the Trustees.

The company and the group has implemented a number of detailed policies in relation to all aspects of personnel matters including:

- Equal opportunities policy
- Volunteers' policy
- Health & safety policy

In accordance with the company and the group's Equal opportunities policy, the company and the group has long established fair employment practices in the recruitment, selection, retention and training of disabled staff.

Full details of these policies are available from the company and the group's offices.

[Handwritten signature]

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

Trustees' Report (continued)
For the year ended 31 December 2014

Trustees' responsibilities statement

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

Company law requires the Trustees to prepare financial statements for each financial year. Under company law the Trustees must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the charitable company and the group and of the incoming resources and application of resources, including the income and expenditure, of the charitable group for that period. In preparing these financial statements, the Trustees are required to:

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

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

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

Disclosure of information to auditors

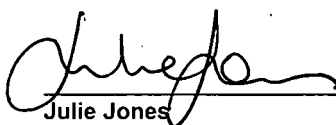
Each of the persons who are Trustees at the time when this Trustees' report is approved has confirmed that:

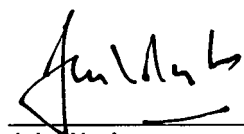
- so far as that Trustee is aware, there is no relevant audit information of which the charitable group's auditors are unaware, and
- that Trustee has taken all the steps that ought to have been taken as a Trustee in order to be aware of any relevant audit information and to establish that the charitable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

Auditors

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

This report, incorporating the Group strategic report, was approved by the Trustees, in their capacity as company directors, on 24 June 2015 and signed on their behalf by:


Julie Jones
Chief Executive Officer &
Company Secretary


John Naylor
Chairman

Independent Auditors' Report to the Members of Lichfield Diocesan Board of Finance

We have audited the financial statements of Lichfield Diocesan Board of Finance for the year ended 31 December 2014 which comprise the consolidated statement of financial activities, the consolidated and company balance sheets, the consolidated cash flow statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

Respective responsibilities of Trustees and auditors

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

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

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the parent charitable company's affairs as at 31 December 2014 and of the group's incoming resources and application of resources, including its income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Trustees' report, incorporating the Group strategic report, for the financial year for which the financial statements are prepared is consistent with the financial statements.

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

Independent Auditors' Report to the Members of Lichfield Diocesan Board of Finance

Matters on which we are required to report by exception

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

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

Dains LLP

Andrew Morris FCA (Senior statutory auditor)

for and on behalf of

Dains LLP

Statutory Auditor
Chartered Accountants

Birmingham
24 June 2015

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

Consolidated Statement of Financial Activities
(Incorporating Consolidated Income and Expenditure Account)
For the year ended 31 December 2014

	Note	Unrestricted funds 2014 £000	Restricted funds 2014 £000	Endowment funds 2014 £000	Total funds 2014 £000	Total funds 2013 £000
Incoming resources						
Incoming resources from generated funds:						
Parish Contributions	3	11,113	-	-	11,113	11,088
Archbishops' Council	4	2,026	200	-	2,226	2,212
Other	5	538	242	-	780	488
Activities for generating funds	6	276	-	-	276	294
Investment income	7	496	811	15	1,322	1,267
Incoming resources from charitable activities	8	1,829	-	-	1,829	1,531
Other incoming resources	9	32	881	-	913	1,108
Total incoming resources		16,310	2,134	15	18,459	17,988
Resources expended						
Costs of generating funds:						
Costs of generating voluntary income	10	71	56	-	127	100
Investment management expenses	11	123	21	-	144	152
Charitable activities:						
Contributions to Archbishops Council	12	818	-	-	818	-
Resourcing ministry & mission	13	15,512	1,068	-	16,580	-
Education	14	137	-	-	137	-
Diocesan projects	15	147	384	-	531	-
Other costs of activities		-	-	-	-	17,444
Governance costs	16	70	-	-	70	63
Other resources expended	17	2	5	-	7	332
Total resources expended		16,880	1,534	-	18,414	18,091
Net incoming / (outgoing) resources before transfers		(570)	600	15	45	(103)
Transfers between Funds	28	870	(855)	(15)	-	-
Net incoming resources / (resources expended) before revaluations		300	(255)	-	45	(103)
Gains and losses on revaluations of investment assets	22	379	2,025	18	2,422	3,533
Net movement in funds for the year		679	1,770	18	2,467	3,430
Total funds at 1 January 2014		10,416	63,519	321	74,256	70,826
Total funds at 31 December 2014		11,095	65,289	339	76,723	74,256

All activities relate to continuing operations.

The notes on pages 43 to 69 form part of these financial statements.

The Lichfield Diocesan Board of Finance (Incorporated)

(A company limited by guarantee)

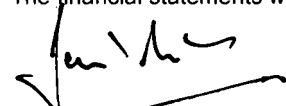
Registered number: 00239561

Consolidated Balance Sheet

As at 31 December 2014

	Note	£000	2014 £000	£000	2013 £000
Fixed assets					
Tangible assets	21		34,230		34,777
Investments	22		37,324		33,991
			<u>71,554</u>		<u>68,768</u>
Current assets					
Stocks	23	9		-	
Debtors: amounts falling due after more than one year	24	1,274		1,332	
Debtors: amounts falling due within one year	24	2,660		2,414	
Investments	25	299		296	
Cash at bank and in hand		4,851		5,465	
		<u>9,093</u>		<u>9,507</u>	
Creditors: amounts falling due within one year	26	<u>(2,935)</u>		<u>(2,999)</u>	
Net current assets			<u>6,158</u>		<u>6,508</u>
Total assets less current liabilities			<u>77,712</u>		<u>75,276</u>
Creditors: amounts falling due after more than one year	27		<u>(989)</u>		<u>(1,020)</u>
Net assets			<u><u>76,723</u></u>		<u><u>74,256</u></u>
Charity funds					
Endowment funds	28		339		321
Restricted funds	28		65,289		63,519
Unrestricted funds	28		11,095		10,416
Total funds			<u><u>76,723</u></u>		<u><u>74,256</u></u>

The financial statements were approved by the Trustees on 24 June 2015 and signed on their behalf, by:


 Mr J T Naylor
 Chairman

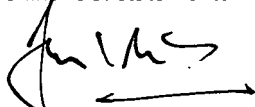
The notes on pages 43 to 69 form part of these financial statements.

The Lichfield Diocesan Board of Finance (Incorporated)
 (A company limited by guarantee)
 Registered number: 00239561

Company Balance Sheet
As at 31 December 2014

	Note	£000	2014 £000	£000	2013 £000
Fixed assets					
Tangible assets	21		33,844		34,777
Investments	22		37,255		33,991
			<u>71,099</u>		<u>68,768</u>
Current assets					
Debtors: amounts falling due after more than one year	24	1,468		1,332	
Debtors: amounts falling due within one year	24	2,654		2,414	
Investments	25	299		296	
Cash at bank		4,784		5,465	
		<u>9,205</u>		<u>9,507</u>	
Creditors: amounts falling due within one year	26	<u>(2,888)</u>		<u>(2,999)</u>	
Net current assets			<u>6,317</u>		<u>6,508</u>
Total assets less current liabilities			<u>77,416</u>		<u>75,276</u>
Creditors: amounts falling due after more than one year	27		<u>(989)</u>		<u>(1,020)</u>
Net assets			<u>76,427</u>		<u>74,256</u>
Charity funds					
Endowment funds	28		339		321
Restricted funds	28		65,144		63,518
Unrestricted funds	28		10,944		10,417
Total funds			<u>76,427</u>		<u>74,256</u>

The financial statements were approved by the Trustees on 24 June 2015 and signed on their behalf, by:



 Mr J T Naylor
 Chairman

The notes on pages 43 to 69 form part of these financial statements.

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

Consolidated Cash Flow Statement
For the year ended 31 December 2014

	Note	2014 £000	2013 £000
Net cash flow from operating activities	30	(917)	(692)
Returns on investments and servicing of finance	31	1,028	1,027
Capital expenditure and financial investment	31	(648)	1,372
Cash (outflow)/inflow before financing		(537)	1,707
Financing	31	(77)	460
(Decrease)/Increase in cash in the year		(614)	2,167

Reconciliation of Net Cash Flow to Movement in Net Funds
For the year ended 31 December 2014

	2014 £000	2013 £000
(Decrease)/Increase in cash in the year	(614)	2,167
Cash outflow from decrease in debt and lease financing	77	(460)
Movement in net funds in the year	(537)	1,707
Net funds at 1 January 2014	4,867	3,160
Net funds at 31 December 2014	4,330	4,867

The notes on pages 43 to 69 form part of these financial statements.

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

Notes to the Financial Statements
For the year ended 31 December 2014

1. Accounting Policies

1.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention, with the exception of investments which are included at market value. The financial statements have been prepared in accordance with the Statement of Recommended Practice (SORP), 'Accounting and Reporting by Charities' published in March 2005, applicable accounting standards, the Charities Act 2011 and the Companies Act 2006.

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

No separate SOFA has been presented for the company alone as permitted by section 408 of the Companies Act 2006 and paragraph 397 of the SORP.

The following principal accounting policies have been applied consistently throughout the year and the preceding year:

1.2 Going concern

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

1.3 Company status

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

1.4 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.

1. Accounting Policies (continued)

1.5 Incoming resources

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.

Voluntary Income

Parish Share

The Parish Share for the year ended 31 December 2014 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.

Other voluntary income

Other voluntary income is recognised 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.

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.

1.6 Resources expended

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.

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.

1.7 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 can be summarised as follows:

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

1. Accounting Policies (continued)

1.8 Tangible fixed assets and depreciation

Freehold Property

Financial Reporting Standard 15 "Tangible Fixed Assets" (FRS 15) 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.

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. Following the year end the property was purchased by the Charity.

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.

1.9 Investments

Investments are stated at market value at the balance sheet date. The Statement of financial activities includes the net gains and losses arising on revaluations and disposals throughout the year.

1.10 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.

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

Notes to the Financial Statements
For the year ended 31 December 2014

1. Accounting Policies (continued)

1.11 Property

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.

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 £	2013 £
Benefice houses	-	19,389	19,389	22,262
Glebe houses	-	50,862	50,862	76,647
Board houses	-	-	-	-
Total	-	70,251	70,251	98,909

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	CC's proportion	Board proportion	Total £	2013 £
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

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.

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.

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.

The Lichfield Diocesan Board of Finance (Incorporated)

(A company limited by guarantee)

**Notes to the Financial Statements
For the year ended 31 December 2014**

1. Accounting Policies (continued)

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

Investment property

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

Redundant church property fund

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

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

Battlefield	Longford
Patshull S Mary	Preston Gubbals
Shrewsbury S Mary	Stirchley S James
Wroxeter S Andrew	

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

1.12 Stocks

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

1.13 Taxation

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

2. Voluntary income

	Unrestricted funds 2014 £000	Restricted funds 2014 £000	Endowment funds 2014 £000	Total funds 2014 £000	Total funds 2013 £000
Parish Contributions	11,113	-	-	11,113	11,088
Archbishops' Council	2,026	200	-	2,226	2,212
Other	538	242	-	780	488
	<u>13,677</u>	<u>442</u>	<u>-</u>	<u>14,119</u>	<u>13,788</u>

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

Notes to the Financial Statements
For the year ended 31 December 2014

3. Parish contribution

	Unrestricted funds 2014 £000	Restricted funds 2014 £000	Endowment funds 2014 £000	Total Funds 2014 £000	Total Funds 2013 £000
Parish share contributions requested	11,604	-	-	11,604	11,609
Less share written off not provided for	(239)	-	-	(239)	(203)
Less increase in provision for doubtful debts	(252)	-	-	(252)	(318)
	<u>11,113</u>	<u>-</u>	<u>-</u>	<u>11,113</u>	<u>11,088</u>

Provision for doubtful debts

	2014 £000	2013 £000
Total share arrears as at 31 December	2,153	1,971
Arrears received in January 2015	(384)	(306)
Provision at year end	<u>1,769</u>	<u>1,665</u>
Provision for doubtful debts as at 1 January	1,665	1,526
Written off in the year	(148)	(179)
	<u>(1,517)</u>	<u>(1,347)</u>
Increase in provision for doubtful debts in the year	<u>252</u>	<u>318</u>

4. Voluntary income from Archbishop's Council

	Unrestricted funds 2014 £000	Restricted funds 2014 £000	Endowment funds 2014 £000	Total Funds 2014 £000	Total Funds 2013 £000
Selective Allocation	1,948	-	-	1,948	1,948
Parish mission fund	64	200	-	264	264
Training Grant	14	-	-	14	-
	<u>2,026</u>	<u>200</u>	<u>-</u>	<u>2,226</u>	<u>2,212</u>

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

Notes to the Financial Statements
For the year ended 31 December 2014

5. Other voluntary income

	Unrestricted funds 2014 £000	Restricted funds 2014 £000	Endowment funds 2014 £000	Total Funds 2014 £000	Total Funds 2013 £000
All Churches Trust	223	-	-	223	212
Walter Stanley Trust	117	-	-	117	115
Donations	14	57	-	71	88
Recovered Gift Aid	2	4	-	6	7
Training Income	13	-	-	13	-
Other Grants	35	22	-	57	66
St Chad's Retreat Centre	134	159	-	293	-
	<u>538</u>	<u>242</u>	<u>-</u>	<u>780</u>	<u>488</u>

6. Income from activities for generating funds

	Unrestricted funds 2014 £000	Restricted funds 2014 £000	Endowment funds 2014 £000	Total funds 2014 £000	Total funds 2013 £000
Gift aid commission	3	-	-	3	35
Rental income from Parsonages	116	-	-	116	95
Rental income from Glebe Houses/DBF	139	-	-	139	164
St Chad's Retreat Centre	18	-	-	18	-
	<u>276</u>	<u>-</u>	<u>-</u>	<u>276</u>	<u>294</u>

7. Investment income

	Unrestricted funds 2014 £000	Restricted funds 2014 £000	Endowment funds 2014 £000	Total funds 2014 £000	Total funds 2013 £000
Rents receivable	217	44	-	261	212
Dividends receivable	253	750	15	1,018	1,020
Interest receivable	26	14	-	40	32
Investment interest received	-	3	-	3	3
	<u>496</u>	<u>811</u>	<u>15</u>	<u>1,322</u>	<u>1,267</u>

The Lichfield Diocesan Board of Finance (Incorporated)

(A company limited by guarantee)

Notes to the Financial Statements
For the year ended 31 December 2014

8. Incoming resources from charitable activities

	Unrestricted funds 2014 £000	Restricted funds 2014 £000	Endowment funds 2014 £000	Total funds 2014 £000	Total funds 2013 £000
Statutory fees	1,080	-	-	1,080	1,122
Chaplaincy income	207	-	-	207	183
Church Commissioners	2	-	-	2	2
Sequestration accounts	32	-	-	32	68
Miscellaneous income	192	-	-	192	156
St Chad's Retreat Centre	316	-	-	316	-
	<u>1,829</u>	<u>-</u>	<u>-</u>	<u>1,829</u>	<u>1,531</u>

9. Other incoming resources

	Unrestricted funds 2014 £000	Restricted funds 2014 £000	Endowment funds 2014 £000	Total funds 2014 £000	Total funds 2013 £000
Gains on disposal of property	-	595	-	595	1,108
Gains on pensions revaluations	32	-	-	32	-
Funds introduced	-	286	-	286	-
	<u>32</u>	<u>881</u>	<u>-</u>	<u>913</u>	<u>1,108</u>

10. Costs of generating voluntary income

	Unrestricted funds 2014 £000	Restricted funds 2014 £000	Endowment funds 2014 £000	Total funds 2014 £000	Total funds 2013 £000
Fund raising expenditure	71	56	-	127	100

11. Investment management costs

	Unrestricted funds 2014 £000	Restricted funds 2014 £000	Endowment funds 2014 £000	Total funds 2014 £000	Total funds 2013 £000
Investment management costs	19	12	-	31	15
Agents fees & commissions	55	-	-	55	74
Associated costs	49	9	-	58	63
	<u>123</u>	<u>21</u>	<u>-</u>	<u>144</u>	<u>152</u>

The Lichfield Diocesan Board of Finance (Incorporated)

(A company limited by guarantee)

Notes to the Financial Statements

For the year ended 31 December 2014

12. Contributions to Archbishop's Council

	Unrestricted funds 2014 £000	Restricted funds 2014 £000	Endowment funds 2014 £000	Total Funds 2014 £000	Total Funds 2013 £000
Training for Ministry	390	-	-	390	385
National Church					
Responsibilities	298	-	-	298	317
Grants and Provisions	37	-	-	37	38
Mission Agency Pension					
Contributions	22	-	-	22	16
Retired Clergy Housing Costs (CHARM)	119	-	-	119	120
Pooling of Ordinary Candidates Costs	(48)	-	-	(48)	5
	<u>818</u>	<u>-</u>	<u>-</u>	<u>818</u>	<u>881</u>

13. Expenditure on resourcing Ministry and Mission

	Unrestricted funds 2014 £000	Restricted funds 2014 £000	Endowment funds 2014 £000	Total Funds 2014 £000	Total Funds 2013 £000
Parish Ministry					
Stipends & National Insurance	7,227	-	-	7,227	7,358
Pension Contributions	2,259	-	-	2,259	2,264
Housing Costs	2,626	911	-	3,537	3,357
Removal, resettlement and other grants	173	-	-	173	141
Other expenses	413	-	-	413	457
	<u>12,698</u>	<u>911</u>	<u>-</u>	<u>13,609</u>	<u>13,577</u>
Support for Ministry					
Support for Ministry	1,857	147	-	2,004	1,947
Management & Administration	632	-	-	632	669
St Chad's Retreat Centre	324	10	-	334	-
	<u>15,511</u>	<u>1,068</u>	<u>-</u>	<u>16,580</u>	<u>16,193</u>
Housing costs include:					
Depreciation	41	848	-	889	900
Maintenance	1,626	43	-	1,669	1,518
Management of housing stock	293	-	-	293	254
Council tax / water rates	666	-	-	666	651
Miscellaneous	-	20	-	20	34
	<u>2,626</u>	<u>911</u>	<u>-</u>	<u>3,537</u>	<u>3,357</u>

The Lichfield Diocesan Board of Finance (Incorporated)
(A company limited by guarantee)
Notes to the Financial Statements
For the year ended 31 December 2014

Support for Ministry include:

	Unrestricted funds 2014 £000	Restricted funds 2014 £000	Endowment funds 2014 £000	Total Funds 2014 £000	Total Funds 2013 £000
Central sector Ministry	1,092	-	-	1,092	-
Diocesan services to parishes	260	-	-	260	-
Archdeacons, Bishop support costs	425	-	-	425	-
Miscellaneous	80	147	-	227	-
	<u>1,857</u>	<u>147</u>	<u>-</u>	<u>2,004</u>	<u>-</u>

14. Expenditure on Education

	Unrestricted funds 2014 £000	Restricted funds 2014 £000	Endowment funds 2014 £000	Total Funds 2014 £000	Total Funds 2013 £000
Administration	137	-	-	137	128
	<u>137</u>	<u>-</u>	<u>-</u>	<u>137</u>	<u>128</u>

15. Expenditure on Diocesan Projects

	Unrestricted funds 2014 £000	Restricted funds 2014 £000	Endowment funds 2014 £000	Total Funds 2014 £000	Total Funds 2013 £000
Growth Fund Projects	-	297	-	297	202
Addition for Mission	107	-	-	107	-
Diocesan Bishops Lent Appeal	-	39	-	39	40
Mission Development Fund	40	-	-	40	-
Other	-	48	-	48	-
	<u>147</u>	<u>384</u>	<u>-</u>	<u>531</u>	<u>242</u>

16. Governance costs

	Unrestricted funds 2014 £000	Restricted funds 2014 £000	Endowment funds 2014 £000	Total funds 2014 £000	Total funds 2013 £000
Auditors' remuneration	27	-	-	27	23
Diocesan Synod expenses	8	-	-	8	5
General Synod representation	15	-	-	15	16
Other committee costs	20	-	-	20	19
	<u>70</u>	<u>-</u>	<u>-</u>	<u>70</u>	<u>63</u>

The Lichfield Diocesan Board of Finance (Incorporated)

(A company limited by guarantee)

**Notes to the Financial Statements
For the year ended 31 December 2014**

17. Other resources expended

	Unrestricted funds 2014 £000	Restricted funds 2014 £000	Endowment funds 2014 £000	Total funds 2014 £000	Total funds 2013 £000
Redundant Churches	-	5	-	5	7
Loss on fixed asset disposal	2	-	-	2	1
Provision for doubtful debts - loans	-	-	-	-	324
	<u>2</u>	<u>5</u>	<u>-</u>	<u>7</u>	<u>332</u>

18. Analysis of resources expended by activities

	Activities undertaken directly 2014 £000	Support costs 2014 £000	Total 2014 £000	Total 2013 £000
Contribution to Archbishops' Council	818	-	818	881
Resourcing Ministry & Mission	15,915	665	16,580	16,193
Education	137	-	137	128
Diocesan Projects	531	-	531	242
	<u>17,401</u>	<u>665</u>	<u>18,066</u>	<u>17,444</u>

19. Net incoming / (outgoing) resources

This is stated after charging:

	2014 £000	2013 £000
Depreciation of tangible fixed assets:		
- owned by the charitable group	979	974
- leased by the charity	8	8
Auditors' remuneration	27	23
Profit on disposal of fixed assets	593	1,108
Unrealised gains on revaluation of investments	1,309	3,471
Lease payments of buildings - St Mary's House	14	14
Gross rental income	<u>516</u>	<u>471</u>

During the year, no Trustees received any remuneration (2013 - £NIL).

During the year, no Trustees received any benefits in kind (2013 - £NIL).

During the year the charity made contributions to the Church Commissioners at the standard rate agreed by the Diocesan Synod towards the stipends, national insurance and pension contributions of the licensed clergy who are Directors of the Charity 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 £705 (2013 - £563).

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

Notes to the Financial Statements
For the year ended 31 December 2014

20. Staff costs

Staff costs were as follow:

	2014 £000	2013 £000
Wages and salaries	1,637	1,336
Social security costs	137	125
Other pension costs	241	220
	<u>2,015</u>	<u>1,681</u>

The average monthly number of employees based on full time equivalents, during the year was as follows:

	2014 No	2013 No
Management and administration	21.87	21.20
Addition for mission	2.73	-
Archdeacons and Bishop's support staff	8.47	8.50
Central sector ministers / advisers and support staff	28.33	32.14
St Chad's Retreat Centre	20.00	-
	<u>81.40</u>	<u>61.84</u>

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

£60,000 - £70,000	2	1
£70,000 - £80,000	1	2
£80,000 - £90,000	1	1
	<u>4</u>	<u>4</u>

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

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

Notes to the Financial Statements
For the year ended 31 December 2014

21. Tangible fixed assets

Group	Parsonages £000	Glebe/team vicarages/DBF £000	Leasehold property £000	Office equipment £000	Total £000
Cost					
At 1 January 2014	27,494	17,489	164	685	45,832
Additions	-	764	-	76	840
Transfers intra group	-	(68)	-	-	(68)
Disposals	(88)	(380)	-	(10)	(478)
Transfer between classes	(237)	237	-	-	-
At 31 December 2014	27,169	18,042	164	751	46,126
Depreciation					
At 1 January 2014	7,049	3,403	145	458	11,055
Charge for the year	544	363	8	73	988
Transfers intra group	-	(19)	-	-	(19)
On disposals	(25)	(95)	-	(8)	(128)
Transfer between classes	(66)	66	-	-	-
At 31 December 2014	7,502	3,718	153	523	11,896
Net book value					
At 31 December 2014	19,667	14,324	11	228	34,230
At 31 December 2013	20,445	14,086	19	227	34,777
Company					
Cost					
At 1 January 2014	27,494	17,489	164	685	45,832
Additions	-	361	-	76	437
Transfers intra group	-	(68)	-	-	(68)
Disposals	(88)	(380)	-	(10)	(478)
Transfer between classes	(237)	237	-	-	-
At 31 December 2014	27,169	17,639	164	751	45,723
Depreciation					
At 1 January 2014	7,049	3,403	145	458	11,055
Charge for the year	544	346	8	73	971
Transfers intra group	-	(19)	-	-	(19)
On disposals	(25)	(95)	-	(8)	(128)
Transfer between classes	(66)	66	-	-	-
At 31 December 2014	7,502	3,701	153	523	11,879
Net book value					
At 31 December 2014	19,667	13,938	11	228	33,844
At 31 December 2013	20,445	14,086	19	227	34,777

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

Notes to the Financial Statements
For the year ended 31 December 2014

22. Fixed asset investments

Group	Agricultural land £000	Residential property £000	Listed investments £000	Total £000
Market value				
At 1 January 2014	10,402	1,088	22,501	33,991
Additions	-	-	1,525	1,525
Disposals	-	-	(615)	(615)
Revaluations	1,061	205	1,108	2,374
Transfers intra group	-	49	-	49
At 31 December 2014	11,463	1,342	24,519	37,324
Historical cost	4,149	817	17,505	22,471

Company	Agricultural land £000	Residential property £000	Listed investments £000	Total £000
Market value				
At 1 January 2014	10,402	1,088	22,501	33,991
Additions	-	-	1,460	1,460
Disposals	-	-	(615)	(615)
Revaluations	1,061	205	1,104	2,370
Transfers intra group	-	49	-	49
At 31 December 2014	11,463	1,342	24,450	37,255
Historical cost	4,149	817	17,441	22,407

23. Stocks

	Group		Company	
	2014 £000	2013 £000	2014 £000	2013 £000
Finished goods	9	-	-	-

The Lichfield Diocesan Board of Finance (Incorporated)

(A company limited by guarantee)

**Notes to the Financial Statements
For the year ended 31 December 2014**

24. Debtors

	Group		Company	
	2014	2013	2014	2013
	£000	£000	£000	£000
Due after more than one year				
Other debtors	6	2	6	2
Loans	1,268	1,330	1,462	1,330
	1,274	1,332	1,468	1,332
	Group		Company	
	2014	2013	2014	2013
	£000	£000	£000	£000
Due within one year				
Parish share (net of provision)	384	306	384	306
Amounts owed by group undertakings	-	-	34	-
Assigned fees	172	152	172	152
Loans	164	198	164	198
Outstanding sale proceeds	136	146	136	146
Prepayments	284	283	273	283
Accrued income	285	208	285	208
Recharges	645	637	645	637
Due from Board of Education	129	163	129	163
Sundry	461	321	432	321
	2,660	2,414	2,654	2,414

Loans

Due in under on year

Staff loans	14	14
Cathedral	50	50
Loans to Parishes	100	134
	164	198

Due in more than one year

Staff loans	33	26
Equity sharing loan (Perrycroft Crescent)	50	50
Loan to the Cathedral	400	450
Loans to the Parishes	979	804
	1,462	1,330

Total Loans as at 31 December

1,626 **1,528**

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

Notes to the Financial Statements
For the year ended 31 December 2014

Provision for doubtful debt

	2014 £000	2013 £000
Share		
Balance as at 1 January	1,665	1,526
Provision written off in year	(149)	(179)
Current years arrears - added to provision	253	318
	<u>1,769</u>	<u>1,665</u>
Provision as at 31 December	<u>1,769</u>	<u>1,665</u>

25. Current asset investments

	<u>Group</u>		<u>Company</u>	
	2014 £000	2013 £000	2014 £000	2013 £000
West Bromwich building society corporate deposit	299	296	299	296
	<u>299</u>	<u>296</u>	<u>299</u>	<u>296</u>

26. Creditors:
Amounts falling due within one year

	<u>Group</u>		<u>Company</u>	
	2014 £000	2013 £000	2014 £000	2013 £000
Loans from Church Commissioners - CCLA	50	50	50	50
Loans from Church Commissioners - Mortgages	27	28	27	28
Payments received on account	16	-	-	-
Trade creditors	1,092	1,173	1,091	1,173
Deferred grants	400	359	400	359
Other taxation and social security	8	-	-	-
DBS pensions	-	99	-	99
Corporate deposit creditor	1,206	1,200	1,206	1,200
Other creditors	19	-	-	-
Accruals	117	90	114	90
	<u>2,935</u>	<u>2,999</u>	<u>2,888</u>	<u>2,999</u>

The Lichfield Diocesan Board of Finance (Incorporated)
(A company limited by guarantee)
Notes to the Financial Statements
For the year ended 31 December 2014

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

	Group		Company	
	2014	2013	2014	2013
	£000	£000	£000	£000
Loans from Church Commissioners - CCLA	400	450	400	450
Loans from Church Commissioners - Mortgages	44	70	44	70
Loans from Church Commissioners - Value linked loans	297	297	297	297
DBS pension	-	16	-	16
Deferred grants	248	187	248	187
	989	1,020	989	1,020

Included within the above are amounts falling due as follows:

	Group		Company	
	2014	2013	2014	2013
	£000	£000	£000	£000
Between one and two years				
Loans from Church Commissioners - CCLA	50	50	50	50
Loans from Church Commissioners - Mortgages	11	27	11	27
Between two and five years				
Loans from Church Commissioners - CCLA	200	200	200	200
Loans from Church Commissioners - Mortgages	28	30	28	30
Over five years				
Loans from Church Commissioners - CCLA	150	200	150	200
Loans from Church Commissioners - Mortgages	5	13	5	13

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

	Group		Company	
	2014	2013	2014	2013
	£000	£000	£000	£000
Repayable by instalments	155	213	155	213

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

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

Notes to the Financial Statements
For the year ended 31 December 2014

28. Statement of funds

	Brought Forward £000	Incoming resources £000	Resources Expended £000	Transfers in/out £000	Gains/ (Losses) £000	Carried Forward £000
Designated funds						
Ashworth/Lowe	3,547	155	-	(155)	187	3,734
Chairmans Fund	6	6	-	-	-	12
Pension/Surplus Provision	208	1	-	(120)	-	89
DBF Designated Houses	1,266	-	(60)	63	131	1,400
Swanwick	35	6	(37)	-	-	4
Diocesan Growth Fund	612	3	(4)	-	-	611
Vacancy in See Contingency Fund	9	-	-	3	-	12
Lambeth Conference	7	-	-	1	-	8
Forthergill Bequest	229	9	-	(9)	14	243
Other Legacies	14	1	-	(1)	1	15
General Designated Funds (2006 Surplus)	225	1	(1)	(33)	-	192
DBS Pension Provision	(115)	181	-	82	-	148
Future clergy pension	-	1	-	(1)	-	-
Stipend Reserve - Designated	485	-	-	-	-	485
Double Glazing Scheme	292	26	(152)	175	-	341
Community of St Chad	1	-	-	1	-	2
Addition for Mission	-	212	(107)	-	-	105
Mission development	-	80	(40)	12	-	52
	<u>6,821</u>	<u>682</u>	<u>(401)</u>	<u>18</u>	<u>333</u>	<u>7,453</u>
General funds						
General	3,595	15,158	(16,152)	848	42	3,491
St Chad's Retreat Centre	-	470	(327)	4	4	151
	<u>3,595</u>	<u>15,628</u>	<u>(16,479)</u>	<u>852</u>	<u>46</u>	<u>3,642</u>
Total Unrestricted funds	<u>10,416</u>	<u>16,310</u>	<u>(16,880)</u>	<u>870</u>	<u>379</u>	<u>11,095</u>
Endowment funds						
Endowment funds	<u>321</u>	<u>15</u>	<u>-</u>	<u>(15)</u>	<u>18</u>	<u>339</u>

The Lichfield Diocesan Board of Finance (Incorporated)

(A company limited by guarantee)

Notes to the Financial Statements
For the year ended 31 December 2014

28. Statement of funds (continued)

Restricted funds

Property Reserve	1,117	-	(34)	-	-	1,083
Trust Reserve	1,717	344	(4)	(58)	87	2,086
End & Glebe	10,638	463	(272)	(601)	-	10,228
Benefice	20,423	127	(548)	(353)	-	19,649
Stipends Capital	4,029	174	(44)	480	218	4,857
Pastoral Fund	7,156	248	(39)	(139)	252	7,478
Diocesan Loan Fund	1,859	51	-	-	51	1,961
Clergy Windows & Orphans	750	28	(27)	-	37	788
Interior Decoration Scheme	147	18	(6)	-	23	182
Lent Appeal	2	33	(44)	-	-	(9)
Ordination	88	23	(2)	(15)	4	98
Glebe Land	10,022	-	-	-	1,061	11,083
Redundant Property	485	5	(9)	(5)	4	480
Parish Mission Project	32	1	-	-	1	34
Bridgebuilders	229	9	(7)	-	11	242
Diocesan Growth Fund	(82)	203	(298)	5	-	(172)
Glebe Land Sales	3,387	158	(99)	(157)	205	3,494
Stipend Trust Reserve	1,395	56	(3)	(53)	66	1,461
Church Building Support Officer	1	21	(43)	35	-	14
Diocesan Church Building Support Officer	36	-	(1)	(35)	-	-
Telford Pioneer Officer	10	8	(43)	37	-	12
Lichfield Theological Forum	5	-	(1)	-	-	4
Ministry @ Work	-	-	-	8	-	8
DBF Investment Property Reserve	73	5	-	-	5	83
St Chad's Retreat Centre	-	159	(10)	(4)	-	145

	63,519	2,134	(1,534)	(855)	2,025	65,289
--	--------	-------	---------	-------	-------	--------

Total of funds	74,256	18,459	(18,414)	-	2,422	76,723
----------------	--------	--------	----------	---	-------	--------

Summary of funds

	Brought Forward £000	Incoming resources £000	Resources Expended £000	Transfers in/out £000	Gains/ (Losses) £000	Carried Forward £000
Designated funds	6,821	682	(401)	18	333	7,453
General funds	3,595	15,628	(16,479)	852	46	3,642
	10,416	16,310	(16,880)	870	379	11,095
Endowment funds	321	15	-	(15)	18	339
Restricted funds	63,519	2,134	(1,534)	(855)	2,025	65,289
	74,256	18,459	(18,414)	-	2,422	76,723

28. Statement of funds (continued)

Designated Funds

1. Ashworth/Lowe

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

2. Chairman's Fund

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

3. Pension Provisions Fund

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

4. DBF Designated Houses Fund

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

5. Swanwick Conferences

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

6. Diocesan Bishop's Growth Fund

It was agreed in October 2004 to set aside £456,635 from the 2005 Budget to enable up to £1m capital to be raised so as to generate additional income which could be used through grants to support Growth and Mission work throughout the diocese. The fund is also supported by income from other Designated Funds (pensions provision) and some Restricted Funds, including Parish Mission Fund Grants from the National Church. The Trustees have agreed that the next triennial tranche of funds from the National Church for 2014 to 2016, £600,000 (£200,000 per annum for each of the three years) is to be used to continue to support growth projects.

7. Vacancy in See Fund

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

8. Lambeth Conference

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

9. Fothergill Bequest (inc other Legacies)

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

10. General Designated Fund

Once the reserves are reviewed, if there remains any surplus funds these are transferred in to this Designated Fund to be allocated for specific projects at discretion of the Trustees. It is important to stress that this money supports work outside the Diocesan Budget and is therefore restricted to short term funding. Unless the work is either added to the Budget at the expense of existing work or additional external funding can be found the work ceases. Some of the expenditure is specific with a short time span. Some £0.18m was transferred in 2006, a further £0.54m in 2007 and an additional £0.35m in 2008. The income generated by the fund is transferred to support the Diocesan Budget each year, until the funds are exhausted. In 2014 £50,000 was set aside for a diocesan conference.

11. DBS Pensions Provision

The Lichfield Diocesan Board of Finance (Incorporated)

(A company limited by guarantee)

Notes to the Financial Statements For the year ended 31 December 2014

28. Statement of funds (continued)

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

12. Stipend Reserve

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

13. Future Liabilities Provision

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

14. Double Glazing

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

15. Community of S Chads

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

16. Addition for Mission

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

17. Mission Development Fund

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

Restricted Funds

1. Trust Reserve

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

2. Endowment and Glebe

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

3. Benefice Property

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

4. Pastoral Fund (Restricted Fund)

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

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

28. Statement of funds (continued)

5. Diocesan Stipends Fund (Restricted)

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

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

6. Diocesan Loan Fund

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

7. Clergy Widows and Orphans

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

8. Interior Decoration Scheme

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

9. Church Mission

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

10. Lent Appeal

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

11. Ordination Candidates Fund

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

12. Glebe Land

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

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

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

Notes to the Financial Statements
For the year ended 31 December 2014

28. Statement of funds (continued)

throughout the diocese. The fund is also supported by income from other Designated Funds (pensions provision) and some Restricted Funds, including Parish Mission Fund Grants from the National Church. The Trustees have agreed that the next triennial tranche of funds from the National Church for 2014 to 2016, £600,000 (£200,000 per annum for each of the three years) is to be used to continue to support growth projects.

16. Glebe Land Sales

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

17. Stipend Trust Reserve

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

18. Church Building Support Officer

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

19. Place of Worship Support Officer

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

20. Lichfield Theological Forum

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

21. Telford Pioneer

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

22. DBF Investment Property Reserve

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

23. Ministry at Work

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

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.

The Lichfield Diocesan Board of Finance (Incorporated)

(A company limited by guarantee)

**Notes to the Financial Statements
For the year ended 31 December 2014**

29. Analysis of net assets between funds

	Unrestricted funds 2014 £000	Restricted funds 2014 £000	Endowment funds 2014 £000	Total funds 2014 £000	Total funds 2013 £000
Tangible fixed assets	2,296	31,932	-	34,228	34,777
Fixed asset investments	6,305	30,680	339	37,324	33,991
Debtors due after more than 1 year	322	952	-	1,274	1,332
Current assets	1,752	6,067	-	7,819	8,175
Creditors due within one year	420	(3,354)	-	(2,934)	(2,999)
Creditors due in more than one year	-	(988)	-	(988)	(1,020)
	<u>11,095</u>	<u>65,289</u>	<u>339</u>	<u>76,723</u>	<u>74,256</u>

30. Net cash flow from operations

	2014 £000	2013 £000
Net incoming resources before revaluations	45	(103)
Returns on investments and servicing of finance	(1,028)	(1,027)
Depreciation of tangible fixed assets	988	787
Surplus on disposal of tangible fixed assets	(643)	(1,169)
Increase in stocks	(9)	-
Increase in debtors	(188)	(419)
(Decrease)/increase in creditors	(82)	1,239
Net cash outflow from operations	<u>(917)</u>	<u>(692)</u>

31. Analysis of cash flows for headings netted in cash flow statement

	2014 £000	2013 £000
Returns on investments and servicing of finance		
Interest received	43	35
Interest paid	(33)	(28)
Dividends received	1,018	1,020
Net cash inflow from returns on investments and servicing of finance	<u>1,028</u>	<u>1,027</u>
Capital expenditure and financial investment		
Purchase of intangible fixed assets	(840)	(93)
Sale of intangible fixed assets	1,139	1,993
Movement in Parish loans	(98)	(212)
Purchase of investments	(1,509)	(546)
Sale of listed investments	663	233
Purchase of short term unlisted investments	(3)	(3)
Net cash (outflow)/inflow capital expenditure	<u>(648)</u>	<u>1,372</u>

The Lichfield Diocesan Board of Finance (Incorporated)

(A company limited by guarantee)

**Notes to the Financial Statements
For the year ended 31 December 2014**

31. Analysis of cash flows for headings netted in cash flow statement (continued)

	2014 £000	2013 £000
Financing		
Loans advanced (CCLA)	-	500
Loans repaid (Property mortgages)	(77)	(40)
	<u>(77)</u>	<u>460</u>
Net cash (outflow)/inflow from financing	<u><u>(77)</u></u>	<u><u>460</u></u>

32. Analysis of changes in net funds

	1 January 2014 £000	Cash flow £000	Other non-cash changes £000	31 December 2014 £000
Cash at bank and in hand:	5,465	(614)	-	4,851
Debt:				
Finance leases	-	-	-	-
Debts due within one year	(78)	-	1	(77)
Debts falling due after more than one year	(520)	-	76	(444)
	<u>4,867</u>	<u>(614)</u>	<u>77</u>	<u>4,330</u>
Net funds	<u><u>4,867</u></u>	<u><u>(614)</u></u>	<u><u>77</u></u>	<u><u>4,330</u></u>

33. Capital commitments

At 31 December 2014 the group and company had capital commitments as follows:

	<u>Group</u>		<u>Company</u>	
	2014	2013	2014	2013
	£000	£000	£000	£000
Contracted for but not provided in these financial statements	-	-	-	-

34. Pension commitments

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 the Church of England Funded Pensions Scheme and employs 294 members of the Scheme out of a total membership of approximately 8,400 active members.

The Church of England Funded Pensions Scheme is a defined benefit scheme but the Lichfield Diocesan Board of Finance is unable to identify its share of the underlying assets and liabilities - each employer in that 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 Pension Builder Scheme (PBS)

For eligible salaried employees who commenced employment after 1 October 2012, Lichfield Diocesan Board of Finance participates in the Church of England Pension Builder Scheme (PBS), within the Church Workers Pension Fund, which is administered by the Church of England Pensions Board.

The PBS is made up of two sections, Pension Builder Classic and Pension Builder 2014, both of which are classed as defined benefit schemes.

Pension Builder Classic provides a pension for members payable from retirement, accumulated from contributions paid and converted into a pension benefit during employment based on terms set and reviewed by the Church of England Pensions Board from time to time. Bonuses may also be declared, depending upon the investment returns and other factors.

Pension Builder 2014 is a cash balance scheme that provides a lump sum that members use to provide benefits at retirement. Pension contributions are recorded in an account for each member. This account may have bonuses added by the Board before retirement. There is no requirement for the Board to grant any bonuses. The account, plus any bonuses declared, is payable from members' Normal Pension Age.

At 31 December 2014, Lichfield Diocesan Board of Finance had 1 deferred members and 11 pensioners in the Pension Builder Classic section and 58 active members in the Pension Builder 2014 section.

The assets of the PBS are held separately from those of the employer. As at the formal valuation as at December 2010, the PBS was in surplus on an ongoing funding basis. A formal valuation of the PBS is being carried out as at December 2013 but, as at February 2015, the final results have yet to be announced. Pension Builder 2014

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

Notes to the Financial Statements
For the year ended 31 December 2014

34. Pension commitments (continued)

commenced in February 2014 so will be included in the next valuation due as at December 2016.

Lichfield Diocesan Board of Finance 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 Lichfield Diocesan Board of Finance to account for pension costs on the basis of contributions actually payable to the Scheme in the year.

Lichfield Diocesan Board of Finance 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. Lichfield Diocesan Board of Finance's contributions for the year totalled £112,463 (2013 - £160,398) and there were no contributions outstanding at the year end.

35. Operating lease commitments

At 31 December 2014 the group had annual commitments under non-cancellable operating leases as follows:

	Land and buildings		2014	Other
	2014	2013		
Group and company	£000	£000	£000	£000
Expiry date:				
After more than 5 years	14,000	14,000	-	-

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

36. Related party transactions

The Charity has taken advantage under Financial Reporting Standard Number 8 - "Related Party Disclosures" not to disclose transactions with other Group entities as the entities are wholly owned subsidiaries and their results are consolidated within these results.

37. Principal subsidiaries

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