



Diocese of Liverpool

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**Liverpool Diocesan Board of Finance**

# **Report and Accounts**

**For the year ended 31 December 2006**

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## **CHAIR'S REPORT**

I am pleased to introduce the Report and Accounts for the Liverpool Diocesan Board of Finance for 2006.

Throughout my tenure in this role, the Diocese has faced considerable financial pressures and yet, throughout this period, it has continued to flourish – as evidenced by the comprehensive Trustees' Report which follows. There will be many reasons for this but it may just be that these financial pressures have stimulated innovation and creativity at all levels in working out how God's mission can be delivered to best effect in this Diocese under the leadership of the Bishop.

Under the financial strategy originally adopted in 2001, we targeted 2006 as the year in which we would achieve operating breakeven. However it has been apparent to the Finance Committee for some time that, with new cost pressures emerging, particularly in funding clergy pensions, this was no longer realistic without the Committee taking an unacceptably narrow view of its role. A revenue deficit of £309,000 in 2006 was therefore judged to be disappointing but also acceptable in the context of minimising pressure on parish mission and ministry.

However, as we work out a revised medium term financial strategy, it is inevitable that the significant additional costs in recent years of parish based stipendiary clergy – the core resource of the Diocese and the core cost to the Diocese – will be reflected in continuing above inflation parish share increases. In making this prediction, I am fully aware of the financial pressures faced in parishes and take this opportunity to acknowledge the outstanding record of parishes in meeting the Diocesan call on their finances.

In this Diocese, in contrast to a number of others, parish share in aggregate does not fully fund parish ministry costs and therefore the signs of improving stability in the annual Allocation to us by the Church Commissioners – essentially investment in ministry in areas of deprivation where otherwise it would be unaffordable – are very welcome.

We are though only able to incur continuing revenue deficits by drawing down on historic reserves, the existence of which is a huge blessing to the Diocese, giving us breathing space to work out and apply our strategy. Useful investment gains in 2006 helped offset the revenue deficit and provided a platform of realisable, unrestricted reserves equating to almost 5 months routine expenditure. These reserves are the principal underpinning for the assurance I can give to Synod of the financial stability of the Diocese.

Much of the innovation and creativity I referred to earlier has been delivered by and through Mike Eastwood, his senior managers and staff. I pay tribute to the high quality output they delivered in a challenging year. The planned move of Church House to the Cathedral precinct this year should provide them with a long overdue modern and efficient working environment.

There is an understandable wish in many parts of the Diocese for widespread representation on decision making committees and working groups. However this also needs to be balanced against a clear separation of the functions of governance and management and the Finance Committee seeks both to allow the Diocesan Secretary and his senior team freedom to manage and to hold them to account against agreed priorities and targets. I thank past and present members of the Finance Committee for their contribution as we worked out this balance.

**Liverpool Diocesan Board of Finance - a company limited by guarantee and not having a share capital**  
**TRUSTEES' REPORT**

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Despite the financial pressures which no doubt will continue to bear down on us, I am confident that the Diocese is in good shape, financially and in the broadest sense.

David Tomkins  
Chair  
24 May 2007

**TRUSTEES' REPORT**

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**TRUSTEES' ANNUAL REPORT  
FOR THE YEAR ENDED 31 DECEMBER 2006**

*This is our second annual report following the guidance of SORP 2005. Some of the information, especially early on in the report, is best described as necessary but dull. Readers interested in the work of the charity might like to concentrate on the following sections:*

3. Objectives and activities
4. Achievements and performance
5. Financial review
6. Plans for the future

**I. REFERENCE AND ADMINISTRATIVE DETAILS**

**Legal structure**

Liverpool Diocesan Board of Finance is a multi-faceted structure. It is:

- ♦ A registered charity (no. 249740)
- ♦ A company limited by guarantee (no. 18301)
- ♦ A Board of Finance established under the Diocesan Boards of Finance Measure 1925
- ♦ A trust corporation.

Its registered office is Church House, 1 Hanover Street, Liverpool LI 3DW (although it is highly likely that we will move in 2007).

The governing body of the diocese is the Diocesan Synod whose members are also members of the Diocesan Board of Finance.

Although the work of the Finance Committee is the sole responsibility of those elected to serve on it, all its business is conducted under the authority of the Diocesan Bishop who presides over all the affairs of the diocese.

**Trustees**

The financial executive of the Diocesan Synod is the Finance Committee. The members of the Finance Committee are the directors of the company and trustees of the charity. Through a combination of elected, ex officio and co-opted posts our constitution enables us to achieve an appropriate balance between clergy and lay people.

Elections to the Finance Committee take place every three years. There were elections in October 2006 for the new Finance Committee which will run from 1 January 2007 to 31 December 2009. Therefore we have provided two lists of trustees:

- (i) Members of the Finance Committee who served in 2006
- (ii) Members of the Finance Committee as at 24 May 2007

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(i) Members serving throughout 2006

David Tomkins, Chair (ex-officio)  
Rev Chris Jones, Deputy Chair (elected)  
Ernie Anderson (elected)  
David Burgess (elected)  
Peggy Hill (elected)  
Allan Jones (elected)  
Derek Miller (elected)  
Roy Pybus (elected)  
Rev Martin Duerden (elected)  
Rev Steve Parish (elected)  
Bishop of Warrington (ex-officio)  
Archdeacon of Liverpool (ex-officio)  
Archdeacon of Warrington (ex-officio)  
Cyril Barratt (co-opted by the Committee)

(ii) Members as at 24 May 2007

David Tomkins, Chair (ex-officio)  
Rev Chris Jones, Deputy Chair (elected)  
David Burgess (elected)  
Allan Jones (elected)  
Peter Owen (elected)  
Michael Pitts (elected)  
Mark Stafford (elected)  
Bob Timmis (elected)  
Canon Cynthia Dowdle (elected)  
Rev Martin Duerden (elected)  
Bishop of Warrington (ex-officio)  
Archdeacon of Liverpool (ex-officio)  
Archdeacon of Warrington (ex-officio)  
Cyril Barratt (co-opted by the Committee)

**Senior staff**

The Chief Officer for the charity is the Diocesan Secretary, Mike Eastwood. The senior management team, to whom day to day management of the charity is delegated by the trustees, are:

Mike Eastwood, Diocesan Secretary  
Jeremy Duff, Director of Lifelong Learning  
Bryan Jackson, Finance Manager  
David Johnston, Director of Communications  
Linda Jones, Senior Officer for Church Growth  
Jon Richardson, Director of Education  
Kath Rogers, Senior Resources Officer  
Ultan Russell, Senior Officer for Church & Society

**Bankers and professional advisers**

*Auditors*

Mazars LLP, Merchant Exchange, Whitworth Street West, Manchester M1 5WG

*Bankers*

Lloyds Bank plc, Merchants Court, 2-12 Lord Street, Liverpool L2 ITS

*Investment managers*

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

*Solicitor & Diocesan Registrar*

Gamon Arden & Co, Church House, 1 Hanover Street, Liverpool L1 3DW

## **2. STRUCTURE, GOVERNANCE AND MANAGEMENT**

### **Constitution and objects**

The structure governing the work of the charity is complex reflecting the idiosyncrasies of the Church of England. On the one hand the charity is fairly straightforwardly registered as a charity and a company with appropriate memorandum and articles of association (last modified in October 2003). On the other hand there are a number of inter-connected relationships and influences directly impacting on the work of the charity (see below).

### **Trustees**

The Finance Committee is the trustee board. It has are a mixture of ex-officio, elected and co-opted members. Elections take place every three years at the first meeting of the new diocesan synod (itself elected every three years). The trustees have the power to co-opt members according to their assessment of possible imbalances or skills gaps among the elected and co-opted members. Given the relatively large number of elected and ex-officio trustees the general approach has been to keep co-options to a minimum.

All trustees receive an induction pack and the first meeting of each triennium is largely given over to induction briefings and discussions. Training opportunities are offered, especially around investment issues.

### **Organisational structure and decision-making**

The Finance Committee is the financial executive of the Diocesan Synod and is required to comply with certain directions given to it by that Synod. It holds the budgets and accounts for all committees of the DBF and all activities undertaken by Church House staff and officers. It also needs to work very closely with Bishop's Council as Diocesan Synod made Bishop's Council responsible for the delivery of the Diocesan review. This requires an understanding of the aims and aspirations of those bodies and a desire to see them fulfilled alongside a deep regard for the need for good and appropriate governance of the charity. In recent years there hasn't been a particular conflict between these bodies, nor is one anticipated; however, the potential is always there.

The Finance Committee functions as the Parsonages Board of the diocese for purposes of parsonages legislation, although it delegates the oversight of DBF housing management to the Parsonages Committee. It has sub-committees dealing with audit, remuneration of DBF staff, and the management of the DBF property and investments.

The Diocesan Board of Education is integrated into the Diocesan Board of Finance both legally (it is not separately constituted) and practically (the Diocesan Director of Education is a full and participating member of the senior management team). This helps organisational cohesiveness and cross-working.

Trustees are fully aware of their responsibilities under charity law. Within this the day-to-day running of the charity is delegated to senior staff. However, trustees and senior staff are clear that all decisions on policy that may create significant financial or other risk to the company or which affect material issues of principle must be taken by trustees and not staff.

### **Networks and key relationships**

The charity has a multiplicity of relationships. The main ones are probably with:

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- ♦ **Diocesan Synod** as the Board of Finance and governing body of the diocese
- ♦ **Bishop's Council** as the body charged with delivering the Diocesan Review
- ♦ The Bishop's **Core Group**, where decisions are taken about the deployment of clergy
- ♦ Other **diocesan committees**, especially the Diocesan Pastoral Committee, Lifelong Learning Committee and Board of Education
- ♦ **Deanery Synods** and **Deanery Pastoral Committees**
- ♦ **Parishes** within the diocese with whom we are intimately connected both in supporting local mission and ministry and in financing the Diocesan Board of Finance
- ♦ **Church schools** in the diocese to whom we offer support and guidance over a range of appointment, curriculum, governance and building matters
- ♦ **Liverpool Cathedral** where we plan to relocate in 2007 and work jointly in a number of administrative and mission areas
- ♦ **Operation EDEN**, through which we help churches develop environmental projects which both engage with their community and its needs and exemplify the biblical imperative to be excellent stewards of God's created earth
- ♦ **Other dioceses**, especially in the North West of England, with whom we are increasingly looking to collaborate via joint appointments, cost reduction exercises and service delivery (especially to schools)
- ♦ The **national church institutions** (Archbishop's Council, Church Commissioners and the Pensions Board) from whom we receive significant funding, policy directives and legal consents to transactions
- ♦ Other **Christian denominations** with and through whom we work on matters of racial justice, workplace chaplaincy, child protection and ecumenical relations notably through Churches Together in the Merseyside Region, Mission in the Economy, Merseyfest and the Churches Officer for the North West
- ♦ **Tearfund**, where we have a major piece of collaborative work around promoting sustainability of local projects
- ♦ **Church Urban Fund** for whom we have grant-maker status as a diocese and, as such, is a key supporter of our work in and through parishes in the most deprived areas of the diocese
- ♦ Key **infrastructural bodies** on Greater Merseyside (notably volunteer centres and councils for voluntary service) on which we represent ecumenical partners and lead on provision in rural areas
- ♦ **Liverpool Diocesan Council for Social Aid**, professionally advised by Church & Society, whose key roles are running Adelaide House Women's Bail Hostel and working on penal affairs and social inclusion

As at 31 December 2006 there were no subsidiary trading companies to the DBF. However, in 2006 DBE Services Ltd began trading, as did the South West Northern Regional Training Partnership. DBE Services Ltd is an inter-diocesan company for the dioceses of Liverpool, Blackburn, Carlisle, Chester and Manchester, providing property and other services to schools. South West Northern Regional Training Partnership is an inter-diocesan company for the dioceses of Liverpool, Manchester and Chester, plus partner denominations, established as part of the developing national church agenda on the provision of training for clergy and readers. We continue to explore the establishment of a more general subsidiary trading company for the DBF to house development and other income generating activities.

*Probably the single most important relationship we have is with the clergy and lay people within the churches in our diocese whose ministry is the heartbeat of the diocese.*

Probably the single most important relationship we have is with the clergy and lay people within the churches in our diocese whose ministry is the heartbeat of the diocese. We currently have around 220 serving parish and cathedral-based stipendiary clergy, around 50 non stipendiary and locally ordained clergy, nearly 300 readers and over 100 active retired clergy. We have c. 20 clergy serving full-time as chaplains in schools, hospitals, universities



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and prisons plus others serving in a part-time capacity. We also have an active committed church membership of c. 50,000.

**Risk management**

In addition to the financial and other risks outlined below, there are various key areas of activity where the diocese could incur financial penalties, operational failings or reputational damage. The trustees undertake an annual risk analysis exercise. The Audit Committee is the lead body in this. The analysis continues to highlight a number of risks which could impact seriously on the charity's operation and development. These range from the impact of potential parish indebtedness through to ever increasing pressures on clergy pensions; from the inability of key personnel to cope with the demands of change, through to initiative overload; from the threat of increased litigation to the failure to attract enough clergy to maintain ministry. The Finance Committee oversees the implementation of the recommendations arising out of this risk analysis.

*The Finance Committee interprets its role broadly, contributing to the strategic leadership of the diocese, balancing careful stewardship with a flexible and proactive approach, a body that enables, not inhibits*

**3. OBJECTIVES AND ACTIVITIES**

The principal object of the charity is to further the interests of the Church of England, mainly, but not exclusively, in the area covered by the Diocese of Liverpool. The strategic thrust of the current work is laid out in our strategy document *Responding to the Call*. Our aims can be summarised as follows:

*To see a sustainable, led and transforming Christian presence in every community in the diocese to enable all to act justly, to love mercy and to walk humbly with God.*

The Finance Committee is aware that a diocese succeeds through the mission and ministry of its parishes and its bishops. Through striving for the highest standards of financial management, the Finance Committee aims to create the conditions in which their mission and ministry can flourish and be maximised.

It interprets its role broadly, contributing to the strategic leadership of the diocese, balancing careful stewardship with a flexible and proactive approach, a body that enables, not inhibits. It sees itself as a servant of Synod and Bishop's Council, believing the responsibility of Bishop's Council to be strategic governance and the responsibility of the Finance Committee to be financial governance.

*The Finance Committee sees itself as a servant of Synod and Bishop's Council*

The Finance Committee is working towards the following organisational outcomes:

1. A sustainable financial resource to support agreed mission and ministry in the Diocese of Liverpool
2. A talented and high performing team at Church House serving the mission and ministries of the parishes and bishops
3. A well-run charity which meets the highest standards in governance, management and operational efficiency.

The committee broadly see outcomes being achieved over the medium term (5+ years). Within this it sets objectives as a three-year context for these outcomes, annual indicators as the areas specifically assessed over the course of the year and critical success criteria for each indicator, each of which has operational management implications (the responsibility of executive staff at Church House). The Finance Committee monitors the progress of the success criteria at its meetings.

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Our main activities can be broadly summarised as:

- ◆ The development and implementation of mission and church growth strategies
- ◆ The provision of advisory services to diocesan bishops, parishes, schools and church bodies (mainly through employed staff)
- ◆ The support, training, payment and housing of clergy
- ◆ The support and training of lay people
- ◆ The management and development of staff members
- ◆ Contributing to the national work of the Church of England

For more detail on individual activities see section 4, "Achievements and performance". For information on our strategic thinking into the future please see section 6, "Future plans".

**Grant-making policy**

No political contributions were paid during the year. Charitable contributions have been made as part of the Board's objectives. The main grants are as follows:

**Churches Together in the Merseyside Region** – £13,540 as part of our ongoing commitment to ecumenical work

**Mission in the Economy** – £38,963 to support mission and chaplaincy in the world of work

We also contributed £12,553 to a new ecumenically funded post working in areas of racial justice

We have an Ecumenical Funding Group to look at how best we work with and through our ecumenical partners. This group reports annually to Bishop's Council.

*Voluntary activity is one of the surest signs that our faith makes a difference to our lives and our outlook; we ignore and neglect this at our absolute peril*

We continue to help parishes in low income areas with the cost of housing curates and set aside £6,000 a year for this. We also help parishes in the most deprived parishes in the diocese and gave £18,489 in Designated Priority Area grants.

We continue to help meet some of the additional administrative costs for Area Deans (£2,000 per Area Dean, £1,000 of which is payable to the parish), help with the removal costs of clergy (£124,490 in total) and support various national church activities through Archbishops' Council (£301,188).

**Volunteers**

The diocese continues, quite rightly, to be dependent on the huge number of people involved in church activities church both locally and at diocesan level. Surveys suggest that faith communities in general and Anglican churches in particular are massive contributors to their community through an enormous number of voluntary activities. This is one of the surest signs that our faith makes a difference to our lives and our outlook; we ignore and neglect this at our absolute peril.

Within all of this the DBF greatly values the considerable time given by all the committee members across the diocese in pursuit of the diocese's mission.

#### **4. ACHIEVEMENTS AND PERFORMANCE**

By definition much of our work continues year on year. We took a particular view in 2002 that we should set new initiatives in train and stick with them, believing that they would take time to come to fruition. We are determined to follow these initiatives through until either they achieve their stated goals or until it becomes clear that they will not or cannot. Much of this work and learning informed and was captured in our new strategy document *Responding to the Call*. This now sets the agenda for the work of the charity, having been unanimously endorsed by Diocesan Synod and Bishop's Council in the spring of 2006.

In 2006 we agreed to move to an outcomes basis for performance management. All committees will report into Bishop's Council every 12 – 18 months on the tangible progress made towards the achievement of their outcomes.

##### **THE DIOCESE IN NUMBERS**

###### **At the end of 2005 there were:**

24,000 adults attending church each week  
7,200 children attending church each week  
c. 50,000 people attending church regularly  
28,000 children attending church schools

###### **At the end of 2005 we had:**

217 stipendiary clergy  
22 non stipendiary clergy  
24 ordained local ministers  
272 licensed readers  
102 retired clergy in active ministry

###### **In 2005:**

Regular givers gave £7.84 a week  
to their local church.  
Regular givers gave 3.4% of their income  
to their local church  
We collected 98.3% of Parish Share

For 2006 core achievements and strategic developments can be summarised as follows:

##### **Church growth**

The **Child Friendly Church Award** – a major new initiative aimed at helping churches welcome and integrate children into the worshipping life of the church. The award was piloted in two deaneries in early 2005 and was launched nationally in 2006, to great acclaim. There were 21 parishes with awards by the end of 2006.

The **School of Leadership** remains one of our flagship initiatives designed to promote growth in and through churches in the diocese. In 2006 the decision was taken to focus the 2006 school on the larger churches in the diocese, partly with a view to assessing the potential for church planting and wider resourcing within the diocese. Around 50 churches are now involved in the Going for Growth process. The School of Leadership process was evaluated in 2006 and it was decided that it should continue into 2007 as a key element in our drive towards helping our churches become more mission-shaped in their thinking and practice.

Information gathered into our **Key Indicators Report** (available separately from Church House) suggests that our Sunday attendances have stabilised at around 25,000 adults (16+) per Sunday. We believe that this equates to a basic church membership of c. 50,000. We are looking to grow this membership over the coming years.

##### **Re-imagining church**

The **Dream** events have expanded from Liverpool to different places across the diocese. This has helped us develop fresh expressions of church and new forms of worship to reach out to people aged 18 – 30, an age group largely absent from current churches. A second half-time appointment was made in 2006 to consolidate and expand the work of Dream.

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**11:57** is about planting a network church in Liverpool City Centre to connect with "people who are searching but don't get church". It now meets fortnightly in bars in the city centre and core members invite friends and colleagues after work to an accessible, relational get-together with short inputs (poem, film, visuals) to generate discussion. What consistently happens is deep God conversations emerge from this relational and prayerful setting. We hope that unchurched people will come to faith and this will organically shape what church looks like. We also intend to follow up open doors into other networks. The name arose out of discussions in the bar one night - 11:57 is the time of night when people ask the big questions in life.

*11:57 is the time of night when people ask the big questions in life*

The **Mission Opportunities Fund** was established with £500,000 of capital in 2005 as a strategic reserve for the diocese. The appointment of Canon Phil Potter initially as diocesan Emerging Church Consultant and now as Director of Pioneer Ministry is a highly significant development as we look to the challenge of developing a church capable of reaching out to the many people that remain, as yet, significantly untouched by current forms of mission and ministry. Key challenges for 2007 are to:

- ♦ Work with key churches to develop pioneer ministries
- ♦ Planting further fresh expressions of church
- ♦ Seeing where existing fresh expressions can be replicated elsewhere in the diocese

*This is in pursuit of our aim to promote flexible and locally appropriate patterns of ministry and leadership.*

The establishment of the **Creatively Changing Churches** group has begun the vital process of helping churches with systemic problems (e.g. low and declining congregational numbers, unfeasible buildings, inappropriate locations, lack of local authenticity) to think positively and creatively about a new and different future. The story of Christ Church Norris Green, for example, is quite simply inspirational.

### **Resourcing mission**

**Giving in Grace**, piloted in 2005, was formally launched and was rolled out in 2006, to great acclaim in the diocese and nationally. It is a leading edge web-based programme which enables churches to develop programmes of Christian giving and release significant levels of new resource for local mission and ministry. 126 parishes (54% of the diocesan total) have now undertaken Giving in Grace programmes. Of these, 9 have embarked on follow-on programmes. Some parishes have seen their giving increase by as much as £35,000 a year. The average increase appears to be in the range of 20 – 25%, although some have increased by up to 40%. Even before the general roll out of Giving in Grace programme the 2005 diocesan increase in voluntary income was significantly higher than the national average.

The **Sustainability Project**, with funding from Tearfund, is helping parishes look at how to make good projects into sustainable ones. A key development in 2006 was the successful creation of the *Discovery* programme which helps churches in lower income areas think and plan creatively about how they can develop community-focused work into the future. A new partnership has been agreed with Tearfund for 2007 – 2009.

We now have three houses for duty priests and two stipendiary readers in charge of churches. This is in pursuit of our aim to promote flexible and locally appropriate patterns of ministry and leadership.

*The story of Christ Church Norris Green, for example, is quite simply inspirational*

Our **Designated Priority Area Strategy**, agreed at the September 2005 Synod, began a process of targeting support and development assistance to those of our parishes in the most deprived

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communities in the country. Over time this will have a major impact on the mission of the church in disadvantaged areas and is a key plank of our on-going commitment to resourcing and enhancing mission and ministry in every parish in the diocese. This has been enhanced by a successful application to the Church Urban Fund to obtain grant-making status, enabling us to target further significant funding to areas of multiple deprivation.

**Training and development**

2006 saw the launch of a range of fresh programmes and initiatives. The Southern North-West Training Partnership was formed with neighbouring Anglican and partner denominations to improve the quality of training and open up partnership and funding opportunities. The first task was the design and validation of the new Learning for Mission and Ministry course, through which clergy and readers from the Diocese of Liverpool will be trained from September 2007.

*Our new programme for clergy and readers in their first three years (PIME) represents a strong commitment to ongoing learning*

Our new programme for clergy and readers in their first three years (PIME) represents a strong commitment to ongoing learning. It enhances the work with curates (including schools and fresh expressions placements) and provides a 'curacy-like' phase for all new readers.

Equipping the Saints is an umbrella for the provision of training and education opportunities for lay people in areas such as pastoral visiting, faith at work and the 'doorways' course. We will look to build on the model established by our 'festival of preaching' in November 2006 which brought together lay and ordained from a range of ecumenical partners who have a role in preaching. Importantly Shared Ministry Teams also saw continued growth and development. Plans for 2008 and beyond include leadership and management training and continuing professional development for clergy.

**Schools**

Nearly all of our 118 schools receive support from the Education Department through our service agreement and through DBE Services Ltd. This has generated over £100,000 of additional funding to support our work with schools, particularly through curriculum and management support and training, support for governing bodies (especially senior staff appointments) and support for buildings related capital projects in voluntary aided schools. A new Framework for Religious Education for Anglican secondary schools in the northwest is being launched by DBE Services in 2007. Following the opening of the Academy of St Francis of Assisi in 2005, we are now in the early stages of development for a new academy at Newton le Willows, in partnership with the Catholic Archdiocese and Liverpool Hope University. A new Anglican/Catholic secondary school is to be built in North Huyton, with a new Anglican/Catholic primary school on the same campus. We are also engaged in projects to rebuild St Elphin's Primary School, Warrington, and to build new Church primary schools in the Seaforth area of Sefton and the Walton area of Liverpool. Taken together, these schemes will involve approximately £65 million investment by the government in diocesan schools.

**Parish Share**

This is the money we receive from parishes and is central to the financial health of the DBF. We have two targets for collection rates. We aimed to have a 96% collection rate by the end of January 2007 – in fact it was 97.4%; we aim to have a 98.3% collection rate by the end of May 2007.

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**Asset management**

*Investments*

In 2005 we decided to consolidate all our investments with Central Board of Finance (CBF) and this process was largely completed by early 2006. In 2006 we began to implement a revised investment policy which would enable us to vary our investment instructions appropriate to the requirements of each fund that we hold. This was done in a way that enables us to invest within agreed parameters while maintaining the benefits of a pooled investment fund.

In general we saw £558,000 of investment growth over the year. We are broadly happy with our investment performance. The CBF Church of England Investment Fund, managed by CCLA, which holds the bulk of our investments, delivered a 11.7% total return in 2006. UK equities within the fund significantly out-performed both its benchmark and the FTSE All-Share Index. Other fund types were around benchmark.

*Property*

We hold a lot of property (valued at nearly £46 million). Much of this in practice takes the form of notional assets; because we have a responsibility to house clergy we have little operational freedom around disposal or re-working of the individual asset. Rather, our primary responsibility is to ensure that clergy and their families feel safe and comfortable in their homes and that it provides a suitable base for mission and ministry.

*Our primary housing responsibility is to ensure that clergy and their families feel safe and comfortable in their homes and that it provides a suitable base for mission and ministry*

However, 2006 saw significant changes in aspects of our property portfolio. We spent a lot less on the acquisition of housing than in the previous year (£200,000 in 2006 compared to £1.66 million in 2005). We also began to achieve some of the property sales in 2006 that we had failed to do in 2005 on account of the slowness of the property market (£1.1 million).

Equally significantly we began, on an exploratory basis, some development work on two former vicarages to see if we could generate an enhanced income stream by doing this. They were sufficiently successful for the Finance Committee in 2006 to sanction on average one of these developments a year so that over time we generate a significant new income stream while maintaining, and indeed enhancing, property values.

**5. FINANCIAL REVIEW**

2006 was a rather disappointing year financially. The deficit of £79,052 shown in these accounts masks a different operational position. We planned an operating deficit of £140,000 in line with our planned move from a £1.4 million underlying deficit in 2002 to breakeven in 2007. Our management accounts, which strip out movement in capital, showed an actual deficit of £309,000. This headline position covers a number of issues – some encouraging and some discouraging.

**Encouragements**

The major encouragements centre on the following:

**Deprivation across the diocese**

*The Diocese of Liverpool is predominantly urban and contains some of the most deprived communities in England and Wales according to the 2004 Indices of Multiple Deprivation (IMD). We have 210 parishes which equals 1.6% of the total number in England. A national average would suggest the following:*

*That we should have 21 parishes in the upper 10% IMD - in fact we have 63*

*That we should have 11 parishes in the upper 5% IMD - in fact we have 51*

*That we should have 4 parishes in the upper 1% IMD - in fact we have 15*

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*Parish Share* – 2006 saw the highest ever amount of cash collected (£5.6 million, although some of this applied to 2005 and previously). It also saw the Diocese of Liverpool once again bucking the regional trend and maintaining our collection rate. This is an enormous tribute to our parishes, especially given the changes in the Parish Share system introduced in 2004 which left some facing significant increases. It is also a reflection of the significant time and resources devoted to helping parishes in financial difficulties implemented in 2002 – this work is bearing significant fruit, as will Giving in Grace.

*National church income* – this looks to have stabilised having been set on a fairly relentless downward course in recent years. This is highly significant to us, although it does leave us exposed to developments at national church level which are well beyond our control. The signs in early 2007 are that the Church Commissioners' triennial review looks more promising than previously thought.

*Clergy numbers* – we continue to manage clergy numbers down in line with the requirements of the Diocesan review. Although these were slightly above target at the end of 2006 the fact that they have been so successfully managed down is a great tribute to the work of deanery and diocesan pastoral committees and the seriousness and open-mindedness with which people are engaging with this issue.

*Earned income* – in 2006 there was over £350,000 of earned income within the DBF budget from sources other than Parish Share and charitable grants received (see note 5 to the accounts).

*Taking 2005 and 2006 together there has been an additional £400,000 of clergy cost. There will be a further £225,000 of clergy pension cost in 2007. These are highly serious budgeting and financial planning issues for us and have been the key reason why we have not yet achieved our desired goal of revenue break even.*

**Discouragements**

The major discouragements centre on the following:

*Investment income* – for historic reasons we budget for £500,000 investment income and net capital receipts. Although we did achieve significant gains on property sales the actual investment income was only £224,000. This is a key issue to address in the 2008 budget.

*Clergy costs* – we fully support the enhanced clergy stipends as a result of Aspiration 2 of the Generosity & Sacrifice report and we maintain our commitment to fully funding the clergy pension. However, stipend costs increased by 4% in 2006 and pension costs by 6%, even though there was an actual reduction in clergy numbers over the year. Taking 2005 and 2006 together there has been an additional £400,000 of clergy cost. There will be a further £225,000 of clergy pension cost in 2007. These are highly serious budgeting and financial planning issues for us and have been the key reason why we have not yet achieved our desired goal of revenue break even.

**Financial strengths**

We believe that our overall financial management is good. We are developing new income streams, have kept central costs under control, maintain a very impressive level of Parish Share collection and crucially we have been able to maintain a healthy level of useable reserves (c. 4.9 months – see below).

**Dark clouds on the horizon**

The issue that continues to dominate our financial planning is clergy pensions. It looks like there will be a steep increase in clergy pension costs between 2006 and 2008, with the medium-term position being held at or

**TRUSTEES' REPORT**

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around the 2007 interim position. This means that it will be another 3 – 4 years before we achieve break-even if we are not simply to load significantly more onto Parish Share, further cut clergy numbers or make significant cuts at Church House. None of these measures are attractive as they threaten the very things that we are basing our plans for future growth and health. It will remain a delicate financial management task to balance current need and future opportunity and not allow the one to have undue influence in our thinking.

**Reserves**

The reserves policy of the Finance Committee is formulated in line with recommendations of the Charity Commission of England and Wales. The basic policy statement is as follows:

*It will remain a delicate financial management task to balance current need and future opportunity.*

*The DBF aims to maintain the equivalent of at least three months' operating expenditure in cash and equities in the General Fund. This excludes all designated funds, loans and loan guarantees. This policy is to be reviewed annually in the January Finance Committee meeting.*

The unrestricted reserve (essentially cash and equities in the Unrestricted Fund) stands at just under £4 million (when Designated Funds are taken into account). Of this £2.43 million, representing 3 months' operating expenditure, is retained as a general reserve to allow for any unexpected rises in expenditure or shortfall in income. The trustees believe that retaining reserves at the current level will cushion the diocese from short-term revenue problems and will enable them to meet their legal requirements in case of serious financial problems. The current level of reserves represents about 4.9 months' expenditure which the trustees feel is prudent to retain while they are budgeting for revenue deficits. Indeed, it is highly likely that in 2007 the trustees will be recommending to Diocesan Synod that we increase the minimum level of reserves to four months until we are confident that we have reached break-even in our revenue budgets.

Designated reserves amount to £449,519 and are to be used for the Mission Opportunities Fund and Designated Priority Area Strategy. The initial allocation to the Mission Opportunities Fund covers the period 2006 – 2010. Any additional receipts into the fund, either from donations or the sale of appropriate assets, are also likely to be spent over a 5-year timescale from the date of their receipt. The aim is to take a medium-term view about investing in new forms of church. The Designated Priority Area Strategy (DPA) receives £20,000 and is administered alongside our CUF grants programme. We aim to spend out our full DPA designation each year.

**Investments**

The Investments Committee receive quarterly reports on investment performance. These reports are scrutinised and decisions taken accordingly. The investment managers also attend at least one meeting a year to report more fully on investment policy and review performance.

The Memorandum of Association gives the trustees power to invest in any investment authorised by law in investment of trust funds. The trustees confirm that all investments have been acquired in accordance with their powers, and that they have followed the ethical investment policy used by the central Church of England bodies.



**TRUSTEES' REPORT**

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In 2005 the Finance Committee also decided to place £250,000 with Charitybank. This is partly to act as an endorsement of the aims of Charitybank but more particularly to enhance our developing relationship with them. We believe that down the line this relationship will deliver certain important advantages to the Finance Committee, not least giving us the option of signposting parishes to Charitybank for loans rather than our current arrangement whereby the DBF issues loans and loan guarantees.

Our historic Glebe land portfolio continues to be managed by Denton Clarke, although a process of review of this management structure was begun in 2006.

**Housing**

The housing is expressed on the balance sheet on the basis of the insurance values of each house, apart from those houses where significant development activity has taken place.

**Grants received**

Our main source of income is Parish Share. We also receive an allocation from Archbishop's Council. These issues are discussed elsewhere in this report. We continue to be very grateful for the support of Marshall's Charity in the improvement of our housing stock. They also support a programme of CCTV installations in some of our most exposed vicarages; this is central to giving clergy and their families the security they need for ministry and home life.

Our work with Tearfund is mentioned above, as is our continuing support for Operation EDEN which is variously funded by the North West Development Agency along with the Environment Agency, Defra and Merseyside Waste Disposal Authority.

**6. FUTURE PLANS**

2006 sees the end of the period covered by the Diocesan Review. We believe that it is important to stay with the fundamental assumptions and actions initiated in the Review. To that end a new document entitled *Responding to the Call* has been produced and was unanimously endorsed by Diocesan Synod in March 2006. *Responding to the Call* covers the period 2007 – 2011 and aims to take the Diocesan Review forward. It re-affirms many of our strategies for growth, sets a new course for training and development activities, has interesting ideas around church planting, re-emphasises the pivotal role of deaneries, endorses our commitment to low income areas and encourages emerging thinking and action on re-imagining church in those areas where existing models are running out of steam.

Fundamentally, the plan aims to unpack how we go about delivering on our aim

***To see a sustainable, led and transforming Christian presence in every community to enable all to act justly, to love mercy and to walk humbly with God.***

It encourages the church at all levels to ask and respond to the following questions:

1. What is the mission of God?
2. What ministries are needed to fulfil this mission?
3. What resources are needed for these ministries?

**Key questions**

1. *What is the mission of God?*
2. *What ministries are needed to fulfil this mission?*
3. *What resources are needed for these ministries?*

**TRUSTEES' REPORT**

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As it says in the introduction: 'This is not about throwing everything out and starting all over again. Much of what we currently do is good and right and we must seek to affirm the work that is done and the people who are doing it. This plan is not a blanket rejection of the current and the past; rather it is about looking ahead and asking God where He is taking us and then trying to respond to that call.'

A full copy of Responding to the Call is available on the diocesan website [www.liverpool.anglican.org](http://www.liverpool.anglican.org) or from Church House on 0151 709 9722. A series of roadshows in early 2007 launched the document across the diocese.

*'This is not about throwing everything out and starting all over again. Much of what we currently do is good and right and we must seek to affirm the work that is done and the people who are doing it. This plan is not a blanket rejection of the current and the past; rather it is about looking ahead and asking God where He is taking us and then trying to respond to that call.'*

**7. FUNDS HELD AS CUSTODIAN TRUSTEE ON BEHALF OF OTHERS**

The Board is Custodian Trustee for trust assets with a market value of £30,560,667 at 31 December 2006. Detailed Certificates of Holdings were sent to parishes and other managing trustees as at December 2006. Most of these trusts are held on behalf of parishes whose charitable purpose is the advancement of religion and therefore is parallel to those of the diocese. The funds are held in separate investments from those of the DBF and there is a separate bank account from which payments are made.

The Board also holds funds for the Liverpool Diocesan Pensions Fund and a number of historic trusts under the practical management of the bishops and archdeacons which give financial support to clergy and their families in need in the Diocese of Liverpool.

**8. NOTES AND QUERIES**

There are a number of declarations and explanations that also need to be included in the annual report. These are as follows:

**Significant changes in fixed assets**

These are now explained in note (k) to the financial statements.

**Related party transactions**

The diocese is a complex entity with a series of potentially overlapping structures. These can give rise to conflicts of interest. For example, many board members are also active in their local church, either as priests or lay members, and there may well be issues discussed at board level which impact on their own church. There are also specific instances, such as an application for a diocesan loan, where the parish can directly benefit. The board is always conscious of such potential conflicts and the need for board members to act appropriately. Indeed, each Finance Committee meeting has a formal declaration of interest to highlight potential conflicts, and individual members have left the room during certain discussions to ensure freedom of debate.

**Post Balance Sheet Events**

There are no significant events occurring between 31 December 2006 and the date of signing the report which have significantly affected the charity.

**TRUSTEES' REPORT**

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**Fundraising**

There have been no significant fundraising activities at diocesan level in 2006.

**Insurance**

We continue to arrange our insurance with Ecclesiastical Insurance Group. The policies are subject to regular review.

**Trustees' interest in shares**

The board is a company limited by guarantee (company number 18301) and trustees, as members, may derive no benefit, income or capital interest in the board's financial affairs, other than the reimbursement of out-of-pocket expenses. Expenses paid to trustees for their work as trustees total less than £1,000.

**Taxation status**

The Board is a registered charity (charity number 249740) and, as such, is not liable to Income Tax or Corporation Tax on its charitable activities.

**Contingent liability**

There were no contingent liabilities on the Board other than those in note 23.

**9. STATEMENT OF TRUSTEES' RESPONSIBILITIES**

The trustees of the Board of Finance are required by company law to prepare financial statements for each financial year which give a true and fair view of affairs of the company and of the surplus or deficit for that period. In preparing those financial statements, the trustees are required to:

- ◆ Select suitable accounting policies and then apply them consistently.
- ◆ Make judgements and estimates that are reasonable and prudent.
- ◆ Comply with applicable accounting standards 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 organisation will continue to operate.

The trustees are responsible for maintaining proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The trustees also confirm that, as far as they are aware, there is no relevant audit information of which the charity's auditors are unaware and they have taken all steps that they ought to have taken as trustees in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

By order of the Finance Committee

**Mike Eastwood**  
**Diocesan Secretary**  
24 May 2007

**AUDITORS' REPORT**

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**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF THE LIVERPOOL DIOCESAN BOARD OF FINANCE**

We have audited the financial statements for the year ended 31 December 2006 which comprise the Statement of Financial activities, the Balance Sheet, the Summary Income and Expenditure Account, the Statement of Total Recognised Gains and Losses, the Cash Flow Statement and related notes. These financial statements have been prepared under the historical cost convention modified by the revaluation of certain fixed assets and the accounting policies set out herein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

**Respective responsibilities of directors and auditors**

As described in the statement of trustees' responsibilities, the company's directors who also act as trustees for the charitable activities of the company are responsible for the preparation of financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements within it.

**Basis of audit opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

**Opinion**

In our opinion the financial statements give a true and fair view in accordance with the United Kingdom Generally

**AUDITORS' REPORT**

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Accepted Accounting Practice of the state of the Company's affairs as at 31 December 2006 and of the Company's incoming resources and application of resources, including its income and expenditure, for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

**MAZARS LLP**

**Chartered Accountants  
and Registered Auditors**

Merchant Exchange  
Whitworth Street West  
Manchester  
M1 5WG

STATEMENT OF FINANCIAL ACTIVITIES

**STATEMENT OF FINANCIAL ACTIVITIES  
INCLUDING INCOME AND EXPENDITURE ACCOUNTS  
FOR THE YEAR ENDED 31 DECEMBER 2006**

	Note	Unrestricted Funds 2006 £	Restricted Funds 2006 £	Endowment Funds 2006 £	Total Funds 2006 £	Total Funds 2005 £
<b>INCOMING RESOURCES</b>						
Incoming resources from generated funds						
Voluntary income:						
Parish share	2	5,599,503	-	-	5,599,503	5,355,413
National church institutions	3	1,393,216	-	-	1,393,216	1,225,721
Grants Received	4	528,388	331,396	-	859,784	763,401
Investment Income	6	224,176	100,485	-	324,661	407,913
Incoming resources from charitable activities	5	324,925	175,053	-	499,978	392,726
Other incoming resources	7	5	424,230	-	424,235	89,281
<b>TOTAL INCOMING RESOURCES</b>		<b>8,070,213</b>	<b>1,031,164</b>	<b>-</b>	<b>9,101,377</b>	<b>8,234,455</b>
<b>RESOURCES EXPENDED</b>						
Costs of generating funds						
Costs of generating voluntary income						
Investment management costs	8	-	3,062	-	3,062	3,476
Charitable activities						
National Church responsibilities	9	301,188	-	-	301,188	302,878
Ministry in parishes	10	6,117,102	753,508	271,277	7,141,887	6,964,561
Support for mission & ministry in parishes	11	1,532,506	281,191	-	1,813,697	1,585,918
Education	12	308,218	84,973	-	393,191	301,615
Governance Costs	13	85,419	-	-	85,419	75,171
<b>TOTAL RESOURCES EXPENDED</b>		<b>8,344,433</b>	<b>1,122,734</b>	<b>271,277</b>	<b>9,738,444</b>	<b>9,233,619</b>
Net Outgoing Resources before Transfers		(274,220)	(91,570)	(271,277)	(637,067)	(999,164)
Gross transfers between funds	27	-	(616,738)	616,738	-	-
Net outgoing resources before other recognised gains and losses	20	(274,220)	(708,308)	345,461	(637,067)	(999,164)
Other recognised gains/losses						
Gains on revaluation of fixed assets for charity's own use		-	-	-	-	37,000
Gains on investment assets		364,547	25,322	168,145	558,014	921,210
<b>Net Movement in Funds for the Year</b>		<b>90,327</b>	<b>(682,986)</b>	<b>513,606</b>	<b>(79,053)</b>	<b>(40,954)</b>
Balance brought forward 1 January 2006		5,484,832	10,306,635	37,875,911	53,667,378	53,708,332
<b>Balance carried forward 31 December 2006</b>		<b>5,575,159</b>	<b>9,623,649</b>	<b>38,389,517</b>	<b>53,588,325</b>	<b>53,667,378</b>

The Board's income and expenditure all relates to continuing operations.

**BALANCE SHEET**

**BALANCE SHEET  
AT 31 DECEMBER 2006**

	Notes	2006		2005	
		£	£	£	£
<b>Fixed assets</b>					
Tangible fixed assets	14		45,724,874		46,403,377
Investments	15		7,390,561		7,093,917
Loans	16		236,200		236,200
			<u>53,351,635</u>		<u>53,733,494</u>
<b>Current assets</b>					
Debtors	17	1,276,373		1,090,132	
Bank and cash		263,126		210,512	
		<u>1,539,499</u>		<u>1,300,644</u>	
<b>Creditors: amounts falling due within one year</b>	18	<u>(631,833)</u>		<u>(569,612)</u>	
<b>Net current assets</b>			907,666		731,032
Total assets less current liabilities			<u>54,259,298</u>		<u>54,464,526</u>
<b>Creditors: amounts falling due after more than one year</b>	19		<u>(670,976)</u>		<u>(797,148)</u>
<b>Net assets</b>			<u><u>53,588,325</u></u>		<u><u>53,667,378</u></u>
<b>Accumulated funds</b>					
Endowment funds	27		38,389,517		37,875,911
Restricted income funds			9,623,649		10,306,635
Unrestricted funds			5,575,159		5,484,832
			<u>53,588,325</u>		<u>53,667,378</u>

The financial statements on pages 18 to 38 were approved by the Finance Committee on 24<sup>th</sup> May 2007 and signed on its behalf by:

**David Tomkins**  
Chair

**Rev Chris Jones**  
Deputy Chair

**INCOME AND EXPENDITURE ACCOUNT**

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**SUMMARY INCOME AND EXPENDITURE ACCOUNT  
FOR THE YEAR ENDED 31 DECEMBER 2006**

	<b>2006</b>	<b>2005</b>
	<b>£'000</b>	<b>£'000</b>
Gross Income of continuing operations	9,101	8,234
Total Expenditure of continuing operations	(9,467)	(9,233)
	<hr/>	<hr/>
Net (Expenditure)/Income for the year		
Before transfers and investment asset disposals	(366)	(999)
Profit/(loss) on disposal of assets	-	-
	<hr/>	<hr/>
Net Income/(Expenditure) for the year	(366)	(999)
	<hr/>	<hr/>

**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES  
FOR THE YEAR ENDED 31 DECEMBER 2006**

	<b>2006</b>	<b>2005</b>
	<b>£'000</b>	<b>£'000</b>
Net Income/(Expenditure) for the financial year	(366)	(999)
Unrealised gain on revaluation of assets	558	958
	<hr/>	<hr/>
Total recognised gains and losses relating to the year	192	(41)
Prior year adjustment	-	41,549
	<hr/>	<hr/>
Total gains and losses recognised since last financial statements	192	41,508
	<hr/>	<hr/>



**CASH FLOW STATEMENT**

**CASH FLOW STATEMENT**

**FOR THE YEAR ENDED 31 DECEMBER 2006**

	Note	£	2006 £	£	2005 £
<b>Net Cash Flow from</b>					
<b>Operating Activities</b>	i		(1,062,267)		(1,880,219)
<b>Returns on Investments and</b>					
<b>    Servicing of Finance</b>					
Investment income		324,661		407,913	
			324,661		407,913
<b>Capital Expenditure and Financial Investment</b>					
Sale of tangible fixed assets		1,090,780		385,000	
Sale of fixed asset investments		4,426,515		4,011,725	
Purchase of tangible fixed assets		(431,496)		(1,704,973)	
Purchase of fixed asset investments		(4,165,146)		(871,188)	
			920,653		1,820,564
<b>Management of Liquid Resources</b>					
Parish and other loans issued		(221,000)		(182,006)	
Parish and other loans repaid		216,739		40,310	
			(4,261)		(141,696)
<b>Financing</b>					
Loans repaid to Church Commissioners		(125,771)		-	
Loans repaid to CBF		(401)		(1,175)	
Loans issued from Church Commissioners		-		-	
			(126,172)		(1,175)
Net Change in cash and cash equivalents			52,614		205,387
Cash and cash equivalent brought forward			210,512		5,125
Cash and cash equivalents carried forward			263,126		210,512

**CASH FLOW STATEMENT**

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**NOTES TO THE CASH FLOW STATEMENT  
FOR THE YEAR ENDED 31 DECEMBER 2006**

**Reconciliation of income and expenditure to net cash outflow from operating activities**

	<b>2006</b>	<b>2005</b>
	<b>£</b>	<b>£</b>
Net movement in funds	(79,053)	(40,954)
Depreciation	19,219	20,662
Investment income	(324,661)	(407,913)
(Gains)/Losses on investments and property	(558,014)	(958,210)
Decrease/(Increase) in debtors	(181,979)	(96,062)
(Decrease)/Increase in creditors	62,221	(397,742)
	<hr/>	<hr/>
Net cash flow from Operating Activities	<u>(1,062,267)</u>	<u>(1,880,219)</u>

**NOTES TO THE ACCOUNTS**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2006**

**I. (a) Accounting policies**

The Company has taken advantage of adapting its own arrangements of the headings and subheadings of its financial statements due to the special nature of its business in accordance with Section 3(3) of Schedule 4 of the Companies Act 1985. The financial statements have been prepared in accordance with applicable accounting standards; the Statement of Recommended Practice "Accounting by Charities" (the "SORP") issued in March 2005, except that freehold properties are not depreciated as set out below. Note is also taken of the Diocesan Accounts Guide issued August 2006.

The financial statements are prepared on the historical cost basis of accounting and a summary of the more important accounting policies, which have been consistently applied, is set out below.

**(b) Basis of accounting**

The financial statements are prepared in accordance with the historical cost convention modified by the revaluation of certain fixed assets.

**(c) Incoming resources**

The principal source of income comes from voluntary giving in the form of parish share. Income is accounted for when receivable, where receipts are reasonably certain and the amounts receivable can be quantified.

**(d) Donations and legacies**

All legacies to which the Diocese has been notified of its legal entitlement are included in the Statement of Financial Activities unless incapable of financial measurement. Assets given for distribution are recognised as income only when distributed. Assets given for use by the charity are recognised as incoming resources when receivable. All such income is brought into account at either the amount actually realised, or a reasonable estimate of their value.

**(e) Grants payable and receivable**

Grants received for restricted purposes are accounted for as restricted funds. They are not recognised until the conditions for receipt have been complied with. Grants restricted to future accounting periods are deferred and recognised in future accounting periods. Grants payable are recognised as a liability when the obligation arises to make a transfer of value to a third party.

Grants payable to National Church institutions are shown in note 9 and grants payable to support work in the parishes in the diocese are shown in note 11.

**(f) Resources expended**

Expenditure is recognised on an accruals basis as a liability when incurred and has been classified under the following categories:

- Cost of generating funds comprise the cost associated with the generation of income for the charity and include fund managers costs
- Charitable Expenditure comprises those costs incurred by the charity in the delivery of its activities. It includes costs that can be allocated directly to such activities and those costs of an indirect nature necessary to support them.

**NOTES TO THE ACCOUNTS**

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- Governance costs include those costs associated with meeting the constitutional and statutory requirements of the charity and include audit fees and costs linked to the strategic management of the charity.
- All costs are allocated between the expenditure categories of the SOFA on a basis designed to reflect the use of that resource. Indirect costs, such as Central Costs and Church House costs are allocated to the cost that they support in proportion to the time spent by Church House staff on the relevant expenditure and as set out in notes 10 – 13.

**(g) Investment assets and income arising**

The Board of Finance holds investments for itself and on behalf of parishes and other charities. Investments and their associated income are only recognised where the Board is investment custodian, investment managers and the beneficiary.

Investments are shown at market value, or at the trustees' best estimate of such. All unquoted investments are held with, and valued on the basis of information provided from the Central Board of Finance. Glebe Property is included in this year at insured value as a reasonable estimate of value.

Dividends and interest are included in the financial statements when received and gross of recoverable taxation.

Realised gains on investments are reinvested where appropriate. Both realised and unrealised gains are disclosed in the Statement of Financial Activities.

**(h) Major Funds**

Funds held by the Company are either:

Restricted funds – these funds consist of trust and other funds, which may only be used for specific purposes imposed by the settler, donor or legislation.

Permanent Endowment funds – these are funds where there is no power to convert capital into income. Where the directors have the power to convert endowments into income, these funds are known as expendable endowments.

Unrestricted funds – these are funds which may be used for general purposes without any external restriction.

Designated Funds – these are unrestricted funds that have been set aside by the Board for purposes designated by Diocesan policy. Such designations may be set aside from time to time according to policy decisions.

Details of the major funds held by the Board are given in note 26 to the Financial Statements.

**(i) Stipends**

Clergy stipends and the salaries of licensed lay staff, though a diocesan responsibility, are paid through the Church Commissioners payroll. The cost of the stipends and salaries paid by the Church Commissioners on behalf of the Board and income received by them centrally are shown gross in these financial statements. However, bishops are paid for mostly or entirely by the Church Commissioners and the relevant costs have been excluded from these financial statements.

**NOTES TO THE ACCOUNTS**

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**(j) Staff Pensions**

The Board of Finance contributes to the Church of England Funded Pension Scheme (for clergy) and the Church of England Defined Benefits Scheme for other staff. Both these schemes are multi employer pension schemes and it is not possible to identify the assets and liabilities of the schemes which are attributable to the Board. Therefore, in accordance with FRS 17, payments to the schemes are accounted for as for defined contribution schemes and the Board accounts for pension costs on the basis of contributions actually payable to the schemes in the year. Details of the schemes are given in note 24 to the accounts.

Pension scheme contributions are charged to the Statement of Financial Activities in the period to which they relate. Details of the schemes operated by the Board are given in note 24 to the Accounts.

**(k) Fixed assets**

All fixtures and fittings costing less than £10,000 are expensed and not capitalised. Glebe and parsonage houses and other property used by the Diocese are capitalised at cost, or valuation when first capitalised or transferred to the Board. Parsonage and Glebe houses that were first capitalised during the year end 31 December 2005 were included at an estimate of market value, based on insurance valuations made at 31 December 2003 and this valuation has not been updated.

Other Property is held in the balance sheet at cost, or valuation when the property was transferred to the Board.

Profits or losses arising on the sale of property are appropriated to the accumulated capital account, or passed to the Church Commissioners in the case of Value Linked Loan property.

Depreciation is not provided on buildings or value linked loan property as it is the company's policy to maintain the buildings in a state of good repair, and the directors consider that the life of the properties and their residual values are such that depreciation is not significant.

Depreciation on fixtures and fittings costing more than £10,000 is provided on a straight-line basis over five years for general fixtures and fittings, and over three years for computer equipment.

All fixed assets are held for continuing use in the charity's activities and are therefore classified as fixed assets for charitable use.

**(l) Netting off of expenses and income**

All incoming resources are reported gross, as far as is possible. Income received in circumstances where a claim for repayment of tax has been or will be made, is grossed up for the tax recoverable and the gross figure included as income.

**(m) Designated funds**

Designated funds are used for their intended purpose. Any transfers to or from designated funds are subject to authorisation controls.

**(n) Reserves**

Accumulated capital is the amount transferred from general reserve, profits less losses on sale of fixed assets and investments, legacies and gifts received for capital purposes. The general reserve is the total accumulated surplus less deficits for the Board of Finance.

Restricted funds are subject to specific conditions either imposed by the donor and binding on the Board

**NOTES TO THE ACCOUNTS**

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or linked to the basis on which money was obtained. They represent unspent restricted income and/or assets to which restrictions as to their use apply.

**(o) Value Linked Loans**

Value linked loans from the Church Commissioners that are administered by the DBF and the corresponding equivalent value of property to which they relate are all included in the Balance Sheet as an asset and a corresponding liability, in accordance with the recommendation of the Diocesan Accounts Guide. Such parish related loans outstanding at 31 December 2006 amounted to £236,200 (2005 - £236,200). Where the property is held in trust for Parish use, the asset is included as a Loan in note 16 to the accounts and where the property is held for Diocesan purposes it is included in DBF property in note 14 to these accounts.

**(p) Irrecoverable VAT**

Irrecoverable VAT is grossed up and included in all relevant expenditure.

**(q) Operating Leases**

Rental is payable under operating leases are charged in the SOFA on a straight line basis over the lease term.

NOTES TO THE ACCOUNTS

**2. PARISH SHARE**

	Unrestricted Funds £	Restricted Funds £	Endowment £	Total Funds 2006 £	Total Funds 2005 £
General parish share income	5,599,503	-	-	5,599,503	5,355,413
	<u>5,599,503</u>	<u>-</u>	<u>-</u>	<u>5,599,503</u>	<u>5,355,413</u>

**3. National Church Institutions**

	Unrestricted Funds £	Restricted Funds £	Endowment £	Total Funds 2006 £	Total Funds 2005 £
Church Commissioners					
Allocation to Diocese	1,197,668	-	-	1,197,668	999,160
Parish Ministry Support Grant	175,900	-	-	175,900	188,219
Grant for curates' stipends	-	-	-	-	19,383
Grant for legal services	19,648	-	-	19,648	18,959
	<u>1,393,216</u>	<u>-</u>	<u>-</u>	<u>1,393,216</u>	<u>1,225,721</u>

**4. Grants Received**

	Unrestricted Funds £	Restricted Funds £	Endowment £	Total Funds 2006 £	Total Funds 2005 £
Discretionary Funds Grant	85,680	-	-	85,680	51,370
DPA Strategy Income	-	634	-	634	26,931
Tearfund Project	-	17,380	-	17,380	30,000
Mission Opportunities Fund	-	-	-	-	3,000
Giving in Grace	-	-	-	-	1,020
Operation Eden	-	214,561	-	214,561	149,615
Marshalls Charity Grants	-	23,040	-	23,040	29,440
Kensington Academy	-	-	-	-	10,000
Partners in Mission Income	-	1,003	-	1,003	1,000
Church Growth	-	5,634	-	5,634	3,304
Stipends	8,002	-	-	8,002	8,838
Church & Society	-	69,144	-	69,144	26,698
Assigned Fees	434,706	-	-	434,706	422,185
	<u>528,388</u>	<u>331,396</u>	<u>-</u>	<u>859,784</u>	<u>763,401</u>

NOTES TO THE ACCOUNTS

5. Incoming resources from charitable activities

	Unrestricted Funds £	Restricted Funds £	Endowment £	Total Funds 2006 £	Total Funds 2005 £
Hospital Chaplaincy	8,713	-	-	8,713	8,064
Gift Aid Scheme	25,871	-	-	25,871	20,647
Church House Income	-	-	-	-	110
General DBF Income	63,752	-	-	63,752	67,348
Fellfield Income	8,376	-	-	8,376	11,451
DBE Services Ltd	27,950	-	-	27,950	-
Board of Education	143,799	-	-	143,799	106,874
Communications Office	11,637	-	-	11,637	22,818
Lifelong Learning	34,827	-	-	34,827	26,231
Parsonages Income	-	159,785	-	159,785	113,959
Church Inspection Fees	-	15,268	-	15,268	15,224
	<u>324,925</u>	<u>175,053</u>	<u>-</u>	<u>499,978</u>	<u>392,726</u>

6. Investment Income

	Unrestricted £	Restricted £	Endowment £	Total Funds £	Total Funds £
DBF Investment Income	224,176	-	-	224,176	309,374
Parsonages Rental Income	-	87,362	-	87,362	66,279
Glebe rental income	-	13,123	-	13,123	32,260
	<u>224,176</u>	<u>100,485</u>	<u>-</u>	<u>324,661</u>	<u>407,913</u>

Investment income represents income receivable from:

	2006 £	2005 £
Quoted investments	-	-
Unquoted investments	186,716	276,284
Loans and deposits	137,945	131,629
	<u>324,661</u>	<u>407,913</u>



NOTES TO THE ACCOUNTS

7. Other incoming resources

	Unrestricted Funds £	Restricted Funds £	Endowment £	Total Funds 2006 £	Total Funds 2005 £
Church Repairs Fund	5	-	-	5	5
Pastoral Account	-	692	-	692	89,276
Gains on Disposal of Property	-	423,538	-	423,538	
	<u>5</u>	<u>424,230</u>	<u>-</u>	<u>424,235</u>	<u>89,281</u>

8. Investment management costs

	Unrestricted Funds £	Restricted Funds £	Endowment £	Total Funds 2006 £	Total Funds 2005 £
DBF Investment Management Fees	-	-	-	-	-
Glebe Rental Management Charges	-	3,062	-	3,062	3,476
	<u>-</u>	<u>3,062</u>	<u>-</u>	<u>3,062</u>	<u>3,476</u>

9. National Church responsibilities

	Unrestricted Funds £	Restricted Funds £	Endowment £	Total Funds 2006 £	Total Funds 2005 £
Archbishops Council	301,188	-	-	301,188	302,878
	<u>301,188</u>	<u>-</u>	<u>-</u>	<u>301,188</u>	<u>302,878</u>

10. Ministry in parishes

	Unrestricted Funds £	Restricted Funds £	Endowment £	Total Funds 2006 £	Total Funds 2005 £
Clergy stipends	4,176,715	-	-	4,176,715	4,013,607
Clergy pension contributions	1,321,818	-	-	1,321,818	1,250,167
National Insurance	244,035	-	-	244,035	235,894
Resettlement/removal grants etc	140,400	-	-	140,400	124,490
Administration and other costs	45,007	-	-	45,007	46,355
Area Dean Grants	53,156	-	-	53,156	32,687
Mission Opportunities Fund	23,216	-	-	23,216	13,101
Parsonages	-	753,508	271,277	1,024,785	1,152,020
DBF central costs (25%)	105,368	-	-	105,368	91,022
Church House costs (15%)	7,387	-	-	7,387	5,218
	<u>6,117,102</u>	<u>753,508</u>	<u>271,277</u>	<u>7,141,887</u>	<u>6,964,561</u>

NOTES TO THE ACCOUNTS

11. Support for mission & ministry in parishes

	Unrestricted Funds £	Restricted Funds £	Endowment £	Total Funds 2006 £	Total Funds 2005 £
Clergy Training	190,494	-	-	190,494	189,927
Lifelong Learning	205,167	-	-	205,167	199,193
Operation Eden	-	187,624	-	187,624	158,015
Church & Society	165,731	-	-	165,731	114,669
Disability Discretionary	2,284	-	-	2,284	1,100
Church Growth & Ecumenism	175,317	-	-	175,317	140,442
Tearfund Project	-	17,380	-	17,380	26,159
Resources Department	157,506	-	-	157,506	145,846
Giving in Grace	40	-	-	40	2,704
Partners in Mission	734	-	-	734	(120)
Ordinands in Training	62,503	-	-	62,503	70,444
General Synod Members Expenses	6,846	-	-	6,846	9,301
Church Inspections	-	24,467	-	24,467	12,652
Communications Office	79,255	-	-	79,255	81,241
Legal Fees	56,339	-	-	56,339	54,498
Pastoral Committee	-	51,720	-	51,720	5,448
Diocesan Synod	5,850	-	-	5,850	6,692
Child Protection Office	9,522	-	-	9,522	24,041
Diocesan Advisory Council	16,684	-	-	16,684	20,510
Other	34,958	-	-	34,958	26,002
Ecumenical Funding	52,503	-	-	52,503	42,481
DPA Parish Housing and DPA grants	18,489	-	-	18,489	8,395
DBF central costs (60%)	252,887	-	-	252,887	218,452
Church House costs (80%)	39,397	-	-	39,397	27,826
	<u>1,532,506</u>	<u>281,191</u>	<u>-</u>	<u>1,813,697</u>	<u>1,585,918</u>

12. Education

	Unrestricted Funds £	Restricted Funds £	Endowment £	Total Funds 2006 £	Total Funds 2005 £
Board of Education	308,218	-	-	308,218	281,374
Property expenditure on schools	-	84,973	-	84,973	-
	<u>308,218</u>	<u>84,973</u>	<u>-</u>	<u>393,191</u>	<u>301,615</u>

NOTES TO THE ACCOUNTS

13. Governance Costs

	Unrestricted Funds £	Restricted Funds £	Endowment £	Total Funds 2006 £	Total Funds 2005 £
DBF Central Costs (15%)	63,223	-	-	63,223	54,613
Audit and accounting fees	19,734	-	-	19,734	18,820
Church House Costs (5%)	2,462	-	-	2,462	1,738
	<u>85,419</u>	<u>-</u>	<u>-</u>	<u>85,419</u>	<u>75,171</u>

14. Tangible fixed assets

	DBF £	Parsonage £	Glebe & DSF Capital £	Fixtures & Fittings £	Total £
<b>Cost or Valuation</b>					
At 1 January 2006	1,386,007	35,346,060	9,643,389	107,121	46,482,577
Additions	93,704	-	322,017	15,775	431,496
Disposals	(457,092)	(348,000)	(285,688)	-	(1,090,780)
At 31 December 2006	<u>1,022,619</u>	<u>34,998,060</u>	<u>9,679,718</u>	<u>122,896</u>	<u>45,823,293</u>
<b>Depreciation</b>					
At 1 January 2006	-	-	-	79,200	79,200
Charge for year	-	-	-	19,219	19,219
At 31 December 2006	<u>-</u>	<u>-</u>	<u>-</u>	<u>98,419</u>	<u>98,419</u>
<b>Net book value</b>					
At 31 December 2006	<u>1,022,619</u>	<u>34,998,060</u>	<u>9,679,718</u>	<u>24,477</u>	<u>45,724,874</u>
31 December 2005	<u>1,386,007</u>	<u>35,346,060</u>	<u>9,643,389</u>	<u>27,921</u>	<u>46,403,377</u>

Included in DBF is VLL Property amounting to £373,169. VLL Property is property that has been purchased with the help of a value linked loan from the Church Commissioners. When disposed of, the appropriate share of the net sales proceeds will be remitted to the Commissioners and the related liability thereby extinguished. Included in freehold land and buildings is Church House at a book value of £79,252. The board consider the market value of Church House to be in excess of £350,000.

NOTES TO THE ACCOUNTS

15. Fixed asset investments

	Unrestricted Funds £	Restricted Funds £	Endowment £	Total Funds 2006 £	Total Funds 2005 £
<b>Quoted</b>					
Market value at 1 January 2006	-	-	-	-	12,240
Additions	-	-	-	-	-
Disposals	-	-	-	-	(6,634)
Net investment (losses)	-	-	-	-	(5,606)
Market value at 31 December 2006	-	-	-	-	-
<b>Unquoted</b>					
Market value at 1 January 2006	3,944,099	619,967	2,529,851	7,093,917	9,301,004
Additions	2,163,518	613,899	1,387,729	4,165,146	871,188
Disposals	(2,568,896)	(209,860)	(1,647,759)	(4,426,515)	(4,005,091)
Net investment (losses)	323,839	26,455	207,719	558,013	926,816
Revaluation	-	-	-	-	-
Market value at 31 December 2006	3,862,560	1,050,461	2,477,540	7,390,561	7,093,917
<b>Total market value at 31 December 2006</b>	<b>3,862,560</b>	<b>1,050,461</b>	<b>2,477,540</b>	<b>7,390,561</b>	<b>7,093,917</b>

The above investments are pooled and have been reallocated during the year to ensure that each fund has an appropriate portion of investments allocated to it, taking into account the relative size of the fund and other assets held specifically in that fund.

Historical cost of investments	2006 £	2005 £
Quoted	-	-
Unquoted	3,924,348	4,078,608
	<u>3,924,348</u>	<u>4,078,608</u>

Unquoted Investments comprise

	2006 £	2005 £
CBF Investment Fund Shares	4,070,335	6,423,954
CBF Fixed Interest Securities Fund Shares	649,963	271,126
CBF UK Equity Fund	1,330,804	-
CBF Property Fund	601,990	-
CBF Deposit Fund	2,535	101,074
Glebe & DSF Investments	734,920	297,763
DBE Services Ltd	12	-
South West Northern Regional Training Partnership	2	-
	<u>7,390,561</u>	<u>7,093,917</u>

During the year, shares were purchased in both DBE Services Ltd and South West Northern Regional Training Partnership. The holding in DBE Services Ltd equates to a 20% share of the capital. DBE Services Ltd total loss for the first year of trading was £8,775 and 20% of this is £1,755. No accounts are yet available for the first year of trading for the South West Northern Regional Training Partnership.

NOTES TO THE ACCOUNTS

16. Loans (amounts falling due after more than one year)

	2006	2005
	£	£
Loans to Parishes:		
Value Linked Loans for Curates' properties	236,200	236,200
	<u>236,200</u>	<u>236,200</u>

Value Linked Loans for Curates' properties would be repayable when the property is no longer used for that purpose by the parish. These have been included in the balance sheet in accordance with accounting policy 1(o). These loans relate to liabilities referred to in Note 19.

17. Debtors

	Unrestricted Funds	Restricted Funds	Endowment	Total Funds 2006	Total Funds 2005
	£	£	£	£	£
Amounts due from parishes	228,958	-	-	228,958	182,267
Sundry debtors	345,847	-	-	345,847	298,219
Parish and other loans	551,909	-	-	551,909	556,170
Prepayments	149,659	-	-	149,659	53,476
	<u>1,276,373</u>	<u>-</u>	<u>-</u>	<u>1,276,373</u>	<u>1,090,132</u>

All loans to parishes are interest free.

Debtors include the following balances due after more than one year:

	Total Funds 2006	Total Funds 2005
	£	£
Parish and other loans	246,295	161,801
	<u>246,295</u>	<u>161,801</u>

18. Creditors: amounts falling due within one year

	Unrestricted Funds	Restricted Funds	Endowment	Total Funds 2006	Total Funds 2005
	£	£	£	£	£
Sundry creditors and accruals	603,131	-	-	603,131	544,151
Taxation and social security	28,702	-	-	28,702	25,461
	<u>631,833</u>	<u>-</u>	<u>-</u>	<u>631,833</u>	<u>569,612</u>

NOTES TO THE ACCOUNTS

19. Creditors: amounts falling due after more than one year

	Unrestricted Funds £	Restricted Funds £	Endowment £	Total Funds 2006 £	Total Funds 2005 £
Loans from Church Commissioners Parish/other shares in equity property	521,125	-	-	521,125	646,896
Loans from CBF	-	6,175	-	6,175	6,576
	<u>664,801</u>	<u>6,175</u>	<u>-</u>	<u>670,976</u>	<u>797,148</u>

Loans from Church Commissioners are secured on value-linked loan properties, included in fixed assets and are repayable on the sale of the property. No other security has been given for any creditors. Loans in respect of curates properties total £236,200 (2005: £236,200) (see note 16).

Included in the above are the following amounts due after more than 5 years:

	2006 £	2005 £
Loans from CBF	-	-
	<u>-</u>	<u>-</u>

20. Net Outgoing Resources for the year

This is stated after charging: -	2006 £	2005 £
Auditors' remuneration		
Audit	14,688	14,688
Accounting other	3,695	4,133
Depreciation	19,219	20,947
	<u>37,602</u>	<u>40,768</u>

21. Directors' emoluments

No emoluments have been paid from Board funds to any members of the Board of Finance. Board members are not included in the employees shown in note 22 below. Board members who are also stipendiary clergy receive remuneration including housekeeping, stipends and pension provisions based on national rates set by the central stipendiary authority.

**NOTES TO THE ACCOUNTS**

**22. Employees information**

The average number of persons employed by the company during the year was:

	2006 Number	2005 Number
Full time	28	29
Part time	20	20
	<u>48</u>	<u>49</u>

Included in the above are five full time and two part time posts funded externally by Operation Eden, Changeup and Service Level Agreements

	£	£
Staff costs (for the above persons)		
Wages and salaries	1,011,776	908,233
Social Security costs	60,707	54,494
Other pension costs (Note 24)	293,350	191,787
	<u>1,365,833</u>	<u>1,154,514</u>

The above staff costs are allocated to the respective Boards and Committees of the Diocesan Board of Finance.

No employees received more than £60,000 p.a. during the year under review (2005: NIL).

**23. Guarantees**

The Board has given guarantees to Lloyds Bank plc of £217,556 (2005: £218,081) in respect of loans granted to parishes.

**24. Pensions**

**(a) Clergy Pensions**

The Liverpool Diocesan Board of Finance ("the Board") participates in the Church of England Funded Pensions Scheme.

The Church of England Funded Pensions Scheme is a defined benefit scheme but the Board is unable to identify its share of the underlying assets and liabilities - each employer in that scheme pays a common contribution rate. The latest valuation of the Scheme was carried out as at 31 December 2003, and the Board's contribution rate increased from 29.5% to 33.8% of pensionable stipends with effect from 1st April 2006.

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

Past service Clergy Pensions, for service up to 31 December 1997, are paid by the Church Commissioners at no cost to the Diocese.

**(b) Staff Pensions**

The Board also participates in the Church of England Defined Benefits Scheme (DBS), part of the Church Workers Pension Fund.

**NOTES TO THE ACCOUNTS**

At 31 December 2006 the Board had 38 active members and 19 deferred pensioner members in the Fund.

The Board is unable to identify its share of the underlying assets and liabilities as each employer is exposed to actuarial risks associated with the current and former employees of other entities participating in the DBS. A valuation of the Fund was carried out as at 31 December 2005 and the Board's contribution rate has been revised to 23.78% of pensionable salaries with effect from 1 January 2006.

Details of the total pensions cost for the year may be found in note 22 to the accounts.

**25. Analysis of net assets by funds as at 31 December 2006**

	<b>Tangible Fixed Assets</b>	<b>Loans/ Investments</b>	<b>Net Current Assets</b>	<b>Long-term Liabilities</b>	<b>Total</b>
	£	£	£	£	£
Unrestricted funds	1,047,096	4,357,280	841,759	(670,976)	5,575,159
Restricted funds	8,539,773	1,017,969	65,907	-	9,623,649
Endowment funds	36,138,005	2,251,512	-	-	38,389,517
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total	45,724,874	7,626,761	907,666	(670,976)	53,588,325
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Further details of individual funds are given in note 27 below.

**26. Accumulated funds**

The General fund is unrestricted. In 2005, £500,000 was designated to the Mission Opportunities Fund, to give the Board flexibility to respond to fresh expressions of the church in future. So far, £63,597 has been spent, leaving a balance of £436,403 still designated at the end of 2006.

In 2006, it was agreed that £20,000 was to be designated each year to Designated Priority Areas (D.P.A.s). The opening balance for 2006 was £11,605. A further £20,000 was designated during 2006 and £18,489 was spent, leaving a closing balance of £13,116.

The total designated funds including both the Mission Opportunities Fund and D.P.A.s amounts to £449,519.

**Pastoral Account:** The Diocesan Pastoral Account represents the proceeds of redundant churches and parsonages. These funds, held by the Diocesan Board of Finance, have not yet been applied to the purposes permitted by the Pastoral Measure 1983. The Pastoral Account can be used for the acquisition and development of parsonages and other clergy houses and the provision, restoration, improvement or repair of churches once the legal obligations for redundant church buildings vested in the Board for disposal have been met. When authorised, surplus funds may be transferred to the Stipends Fund Capital Account. When these funds have been used to purchase or improve property this has been charged to the Pastoral Account in the year of expenditure. Proceeds of sale have been credited as Income in the year of receipt. Where the Board has used the funds to purchase or improve properties in its corporate capacity, these have been included as Fixed Assets in these financial statements. The Pastoral Account has been included as a restricted fund in these financial statements within the DBF Property Fund.

**Stipends Fund Capital Account:** The Diocesan Stipends Fund Capital account was set up by the Endowments and Glebe Measure 1976 to provide income for clergy stipends. It represents the accumulated sale proceeds of Glebe property, sale proceeds of parsonage houses and surplus benefice endowments following pastoral reorganisation. The



**NOTES TO THE ACCOUNTS**

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capital can be used for the purchase of Glebe or benefice property though the income can be utilised for stipend purposes. The DSF capital account is disclosed as an expendable endowment in these financial statements.

**Parsonage Building Fund:** Parsonage Building Fund represent resources held for the provision of benefice houses in the diocese. It is represented by the collective value of benefice houses held on suspense by the Church Commissioners. Although benefice houses are vested in incumbents for the time being of the benefice concerned, the Board is obliged to maintain them to ensure that there are sufficient houses for the pastoral structure of the diocese and it receives the sale proceeds of benefice houses surplus to requirements into its Stipends Fund Capital Account or Pastoral Account. The major capital expenditure incurred by the Board is the purchase of new or replacement parsonage houses. If there is insufficient funding for the same held in the parsonage building fund, the balance comes from the Stipends Fund Capital Account or the Diocesan Pastoral Account. The Parsonage Building Fund has been included as an expendable endowment fund in these financial statements.

The General Restricted fund includes income and related expenditure for the following:

Operation Eden

Tearfund

Kensington Academy

C of E Stipends Fund

Church Inspections

Akure & Partners in Mission

**Liverpool Diocesan Board of Finance - a company limited by guarantee and not having a share capital**

**NOTES TO THE ACCOUNTS**

**27. Accumulated funds**

	<b>General</b>	<b>General</b>	<b>DBF</b>	<b>Pastoral</b>	<b>DBE</b>	<b>DSF Capital</b>	<b>Parsonage</b>	<b>Stipends &amp;</b>	
<b>Movement in Year</b>	<b>(Unrestricted)</b>	<b>(Restricted)</b>	<b>Property</b>	<b>Account</b>	<b>Property</b>	<b>(Expendable</b>	<b>House</b>	<b>Ordinands</b>	<b>Total</b>
	£	£	£	£	£	£	£	£	£
Total Funds 2005	5,484,832	98,829	9,925,652	83,828	198,326	1,677,852	35,346,060	851,999	53,667,378
Incoming resources	8,070,214	323,623	706,848	692	-	-	-	-	9,101,377
Outgoing resources	8,344,434	229,471	756,569	51,720	84,973	271,277	-	-	9,738,444
Property Gains/losses	-	-	-	-	-	-	-	-	-
Investment Gains/losses	364,547	6,568	-	5,572	13,182	111,517	-	56,628	558,014
Transfers	-	-	(616,738)	-	-	964,738	(348,000)	-	-
	<b>5,575,159</b>	<b>199,549</b>	<b>9,259,193</b>	<b>38,372</b>	<b>126,535</b>	<b>2,482,830</b>	<b>34,998,060</b>	<b>908,627</b>	<b>53,588,325</b>
<b>Represented by:</b>									
Tangible fixed assets	1,047,096	-	8,539,773	-	-	1,139,945	34,998,060	-	45,724,874
Investments	4,121,080	199,549	734,920	38,372	45,128	1,342,885	-	908,627	7,390,561
Loans	236,200	-	-	-	-	-	-	-	236,200
Net Current Assets	841,759	-	(15,500)	-	81,407	-	-	-	907,666
Liabilities	(670,976)	-	-	-	-	-	-	-	(670,976)
	<b>5,575,159</b>	<b>199,549</b>	<b>9,259,193</b>	<b>38,372</b>	<b>126,535</b>	<b>2,482,830</b>	<b>34,998,060</b>	<b>908,627</b>	<b>53,588,325</b>
<b>Analysis of reserves</b>									
General funds	5,575,159	-	-	-	-	-	-	-	5,575,159
Restricted funds	-	199,459	9,259,193	38,372	126,535	-	-	-	9,623,649
Endowment	-	-	-	-	-	2,482,830	34,998,060	908,627	38,389,517
	<b>5,575,159</b>	<b>199,549</b>	<b>9,259,193</b>	<b>38,372</b>	<b>126,535</b>	<b>2,482,830</b>	<b>34,998,060</b>	<b>908,627</b>	<b>53,588,325</b>

*In 2006 a transfer of £175,207 was made to use Diocesan Stipends Capital Funds for the purchase of Glebe and Benefice Property (Parsonage Houses) in accordance with the Endowments and Glebe Measure 1976. A transfer of £1,139,945 relating to property originally funded from DSF Capital but held in DBF Property was made to move these Tangible fixed assets back into the DSF Capital Fund.*