

**Diocese of Liverpool**

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**Liverpool Diocesan Board of Finance**

# **REPORT AND ACCOUNTS**

**For the year ended 31 December 2015**

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*Registered Charity Number 249740*

*Registered Company Number 18301*

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

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CHAIRMAN'S REPORT

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**Chairman's Report**

I am pleased to introduce the Report of the Trustees and the Financial Accounts for the Liverpool Diocesan Board of Finance (LDBF) for the year ending 31 December 2015.

Firstly I would like to pay tribute to the work of Mike Eastwood and his team at St James House for their efforts in 2015. We continue to make significant progress on delivering the growth agenda so that we can become a bigger church making a bigger difference. In 2016 we will set out a revised a refreshed plan following the Growth Conversation consultation process.

In 2015 we remained committed to the established pattern of breakeven budgets yet our performance was once again dominated by challenges with Parish Share collection and Missional Leadership costs, along with a greater than anticipated spend on Clergy Housing. These three factors resulted in a management accounts loss for the year of £253,605.

The results in these financial statements reflect our management accounts performance, our wider activity involving developments and vacant church buildings and also the transition to new accounting standards. The net movement in funds for the year shows an increase of £1,106,569. In addition to our management accounts loss and our non-mainstream property activity this increase also reflects the impact of new accounting standards and in particular the changes to reporting on pension scheme liabilities. The notes to these accounts further report the restatement of prior year figures and the recognition of defined benefit pension scheme liabilities valued at £7,113,000. The increase in funds on page 17 should not therefore obscure the further erosion of our total resources or the ongoing challenges we face.

We continue to work on our strategy for 2017 and beyond in which the strengthening of our operating position and the balancing of our wider activities will be central. In bringing balance to all of our activities we aim to secure the sustainability of our shared work for many years to come. I'd like to thank all members of the DBF who gave their support in 2015 and look forward to working with the new DBF in 2016.



**David Greensmith**

26th May 2016



## **TRUSTEES' ANNUAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2015**

### **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 St James' House, 20 St James Road, Liverpool LI 7BY.

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 November 2015 for the current Finance Committee which runs from 1 January 2016 to 31 December 2018. The trustees who served in 2015 were:

David Greensmith, Chair (ex-officio)

David Burgess, Deputy Chair (elected)

The Right Reverend Richard Blackburn, Bishop of Warrington (ex-officio)

The Venerable Ricky Panter, Archdeacon of Liverpool (ex-officio)

The Venerable Peter Bradley, Archdeacon of Warrington (ex-officio) – retired 13 November 2015

The Venerable Pete Spiers, Archdeacon of Knowsley & Sefton (ex officio) – from 14 November 2015

The Venerable Roger Preece, Archdeacon of Warrington & St Helens (ex officio) – from 14 November 2015

The Venerable Jennifer McKenzie, Archdeacon of Wigan & West Lancashire (ex officio) – from 14 November 2015

Rev Cynthia Dowdle (elected) – retired 31 December 2015

Rev Chris Jones (elected)

Rev Mark Stanford (elected)

Pam Denton (elected)

Peter Owen (elected)

Michael Pitts (elected)

Mark Stafford (elected)

Jim Taylor (elected)

Cyril Barratt (Treasurer – 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

Matt Elliott, Director of Finance

Stuart Haynes, Director of Communications

Linda Jones, Director of Mission

Steve Pierce, Director of Learning & Stewardship

Jon Richardson, Director of Education

Ultan Russell, Director of Church & Society (retired December 2015)

### **Bankers and professional advisers**

#### **Auditors**

BWMacfarlane, Castle Chambers, 43 Castle Street, Liverpool, L2 9SH

#### **Bankers**

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

#### **Investment managers**

CCLA Investment Management Ltd, Senator House, 85 Queen Victoria Street, London, EC4V 4ET

#### **Diocesan Registrar**

Howard Dellar of Lee Bolton Monier-Williams, 1 The Sanctuary, Westminster, London SW1P 3JT

#### **Solicitors**

Hill Dickinson LLP, No. 1 St Paul's Square, Liverpool L3 9SJ

## **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 March 2010). 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 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 DBF 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 strategy. 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 Clergy Housing Committee. It has subcommittees 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 inter-departmental 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 with:

- ◆ Diocesan Synod as the Board of Finance and governing body of the diocese
- ◆ Bishop's Council as the executive arm of Diocesan Synod
- ◆ The Bishop's Core Group, where decisions are taken about the deployment of clergy
- ◆ Other diocesan committees, especially the Diocesan Mission & Pastoral Committee, Lifelong Learning Committee and Board of Education
- ◆ Deanery Synods and Deanery Mission & Pastoral Committees, where local mission plans are decided and their pastoral implications worked through
- ◆ 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, on whose campus we are now located and with whom there is now an established pattern of close collaborative working
- ◆ Other dioceses, especially in the North West of England, with whom we have close collaborations and provide services, especially to schools
- ◆ Providers of pre-ordination and Reader training, namely the residential theological colleges, All Saints Centre for Mission & Ministry and St Mellitus in the North West
- ◆ The national church institutions (Archbishops' Council, Church Commissioners and the Pensions Board) from whom we receive significant funding, policy directives and legal consents to transactions.

## TRUSTEES' ANNUAL REPORT

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- ◆ Other Christian denominations with and through whom we work on matters of workplace chaplaincy, child safeguarding and ecumenical relations notably through Churches Together in the Merseyside Region and Mission in the Economy
- ◆ Interfaith bodies, such as Merseyside Council of Faiths and Liverpool Community Spirit, as part of our cross community work to promote good interfaith relations
- ◆ 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. We have also been actively involved in ChangeUp, the pan Merseyside body, where we represent Churches Together in the Merseyside Region and feed back issues from faith networks to other members, notably councils for voluntary service
- ◆ 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
- ◆ Church Urban Fund with whom we have established Together Liverpool as a joint venture and, more recently, the Church Credit Champions Network

As at 31 December 2015 there were no subsidiary trading companies to the DBF. DBE Services Ltd continued trading, as did All Saints Centre for Mission & Ministry. DBE Services Ltd is an inter-diocesan company for the dioceses of Liverpool, Blackburn, Carlisle, Chester, Manchester and York, providing property and other services to schools. All Saints Centre for Mission & Ministry is an inter-diocesan company for the dioceses of Liverpool, Manchester and Chester established to provide local training for clergy and readers. We have an established partnership with St Mellitus (see section 4 below) and a joint venture with the Church Urban Fund entitled Together Liverpool which seeks to support and resource parishes as they seek to serve their wider community. In 2014 Together Liverpool also established the Church Credit Champions Network to help combat the systemic personal financial problems impacting on individuals and communities. The Liverpool Diocesan Educational Trust was established in 2012 to enhance links with Church Academies.

The single most important relationship we have continues to be with the clergy and lay people within the churches in our diocese whose ministry is the heartbeat of the diocese. We currently have around 215 serving parish and cathedral-based stipendiary clergy, around 60 non stipendiary and ordained local clergy, c. 300 readers and over 100 active retired clergy. We also now have c. 15 Local Missional Leaders, a number we expect to grow significantly in the coming years. We have c. 20 clergy serving full-time as chaplains in schools, hospitals, universities and prisons plus others serving in a part-time capacity. We also have an active committed church membership of c. 50,000.

### **Public benefit**

The trustees are aware of the Charity Commission's guidance on public benefit in The Advancement of Religion for the Public Benefit and have had regard to it in their administration of the Board. We believe that by promoting the work of the Church of England in the Diocese of Liverpool we help to promote the whole mission of the Church (pastoral, evangelistic, social and ecumenical) more effectively, both in the diocese as a whole and in its individual parishes, and that this provides a benefit to the public by:

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

More information on these benefits follows throughout this report.

### 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 strategic plan entitled *Growing in Christ*, enhanced by the publication of *Growing in Christ* in March 2015. Our aims can be summarised as follows:

- (i) Take forward the spiritual and numerical growth of the Church of England – including the growth of its capacity to serve the whole community of the country;
- (ii) Re-shape or re-imagine the Church's ministry for the century coming, so as to make sure that there is a growing and sustainable Christian witness in every local community;
- (iii) Focus resources where there is both greatest need and greatest opportunity.

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 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 St James' House serving the mission and ministries of the parishes and bishops and delivering on the aspirations of the Bishop's Growth Agenda
3. A well-run charity which meets the highest standards in governance, management and operational efficiency.

Our main activities can be summarised as:

- ◆ The development and implementation of mission and church growth strategies
- ◆ The provision of advisory services to 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 (I), "Achievements and performance". For information on our strategic thinking into the future please see section 4 (III), "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:

**Mission in the Economy** – £38,985 to support mission and chaplaincy in the world of work.



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.

We also help parishes in the most deprived areas of the diocese and gave £29,904 in Designated Priority Area grants.

### **Volunteers**

The diocese continues, quite rightly, to be dependent on the huge number of people involved in church activities both locally and at diocesan level. Surveys suggest that faith communities in general and Anglican churches in particular are major 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.

We believe that the number of active volunteers (or volunteer hours) given to the mission and ministry of the church is a key indicator of the health of a church. The service provided to a community through this church managed volunteering also has a significant impact, for example, on people's approaching the church at times of crisis, for baptisms, funerals and the other aspects of church life and community engagement.

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 and growth agenda.

## **4. STRATEGIC REPORT**

### **I. 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 was captured in our operational plan *Growing in Christ* which takes the growth agenda forward.

*Growing in Christ* identified 3 'burning platform' issues of ageing money, retiring clergy and broken buildings. We are developing clear strategies to help parishes address each of these challenges, in the first instance through the appointment of additional archdeacons.

We should put on record our grateful thanks for the outstanding contributions of 3 people each of whom retired in 2015 after long and excellent service – Ven Peter Bradley (Archdeacon of Warrington); Rev Canon Cynthia Dowdle (Canon Chancellor and Dean of Women's Ministry); Ultan Russell (Director of Church & Society). Each has left a huge void.

Overall we have seen a significant turnaround in terms of the Dioceses' mission and financial health, as measured by the national church. We have seen numerical growth in recent years, although the ageing demographic of many churches is making this growth harder to sustain. However, under Bishop Paul's leadership we are confident that the growth agenda will be refreshed and significantly energised and that in the words of the theologian Eugene Peterson we are committed to 'a long obedience in the same direction'.

We continue to press ahead on both mission and financial health. Our flagship Transforming Wigan project started under the leadership of Rev Tim Montgomery and supported with a £900,000 grant from the Church Commissioners' Spending Task Group. We have also set up the Joshua Centre for Pioneer Ministry, in collaboration with the Cathedral. And as mentioned above we believe that the emergence of Local Missional Leaders will have a transformative impact on both our short and medium-term missional capacity.

## TRUSTEES' ANNUAL REPORT

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We produce an annual statistical report to Diocesan Synod, based on a 'dashboard' of key data. This dashboard in particular seeks to establish the extent to which we are growing the giving base of committed individual givers to their local church. That giving base will underpin our future financial health and determine our decision-making freedom.

We undertake a biennial clergy survey. The 2015 survey produced generally strong results, although issues of clergy stress remain a significant concern. There were significant levels of buy-in to the Growth Agenda with over 90% of clergy stating that they both understood and supported the growth agenda.

We continue to increase the number of licensed ministers available for deployment. Following the implementation of our new vocations strategy, we now have a regular pattern of over 40 people actively exploring vocations at any point – a significantly higher than for many years. Our constructive engagement with both the All Saints Centre for Mission & Ministry and St Mellitus in the North West have been key to this, as has the establishment of our Directions course.

We remain at the leading edge of safeguarding both children and vulnerable adults. Our continuing work on the Child Friendly Church Award, our on-going training and development work on safeguarding issues and the wider work of our Disability Action Group all come together to demonstrate a serious and sustained commitment to excellence in this area, not least through our Disability Friendly Church Award, the first of its kind in the country.

Our Parish Share collection rate remains high, although it is the single biggest area of concern for the Diocesan Board of Finance. By October 2011 our collection rate had fallen to close to 95% from recent regular highs of 98.8%. We took a paper to Diocesan Synod called Reversing the Payment Trend which proposed a range of measures designed to improve collection rate. By the end of 2011 the collection rate had recovered to 97.9% and it climbed further in 2012 to 98.4%. In 2013 it was a remarkable 99.5%. In 2014 it fell back slightly to 98.3% but then rose again in 2015 to 98.8%. We continue to monitor the situation closely and carefully and there are clear signs that the Parish Share Payment Plan process is established as a constructive way of bringing parishes back into full payment.

However, as reported previously, there are signs of clear financial strain. Parish Share is becoming a higher percentage of the regular giving received from church members, leaving less money available to parishes for local mission purposes. In view of this Diocesan Synod established a Parish Share Review Group to report back in September 2014 on Parish Share options into the future. A new Parish Share system (largely an update of the current one) was implemented from January 2016, having received the overwhelming support of Diocesan Synod.

We continue to update our Giving in Grace website which helps parishes continue to face the giving challenge head on. It remains the best resource available to the church and helps address the core issue of ageing money in an open and straightforward way. We also are the only northern diocese to be involved in the Parish Giving Scheme pilot, a key part of both our stewardship and Making it Easier agendas.

The fact that our Parish Share collection rates have remained this high is a tribute to the generosity and commitment to mutual support of parishes throughout our diocese.

Levels of church attendance remain a concern, despite the improvement noted above. The average age of our congregations is significantly higher than the average age of the general population. We now track and publish attendance on a parish by parish basis. It is a key focus of discussion at the newly constituted Archdeacon's Parish Review meetings. We are now into our second 2-year cycle of the Growth Planning Framework, a core tool in helping each parish understand the particular steps it needs to take to grow spiritually and numerically in order to serve the wider community.

We continue to maintain our 'market share' of children attending schools with c. 30,000 children in Church of England schools. Nearly 85% of our schools are currently rated good or outstanding by Ofsted. We have set an ambitious target to increase this to 90%. We have taken a clear position on the academies agenda as we seek to implement the recommendations of the *Building on Firm Foundations* review endorsed by Synod in 2012.

### **Access and inclusion**

The DBF's commitment to access and inclusion has continued through the work on Disability Awareness (see above). Our policy on safeguarding vulnerable adults continues to be widely used in many other areas.

### **Information gathering**

We now have an excellent database of information that we use to publish annual diocesan and parish dashboards. We conducted the latest in the now biennial Clergy Survey in 2015. Information gathering and publication is fast becoming a key strength.

### **Asset management**

2015 was another good year for our equity investments, with UK and international markets remaining robust. Re-working our housing stock continues to have significant impact on our cash balances. In 2015 we achieved a number of operationally beneficial housing sales that contributed a net gain in these financial statements and also enable us to further strengthen our cash position

We continue to monitor closely our cash and broader reserve levels and think and plan on the basis of the medium rather than the short term investments. We have not deemed it necessary or advantageous to change our investment policies.

In summary our CCLA investments achieved an unrealised gain of £105,713.

### *Property*

We hold a lot of property (valued at £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 assets. 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.

The trustees are of the opinion that the market value of land and buildings exceeds their carrying value by an amount which cannot be ascertained without a disproportionate cost in determining the information.

2015 saw some changes in our property portfolio. Six properties were sold for a total value of £1,435,450. These were previously valued in the balance sheet at a total of £865,000 and so resulted in gains of £620,460. Three properties were purchased at a total cost of £801,722.

Our property development work on three former vicarages has met with good success. We have secured extremely good tenancies in both vicarages and the occupancy levels of the flats in the other vicarage are good.

In early 2008 Church House was sold on advantageous terms under a 125-year lease. 2014 saw the new impact of the first rent review under the terms of this lease, generating an 8% increase in rent receivable.



## II. FINANCIAL REVIEW

2015 was another mixed year financially. We once again set a breakeven budget with a 3.3% increase in Parish Share, absolutely reflecting the increase in the cost of ministry in parishes and schools.

### **Performance against budget**

Each year we present a budget to Synod, which summarises our financial thinking and – once approved – sets the framework for our financial decision-making.

Our management accounts deficit was £254,000, a fall back from the £126,000 loss the previous year. We will be undertaking a fundamental financial review in 2016 as part of the wider diocesan strategy review.

The main adverse variances were:

- ◆ £88,000 shortfall on Parish Share receipts
- ◆ £68,000 overspend on Missional Leadership
- ◆ £74,000 overspend on Clergy Housing and Moves

There was also a significant additional investment on safeguarding in line with our on-going commitment to excellence in this area.

### **Annual accounts**

The Statement of Financial Activities on page 17 shows a significantly better position, namely a net increase in funds for the year of £1,106,569 (as against a restated net reduction in 2014 of £1,136,504). This is because in addition to the operating loss of £254,000 referred to above there were additional expenses, provisions, gains and revaluations as follows:

#### *Expenditure and provisions (reducing funds):*

- ◆ £320,000 of additional property-related expenditure. This reflects:
  - On-going expenditure to upgrade the value of our housing stock which is met from capital, rather than revenue income;
  - Additional capital works associated with making newly purchased housing fit for clergy purposes;
  - Costs incurred in taking assets to market.
- ◆ £69,000 in property grants to parishes
- ◆ £164,000 maintaining redundant churches prior to disposal
- ◆ £281,000 in provisions for bad debts (mainly parish share)
- ◆ £58,000 of expenditure on schools
- ◆ £172,000 of expenditure relating to designated and restricted funds

#### *Gains and revaluations (increasing funds):*

- ◆ £1,043,000 in net increases in funds relating to defined benefit pension schemes
- ◆ £876,000 in gains on property sales and revaluation of investment property
- ◆ £506,000 in investment gains

We believe that our overall financial management is sound. We are continuing to develop income streams, have kept central costs under control and maintain a very impressive level of Parish Share collection.

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### **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:

*The DBF aims to maintain the equivalent of at least four 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.*

Early in 2011 this policy was revised and we now aim to hold a minimum of three months' operating expenditure in cash and equities in the General Fund. Over the course of 2015 the value of investments remained above 5.0 months.

In the 2008 report we said:

*We live in extraordinary times and the paper value of our investments has fallen significantly over the year. The trustees are seeking to take a balanced view of the current climate. We neither want to be complacent nor to overreact. Our primary focus at the moment is on the management of cash sufficient to meet our routine expenditure and necessary development needs. As long as we are confident that we can achieve this cash flow then we are more content to give our equity investments time to recover their paper value rather than significantly cutting revenue costs.*

We held to this position over the year and remain confident that it was the right thing to do.

The unrestricted reserve stands at £5.6m (when Designated Funds of £119k are taken into account). £2.6m 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 a minimum of three months will cushion the diocese from short-term revenue problems and will enable them to meet their legal requirements in case of serious financial problems.

Designated reserves amount to £119k and are to be used for the Warrington Mission Development Fund.

### **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.

Our historic Glebe land portfolio is substantially managed by Fisher German.

### **Grants received**

Our main source of income is Parish Share. We also receive an allocation from Archbishops' 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.

### **III. FUTURE PLANS**

We continue to work under our new strategic plan *Growing in Christ*. This covers the period 2014 – 16. As Bishop Paul wrote in his first pastoral letter to clergy:

*The Bishop's Growth Agenda is my agenda now, and I am fully committed to it. I intend to sustain and strengthen the direction of our Diocese as a growing community marked by disciplined prayer, intentional evangelism and a practical commitment to justice.*

*To continue in this direction we need to address the issues and problems we have already identified. We need to renew our financial base, to solve the problems raised by so many of our buildings, and to foster and multiply vocations to ministry, especially among younger people. Each one of us needs, by God's grace and in his strength, to share ideas and wisdom to address these challenges so that together we can resolve them.*

We are determined to press ahead so that we can become a bigger church to make a bigger difference.

### **IV. PRINCIPAL RISKS AND UNCERTAINTIES**

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 exposure to interest rate fluctuations on borrowings to liquidity risk, 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. Liquidity risk is managed by ensuring sufficient liquidity to meet foreseeable needs, with an overdraft facility providing short-term flexibility and longer-term loans supporting asset acquisition.

### **5. FUNDS HELD AS CUSTODIAN TRUSTEE ON BEHALF OF OTHERS**

The Board is Custodian Trustee for trust assets with a market value of £10m at 31 December 2015. Detailed Certificates of Holdings were sent to parishes and other managing trustees as at December 2015. 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. We also hold a number of parish properties as Custodian Trustee, but we are unable to obtain a current valuation of these properties due to the complexity and substantial costs involved.

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.

Further funds are held on behalf of Church of England Schools in the Diocese for capital building projects. At the 31 December 2015, these funds had a market value of £2.1 m (2014 - £1.5m).

### **6. 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 notes 11 and 12 to the financial statements.

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### **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.

In 2008 a loan of £25k was issued to the All Saints Centre for Mission and Ministry, a related party, and a further loan of £25k was issued in 2009. As at 31 December 2015 £22.5k was due to the Diocese. This balance is included within the figure of £156,735 for parish and other loans at note 14.

### **Post Balance Sheet Events**

There are no significant events occurring between 31 December 2015 and the date of signing the report which have significantly affected the charity.

### **Fundraising**

There have been no significant fundraising activities at diocesan level in 2015.

### **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. No expenses were paid to Trustees' during the year.

### **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 at the end of the year.

## **7. STATEMENT OF TRUSTEES' RESPONSIBILITIES**

The trustees (who are also directors of the Liverpool Diocesan Board of Finance for the purposes of company law) are responsible for preparing the Trustees' Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) including FRS 102: The Financial Reporting Standard applicable in the UK and Republic of Ireland.

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

- ♦ select suitable accounting policies and then apply them consistently;

TRUSTEES' ANNUAL REPORT

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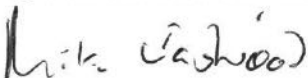
- ♦ observe the methods and principles in the Charities SORP;
- ♦ make judgments and estimates that are reasonable and prudent;
- ♦ state whether applicable accounting standards have been followed; and
- ♦ prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charitable company will continue in business.

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

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

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

26 May 2016

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 of the Liverpool Diocesan Board of Finance for the year ended 31 December 2015, which comprise the Statement of Financial Activities, the Balance Sheet, the Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

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

**Respective responsibilities of trustees and auditors**

As explained more fully in the Trustees' Responsibilities Statement (set out on pages 13 & 14), the trustees (who are also the directors of the charitable company for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

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

**Scope of the audit of the financial statements**

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

**Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the charitable company's affairs as at 31 December 2015 and of its incoming resources and application of resources, including its income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

AUDITORS' REPORT

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**Opinion on other matters prescribed by the Companies Act 2006**

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

**Matters on which we are required to report by exception**

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

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



**Lesley Malkin BA F.C.A.**

**Senior Statutory Auditor**

**For and on behalf of BWMacfarlane, Chartered Accountants**

**Statutory Auditor**

Castle Chambers

43 Castle Street

Liverpool

L2 9SH

26 May 2016



STATEMENT OF FINANCIAL ACTIVITIES

**STATEMENT OF FINANCIAL ACTIVITIES  
INCLUDING INCOME AND EXPENDITURE ACCOUNT  
FOR THE YEAR ENDING 31 DECEMBER 2015**

		Unrestricted Funds 2015 £	Restricted Funds 2015 £	Endowment Funds 2015 £	Total Funds 2015 £	Total Funds 2014 £
	Note					
<b>Income from</b>						
Donations	2					
Parish Share		6,914,283	-	-	6,914,283	6,825,286
Archbishop's Council		1,811,344	90,420	-	1,901,764	1,753,166
Other Donations		881,075	199,106	-	1,080,181	1,155,666
Charitable Activities	3	373,040	20,511	-	393,551	472,206
Investments	4	493,358	14,018	-	507,376	550,983
Other	5	-	744,310	575,951	1,320,261	146,847
<b>Total income</b>		<b>10,473,100</b>	<b>1,068,365</b>	<b>575,951</b>	<b>12,117,416</b>	<b>10,904,154</b>
<b>Expenditure on</b>						
Raising funds	6	-	2,485	-	2,485	-
Charitable activities	7	10,659,988	427,827	320,368	11,408,183	11,882,294
Other	8	80,286	25,606	-	105,892	419,246
<b>Total expenditure</b>		<b>10,740,274</b>	<b>455,918</b>	<b>320,368</b>	<b>11,516,560</b>	<b>12,301,540</b>
Net (expenditure)/income before investment gains		(267,174)	612,447	255,583	600,856	(1,397,386)
Net gains on investments	12	488,301	-	17,412	505,713	260,882
Net income/(expenditure)	17	221,127	612,447	272,995	1,106,569	-
<b>Transfers between funds</b>	22	106,361	-	(106,361)	-	(1,136,504)
<b>Net movement in funds</b>		<b>327,488</b>	<b>612,447</b>	<b>166,634</b>	<b>1,106,569</b>	<b>(1,136,504)</b>
<b>Total funds brought forward</b>		<b>5,285,311</b>	<b>1,401,306</b>	<b>36,039,658</b>	<b>42,726,275</b>	<b>43,862,779</b>
<b>Total funds carried forward</b>		<b>5,612,799</b>	<b>2,013,753</b>	<b>36,206,292</b>	<b>43,832,844</b>	<b>42,726,275</b>

All activities derive from continuing activities. The notes on pages 20 to 40 form part of the financial statements



BALANCE SHEET

**LIVERPOOL DIOCESAN BOARD OF FINANCE**

*(A company limited by guarantee and not having share capital)*

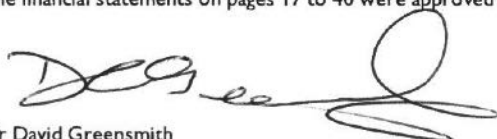
**BALANCE SHEET**

**AT 31 DECEMBER 2015**

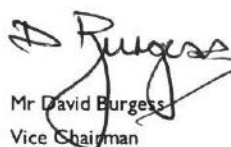
	Notes	2015		2014	
		£	£	£	£
<b>Fixed Assets</b>					
Tangible Assets	11		42,380,546		42,428,407
Investments	12		8,643,159		8,137,446
Loans	13		80,000		120,000
			<u>51,103,705</u>		<u>50,685,853</u>
<b>Current Assets</b>					
Debtors: due within 1 year	14	715,053		875,606	
Debtors: due after 1 year		136,766		480,963	
Cash at bank and in hand		2,110,374		170,749	
		<u>2,962,193</u>		<u>1,527,318</u>	
<b>Creditors:</b>					
Amounts falling due within one year	15	(3,725,904)		(1,844,046)	
<b>Net current liabilities</b>					
			(763,711)		(316,728)
<b>Total assets less current liabilities</b>					
			<u>50,339,994</u>		<u>50,369,125</u>
<b>Creditors: amounts falling due after more than one year</b>					
Pension scheme liabilities	16		(5,313,000)		(6,370,000)
Other creditors			(1,194,150)		(1,272,850)
<b>Net Assets</b>					
			<u>43,832,844</u>		<u>42,726,275</u>
<b>Accumulated Funds</b>					
Endowment funds	22		36,206,292		36,039,658
Restricted funds			2,013,753		1,401,306
Unrestricted funds			5,612,799		5,285,311
			<u>43,832,844</u>		<u>42,726,275</u>

The financial statements on pages 17 to 40 were approved by the Finance Committee on 26 May 2016 and signed on its behalf by:

Mr David Greensmith  
Chairman



Mr David Burgess  
Vice Chairman



CASH FLOW STATEMENT

**STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 31 DECEMBER 2015**

	Note	2015		2014	
		£	£	£	£
<b>Cash flows from operating activities:</b>					
<b>Net cash provided by (used in) operating activities</b>	i		<u>831,668</u>		<u>(1,423,641)</u>
<b>Cash flows from investing activities:</b>					
Investment income		507,376		550,983	
Sale of tangible fixed assets and loan redemption		1,525,460		1,843,781	
Purchase of tangible fixed assets		(835,133)		(259,580)	
Interest on bank loans and overdrafts		<u>(11,046)</u>		<u>(13,453)</u>	
<b>Net cash provided by investing activities</b>			<u>1,186,657</u>		<u>2,121,731</u>
<b>Cashflows from financing activities:</b>					
Repayments of borrowings		<u>(78,700)</u>		<u>(80,450)</u>	
<b>Net cash used in financing activities</b>			<u>(78,700)</u>		<u>(80,450)</u>
<b>Net Change in cash and cash equivalents</b>			1,939,625		617,640
Cash and cash equivalents brought forward			170,749		(446,891)
<b>Cash and cash equivalents carried forward</b>			<u>2,110,374</u>		<u>170,749</u>

**i, Reconciliation of net income / (expenditure) to net cash outflow from operating activities**

	2015	2014
	£	£
<b>Net income (expenditure) for the reporting period (as per the statement of financial activities)</b>	<b>600,856</b>	<b>(1,397,386)</b>
Depreciation	17,994	10,935
Investment income	(507,376)	(550,983)
Interest on bank loans and overdrafts	11,046	13,453
(Gains) / Losses on disposal of property	(620,460)	256,872
Decrease in debtors	504,750	110,660
Increase in creditors	824,858	132,808
<b>Net cash flow provided by (used in) operating activities</b>	<b>831,668</b>	<b>(1,423,641)</b>

**ii, Analysis of cash and cash equivalents**

	1 January 2015	Cash flow	Other non cash changes	31 December 2015
	£	£	£	£
Net Cash:-				
Cash at bank and in hand	170,749	1,939,625	-	2,110,374
	<u>170,749</u>	<u>1,939,625</u>	<u>-</u>	<u>2,110,374</u>

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2015**

**I. (a) Accounting policies**

The Liverpool Diocesan Board of Finance is company limited by guarantee registered in England no 18301 and a registered charity no 249740 and its registered office is at St James House, 20 St James Road, LI 7BY.

The LDBF constitutes a public benefit entity as defined by FRS 102. These financial statements have been prepared in accordance with the Statement of Recommended Practice for Charities (SORP 2015), the Companies Act 2006 and applicable accounting standards (FRS102).

Following the transition to FRS102 for the first time in 2015 all of the accounting policies have been aligned with the new accounting standard and where these have resulted in a material change to the amounts, classification or presentation within the financial statements as at the date of transition then a transitional adjustment has been made. These adjustments are set out in note 23 to the accounts.

A summary of the more important accounting policies which have been consistently applied is set out below.

**(b) Income**

The principal source of income comes from voluntary giving in the form of parish share. All income is included in the Statement of Financial Activities (SOFA) when the LDBF has entitlement to the funds, the amount can be quantified and receipt of the funds is probable.

**(c) Expenditure**

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

- i) **Costs of raising funds** are constrained to costs relating to the temporary renting out of parsonages and investment management costs of glebe and any other investment properties.
- ii) **Charitable expenditure** is analysed between contributions to the Archbishops' Council, expenditure on resourcing mission and ministry in the parishes of the diocese, expenditure relating to the running of the diocesan retreat centre, and expenditure on education and Church of England schools in the diocese.
- iii) **Grants payable** are charged in the year when the offer is conveyed to the recipient except in those cases where the offer is conditional on the recipient satisfying performance or other discretionary requirements to the satisfaction of the LDBF, such grants being recognised as expenditure when the conditions attaching are fulfilled. Grants offered subject to such conditions which have not been met at the year-end are noted as a commitment, but not accrued as expenditure.
- iv) **Support costs** consist of central management, administration and governance costs. The amount spent on raising funds and other activities is considered to be immaterial and all support costs are allocated to the purpose of charitable activities. Costs are allocated wherever possible directly to the activity to which they relate, but where such direct allocation is not possible, the remainder is allocated on an approximate staff time basis.
- v) **Pension contributions.** The LDBF's staff are members of the Church Workers Pension Fund and Clergy are members of the Church of England Funded Pensions Scheme (see note 19). The pension costs charged as resources expended represent the LDBF's contributions payable in respect of the accounting period, in accordance with FRS102. Deficit funding for the pension schemes to which LDBF

NOTES TO THE ACCOUNTS

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participates is accrued at current value in creditors distinguished between contributions falling due within one year and after more than one year.

**(d) 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 manager and the beneficiary.

Investments are shown at market value, or at the trustees' best estimate of such.

Investment properties are included in the balance sheet at their open market value and are not depreciated. Although this accounting policy is in accordance with the applicable accounting standard, SSAP 19, Accounting for investment properties, it is a departure from the general requirement of the Companies Act 2006 for all tangible assets to be depreciated. In the opinion of the trustees compliance with the accounting standard (SSAP 19) is necessary for the financial statements to give a true and fair view. Depreciation or amortisation is only one of many factors reflected in the annual valuation and the amount of this which might otherwise have been charged cannot be separately identified or quantified.

All unquoted investments are held with, and valued on the basis of information provided from CCLA.

Dividends and interest are included in the financial statements when receivable.

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

**(e) Major Funds**

Funds held by the charity are either:

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

Permanent Endowment funds – these are funds where there is no power to convert capital into income. Where the trustees 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 22 to the Financial Statements.

**(f) 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 are shown gross in these financial statements. However, bishops are paid entirely by the

NOTES TO THE ACCOUNTS

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Church Commissioners and the relevant costs have been excluded from these financial statements.

**(g) Fixed assets**

Classes of Fixtures and fittings are grouped and only those classes with a value of over £10,000 are capitalised and not expensed. Property is held in the balance sheet at cost or deemed cost for land and buildings held at valuation at the date of transition to FRS 102.

Depreciation is not provided on buildings as any provision (annual or cumulative) would not be material due to the very long expected remaining useful economic life in each case, and because their expected residual value is not materially less than their carrying value. The LDBF has a policy of regular structural inspection, repair and maintenance, which in the case of residential properties is in accordance with the Repair of Benefices Buildings Measure 1972 and properties are therefore unlikely to deteriorate or suffer from obsolescence. In addition, disposals of properties occur well before the end of their economic lives and disposal proceeds are usually not less than their carrying value. The Trustees perform annual impairment reviews in accordance with the requirements of FRS102 to ensure that the carrying value is not more than the recoverable amount.

Depreciation on fixed assets is provided on a straight-line basis over five years for furniture and over three years for IT equipment.

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

**(h) 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.

**(i) Designated funds**

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

**(j) 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 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.

**(k) 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 2015 amounted to £80,000 (2014 - £120,000). Where the property is held in trust for Parish use, the asset is included as a Loan in note 13 to the accounts and where the property is held for Diocesan purposes it is included in DBF property in note 11 to these accounts.

NOTES TO THE ACCOUNTS

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**(l) Irrecoverable VAT**

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

**(m) Operating Leases**

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

NOTES TO THE ACCOUNTS

2. Donations and legacies

	Unrestricted Funds £	Restricted Funds £	Permanent Endowment £	Total Funds 2015 £	Total Funds 2014 £
General Parish Share Income	6,914,283	-	-	6,914,283	6,825,286
	<u>6,914,283</u>	<u>-</u>	<u>-</u>	<u>6,914,283</u>	<u>6,825,286</u>
For the year ended 31 December 2014	<u>6,825,286</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,825,286</u>
<b>Income from National Church Institutions</b>					
Church Commissioners' Allocation to Diocese	1,561,911	-	-	1,561,911	1,533,702
Parish Ministry Support Grant	220,910	-	-	220,910	215,670
Development Funding		90,420		90,420	
Grant for Legal services	28,523	-	-	28,523	27,049
	<u>1,811,344</u>	<u>90,420</u>	<u>-</u>	<u>1,901,764</u>	<u>1,776,421</u>
For the year ended 31 December 2014	<u>1,753,166</u>	<u>23,255</u>	<u>-</u>	<u>-</u>	<u>1,776,421</u>
<b>Other Donations</b>					
Discretionary Funds Grant	151,988	-	-	151,988	148,281
RITC, MOF and other projects	-	64,572	-	64,572	127,160
Marshalls Charity Grants for Parsonages	-	11,910	-	11,910	14,089
Partners in Mission Income	-	671	-	671	-
Inter-Diocesan Learning Community	-	15,419	-	15,419	12,770
Church Growth	24,442	-	-	24,442	10,165
Stipends	12,926	-	-	12,926	43,318
DBE Services Ltd	73,312	-	-	73,312	63,233
Church & Society	-	106,534	-	106,534	103,301
Assigned Fees	618,407	-	-	618,407	633,349
	<u>881,075</u>	<u>199,106</u>	<u>-</u>	<u>1,080,181</u>	<u>1,155,666</u>
For the year ended 31 December 2014	<u>898,346</u>	<u>257,320</u>	<u>-</u>	<u>-</u>	<u>1,155,666</u>

NOTES TO THE ACCOUNTS

3. Charitable Activities

	Unrestricted Funds £	Restricted Funds £	Permanent Endowment £	Total Funds 2015 £	Total Funds 2014 £
Hospital Chaplaincy Income	12,000	-	-	12,000	12,000
Gift Aid Scheme	22,931	-	-	22,931	24,473
General DBF Income	77,469	-	-	77,469	95,454
Fellfield Income	4,782	-	-	4,782	7,986
Board of Education	180,231	-	-	180,231	180,919
Communications Office	14,333	-	-	14,333	16,953
Lifelong Learning	61,294	-	-	61,294	70,064
Clergy Housing Income	-	31	-	31	45,208
Church Inspection Fees	-	20,480	-	20,480	19,149
	<b>373,040</b>	<b>20,511</b>	<b>-</b>	<b>393,551</b>	<b>472,206</b>
For the year ended 31 December 2014	<b>407,849</b>	<b>64,357</b>	<b>-</b>	<b>-</b>	<b>472,206</b>

4. Investment Income

	Unrestricted Funds £	Restricted Funds £	Permanent Endowment £	Total Funds 2015 £	Total Funds 2014 £
DBF Investment Income	215,345	-	-	215,345	222,214
Church House Rental Income	81,000	-	-	81,000	80,500
Parsonages Rental Income	197,013	-	-	197,013	231,815
Glebe Rental Income	-	14,018	-	14,018	16,454
	<b>493,358</b>	<b>14,018</b>	<b>-</b>	<b>507,376</b>	<b>550,983</b>
For the year ended 31 December 2014	<b>534,529</b>	<b>16,454</b>	<b>-</b>	<b>-</b>	<b>550,983</b>

5. Other incoming resources

	Unrestricted Funds £	Restricted Funds £	Permanent Endowment £	Total Funds 2015 £	Total Funds 2014 £
DBE Property Income	-	699,801	-	699,801	123,592
Property Transactions	-	44,509	575,951	620,460	23,255
	<b>-</b>	<b>744,310</b>	<b>575,951</b>	<b>1,320,261</b>	<b>146,847</b>
For the year ended 31 December 2014	<b>-</b>	<b>146,847</b>	<b>-</b>	<b>-</b>	<b>146,847</b>



NOTES TO THE ACCOUNTS

6. Raising Funds

	Unrestricted Funds £	Restricted Funds £	Permanent Endowment £	Total Funds 2015 £	Total Funds 2014 £
Glebe Rental Management Charges	-	2,485	-	2,485	-
	-	2,485	-	2,485	-
For the year ended 31 December 2014	-	-	-	-	-

7. Charitable Activities

	Unrestricted Funds £	Restricted Funds £	Permanent Endowment £	Total Funds 2015 £	Total Funds 2014 £
Archbishops' Council	293,861	-	-	293,861	252,494
	293,861	-	-	293,861	252,494
For the year ended 31 December 2014	252,494	-	-	-	252,494

Resourcing Mission and Ministry

Parish Mission and Ministry:

Clergy stipends	4,726,542	-	-	4,726,542	4,643,441
Clergy Pension Costs	1,326,395	-	-	1,326,395	1,509,477
National insurance	369,176	-	-	369,176	358,925
Resettlement/removal grants etc	203,705	-	-	203,705	212,785
Lay Workers	123,628	-	-	123,628	115,170
Administration and other costs	101,182	-	-	101,182	96,693
Area Dean Grants	36,050	-	-	36,050	33,950
RITC, MOF and other projects	-	179,986	-	179,986	165,596
Clergy Housing	953,084	25,959	320,368	1,299,411	1,166,439
Deanery Mission and Growth Grants	269,648	-	-	269,648	224,274
Grants to Parishes from Property Sales	69,233	-	-	69,233	374,885
DBF Central Costs (25%)	(31,434)	-	-	(31,434)	85,040
St James' House Costs (15%)	21,762	-	-	21,762	21,323
	8,168,971	205,945	320,368	8,695,284	9,007,998
For the year ended 31 December 2014	7,675,963	1,092,443	239,592	-	9,007,998

NOTES TO THE ACCOUNTS

	Unrestricted Funds £	Restricted Funds £	Permanent Endowment £	Total Funds 2015 £	Total Funds 2014 £
<b>7. Charitable Activities (continued)</b>					
Support for Parish Mission and Ministry:					
Clergy Training	251,565	-	-	251,565	251,009
Lifelong Learning	345,351	-	-	345,351	350,204
Church and Society	107,401	106,534	-	213,935	190,289
Disability Discretionary	2,673	-	-	2,673	1,768
Inter-Diocesan Learning Community	-	21,165	-	21,165	11,052
Church Growth & Ecumenism	152,927	-	-	152,927	121,864
Tearfund Project	-	-	-	-	6,180
Resources Department	126,639	-	-	126,639	120,290
Ordinands in Training	84,716	-	-	84,716	116,640
General Synod Members' Expenses	10,452	-	-	10,452	10,581
Church Inspections	-	17,457	-	17,457	24,368
Communications Office	123,765	-	-	123,765	120,878
Legal Fees	1,080	-	-	1,080	-
Pastoral Committee	-	18,903	-	18,903	17,628
Diocesan Synod	4,390	-	-	4,390	3,067
Safeguarding and Inclusion	126,141	-	-	126,141	103,515
Diocesan Advisory Council	32,171	-	-	32,171	29,477
Ecumenical Funding	59,056	-	-	59,056	38,481
DPA Parish Housing & DPA Grants	30,580	-	-	30,580	23,289
Additional Pension Costs	6,675	-	-	6,675	-
DBF Central Costs (60%)	(75,443)	-	-	(75,443)	204,093
St James' House Costs (80%)	116,062	-	-	116,062	113,718
Other	164,394	-	-	164,394	157,904
	<b>1,670,595</b>	<b>164,059</b>	<b>-</b>	<b>1,834,654</b>	<b>2,016,295</b>
For the year ended 31 December 2014	<b>1,853,766</b>	<b>162,529</b>	<b>-</b>	<b>-</b>	<b>2,016,295</b>
<b>Expenditure on Education</b>					
Support for church schools and parishes	526,561	-	-	526,561	446,046
Property Expenditure on Schools	-	57,823	-	57,823	159,461
	<b>526,561</b>	<b>57,823</b>	<b>-</b>	<b>584,384</b>	<b>605,507</b>
For the year ended 31 December 2014	<b>446,046</b>	<b>159,461</b>	<b>-</b>	<b>-</b>	<b>605,507</b>
	<b>10,659,988</b>	<b>427,827</b>	<b>320,368</b>	<b>11,408,183</b>	<b>11,882,294</b>

NOTES TO THE ACCOUNTS

8. Other Resources Expended

	Unrestricted Funds	Restricted Funds	Permanent Endowment	Total Funds 2015	Total Funds 2014
	£	£	£	£	£
Governance:					
DBF Central Costs (15%)	(18,861)	-	-	(18,861)	51,023
Diocesan Registry	74,821	-	-	74,821	73,833
Audit and accounting fees	17,072	-	-	17,072	16,400
St James' House Costs (5%)	7,254	-	-	7,254	7,108
	<b>80,286</b>	<b>-</b>	<b>-</b>	<b>80,286</b>	<b>148,364</b>
For the year ended 31 December 2014	<b>148,364</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>148,364</b>
Other outgoing property resources:					
Pastoral Account	-	25,606	-	25,606	14,010
Losses on Disposal of Property	-	-	-	-	256,872
	<b>-</b>	<b>25,606</b>	<b>-</b>	<b>25,606</b>	<b>270,882</b>
For the year ended 31 December 2014	<b>-</b>	<b>14,010</b>	<b>256,872</b>	<b>-</b>	<b>270,882</b>
	<b>80,286</b>	<b>25,606</b>	<b>-</b>	<b>105,892</b>	<b>419,246</b>

9. Analysis of support costs

	Unrestricted Funds	Restricted Funds	Permanent Endowment	Total Funds 2015	Total Funds 2014
	£	£	£	£	£
Central administration	(125,738)	-	-	(125,738)	340,156
Diocesan Registry	74,821	-	-	74,821	73,833
Audit and accounting fees	17,072	-	-	17,072	16,400
St James' House	145,078	-	-	145,078	142,149
	<b>111,233</b>	<b>-</b>	<b>-</b>	<b>111,233</b>	<b>572,538</b>
For the year ended 31 December 2014	<b>572,538</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>572,538</b>

10. Staff Costs

	2015 £	2014 £
Employee costs during the year were as follows:		
Wages and salaries	1,512,892	1,311,120
National Insurance Contributions	119,371	109,366
Pension costs	378,338	314,532
	<b>2,010,601</b>	<b>1,735,018</b>
	2015 Number	2014 Number
The average number of persons employed during the year:		
Full time	36	32
Part time	31	31
	<b>67</b>	<b>63</b>

Included in the above are four full time and four part time parish-based clergy and lay alternative posts funded from the stipends budget. Also included were eight full time and two part-time posts funded externally by Service Level Agreements, ecumenical grants, Liverpool University Anglican Chaplaincy, Together Liverpool and English Heritage.

NOTES TO THE ACCOUNTS

**Remuneration of key management personnel**

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

Diocesan Secretary and Company Secretary	Mike Eastwood
Director of Finance	Matt Elliott
Director of Communications	Stuart Haynes
Director of Church Growth and Ecumenism	Linda Jones
Director of Learning and Stewardship	Steve Pierce
Director of Education	Jon Richardson
Director of Church and Society	Ultan Russell

Total remuneration and pensions for these 7 employees amounted to £387,321 (2014: £379,726)

**Trustees' emoluments**

No Trustee received any remuneration or reimbursement for expenses for services as Trustee. Trustees who are also stipendiary clergy receive remuneration for including stipends, pension and housing based on national rates set by the central stipends authority.

The following trustees received remuneration in respect of their roles as stipendiary clergy:

Ven Peter Bradley  
 Ven Jennifer Mckenzie  
 Ven Ricky Panter  
 Ven Roger Preece  
 Ven Pete Spiers  
 Rev Cynthia Dowdle (elected)  
 Rev Chris Jones (elected)  
 Rev Mark Stanford (elected)

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

The LDBF paid an average of 198 (2014 - 200) stipendiary clergy as office holders holding parochial or diocesan appointments in the diocese, and the costs were as follows:

	2015 £	2014 £
Stipends	4,726,542	4,643,441
Pension costs	1,326,395	1,509,477
National Insurance Contributions	369,176	358,925
	<u>6,422,113</u>	<u>6,511,843</u>

Bishops Stipends were paid and funded by the Church Commissioners. The stipends of all stipendiary clergy are based on a regionally adjusted benchmark issued by the central stipends authority.

None of the employees received emoluments in excess of £60,000 for either financial year.

NOTES TO THE ACCOUNTS

11. Tangible Fixed Assets

	DBF Property £	DBF Glebe £	DBF VLL Property £	Team Vicars Glebe £	Parsonages £	Fixtures & Fittings £	Total Funds £
<b>Deemed cost or historic cost</b>							
At 1 January 2015	679,320	3,532,491	206,590	3,868,000	34,133,998	240,905	42,661,304
Additions	-	-	-	-	801,722	33,411	835,133
Disposals	-	-	(38,500)	(174,000)	(652,500)	-	(865,000)
Revaluation of property	-	-	-	-	-	-	-
At 31 December 2015	679,320	3,532,491	168,090	3,694,000	34,283,220	274,316	42,631,437
<b>Depreciation</b>							
At 1 January 2015	-	-	-	-	-	232,897	232,897
Charge for year	-	-	-	-	-	17,994	17,994
At 31 December 2015	-	-	-	-	-	250,891	250,891
<b>Net book value</b>							
At 31 December 2015	679,320	3,532,491	168,090	3,694,000	34,283,220	23,425	42,380,546
At 31 December 2014	679,320	3,532,491	206,590	3,868,000	34,133,998	8,008	42,428,407

All properties held as Tangible Fixed Assets are freehold.

12. Fixed Asset Investments

	Investment UK Unquoted Properties £	Investments £	Total Funds 2015 £	Total Funds 2014 £
<b>Unquoted</b>				
Market value at 1 January 2015	3,535,345	4,602,101	8,137,446	7,876,564
Additions	-	-	-	-
Disposals	-	-	-	-
Gains on Investment Assets	400,000	105,713	505,713	260,882
<b>Market value at 31 December 2015</b>	<b>3,935,345</b>	<b>4,707,814</b>	<b>8,643,159</b>	<b>8,137,446</b>

Investment properties were valued by Peter Kenny Property Management as at 31<sup>st</sup> December 2015. The trustees have valued the investment properties at a current market value of £3,935,345 as at 31 December 2015.

NOTES TO THE ACCOUNTS

**12. (cont.) Fixed asset investments**

<b>Historical Cost of Investments</b>	2015	2014
	£	£
UK Unquoted	4,424,069	4,424,069
Investment Property	2,086,955	2,086,955
	<u>6,511,024</u>	<u>6,511,024</u>

<b>Unquoted Investments comprise</b>	2015	2014
	£	£
CBF Property Fund	1,074,513	991,239
CBF Investment Fund	2,548,465	2,514,253
CBF Global Equity Fund	1,083,376	1,095,149
CBF Deposit Fund	1,448	1,448
DBE Services Ltd	12	12
	<u>4,707,814</u>	<u>4,602,101</u>

In 2005 the diocese purchased 12 ordinary shares of £1 each (now a 1/6<sup>th</sup> shareholding) in DBE Services Ltd. DBE Services Ltd provides services for schools. The Diocese's share of the surplus was £73,312 (see note 2).

The shares may not be disposed of or charged except in accordance with the provisions of the Shareholders' Agreement. Distributable profits attributable to the work done for relevant schools are to be distributed in the proportions to which they arise from the work done for the relevant schools for each shareholder and the remaining distributable profits shall be divided equally between the shareholders.

NOTES TO THE ACCOUNTS

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

	2015	2014
	£	£
Loans to Parishes:		
Value Linked Loans for Curates' properties	<u>80,000</u>	<u>120,000</u>

**14. Debtors**

	Unrestricted Funds £	Restricted Funds £	Permanent Endowment £	Total Funds 2015 £	Total Funds 2014 £
Amounts due from parishes	393,751	-	-	393,751	560,749
Sundry debtors	139,208	-	-	139,208	422,534
Parish and other loans	156,735	-	-	156,735	173,897
Prepayments	162,125	-	-	162,125	199,389
	<u>851,819</u>	-	-	<u>851,819</u>	<u>1,356,569</u>

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

	Total Funds 2015 £	Total Funds 2014 £
Sundry Debtors	-	325,336
Parish and other loans	<u>136,766</u>	<u>155,627</u>
	<u>136,766</u>	<u>480,963</u>

NOTES TO THE ACCOUNTS

**15. Creditors: amounts falling due within one year**

	Unrestricted Funds £	Restricted Funds £	Permanent Endowment £	Total Funds 2015 £	Total Funds 2014 £
Sundry creditors and accruals	2,968,904	-	-	2,968,904	1,002,575
Schools development project	-	-	-	-	63,594
Taxation and social security	-	-	-	-	34,877
Clergy Pension Deficit	-	644,000	-	644,000	630,000
Defined Benefit Pension Deficit	113,000	-	-	113,000	113,000
	<b>3,081,904</b>	<b>644,000</b>	<b>-</b>	<b>3,725,904</b>	<b>1,844,046</b>

**16. Creditors: amounts falling due after more than one year**

	Unrestricted Funds £	Restricted Funds £	Permanent Endowment £	Total Funds 2015 £	Total Funds 2014 £
Loans from Church Commissioners	192,750	-	-	192,750	271,250
Loans from CCLA	1,000,000	-	-	1,000,000	1,000,000
Loans from CBF	-	1,400	-	1,400	1,600
Clergy Pension Deficit	-	5,278,000	-	5,278,000	5,724,000
Defined Benefit Pension Deficit	35,000	-	-	35,000	646,000
	<b>1,227,750</b>	<b>5,279,400</b>	<b>-</b>	<b>6,507,150</b>	<b>7,642,850</b>

Loans from Church Commissioners are secured on value-linked loan properties, included in fixed assets and are repayable on the sale of the property. There is no fixed repayment date for these. The total interest paid during 2015 was £17,169 at a rate of 6%. Loans in respect of curates' properties total £80,000 (2014- £120,000) (see note 13). Loans from CCLA are repayable on a flexible basis within ten years. Interest is payable at 0.55% above the daily declared CCLA CBF Deposit Fund interest rate.

**17. Net (Outgoing) / Incoming Resources for the year**

	2015 £	2014 £
This is stated after charging:-		
Auditors' remuneration		
Audit – BWMacfarlane	13,290	12,900
Non audit fees	2,700	354
Depreciation	17,994	10,935
VLL Loan Interest Paid	17,169	23,879
Operating Leases – Land & Buildings	75,000	75,000
Operating Leases – Plant and Equipment	9,621	9,621
Interest on bank loans and overdrafts	546	2,953
Interest on loans from CCLA	10,500	10,500



NOTES TO THE ACCOUNTS

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## 18. Guarantees

The Board has given guarantees to Lloyds Bank of £173,018 (2014: £210,415) in respect of loans granted to parishes. These guarantees would crystallise in the event of a default. At the end of the year, capital commitments authorised but not yet contracted for were nil (2014 – nil). Commitments contracted for as at 31 December 2015 were nil (2014 - £15,750).

## 19. Pensions

### (a) Clergy Pensions

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

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

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

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

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

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

NOTES TO THE ACCOUNTS

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

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

	2015	2014
Balance sheet liability at 1 January	6,354,000	6,507,000
Deficit contribution paid	-631,000	-544,000
Interest cost (recognised in SoFA)	139,000	218,000
Remaining change to the balance sheet liability* (recognised in SoFA)	60,000	173,000
Balance sheet liability at 31 December	5,922,000	6,354,000

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

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

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

**(b) Staff Pensions**

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

The LDBF participates in the Defined Benefits Scheme section of CWPF for lay staff employed prior to 2009 and the Pension Builder Classic Scheme for lay staff employed after 1<sup>st</sup> January 2009. The Scheme is administered by the Church of England Pensions Board, which holds the assets of the schemes separately from those of the Employer and the other participating employers.

**Defined Benefits Scheme**

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

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

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

NOTES TO THE ACCOUNTS

Life Risk Pool and all pensions and death benefits are paid from the Life Risk Pool.

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

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

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

Following the valuation, the Employer has entered into an agreement with the Church Workers Pension Fund to pay a contribution rate of 22.6% of pensionable salary and expenses of £8,900 per year. In addition deficit payments of £112,585 per year have been agreed for 2.08 years from 1 April 2015 in respect of the shortfall in the Employer sub-pool. This obligation has been recognised as a liability within the Employer's financial statements.

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

	2015	2014
Balance sheet liability at 1 January	759,000	824,000
Deficit contribution paid	-113,000	-113,000
Interest cost (recognised in SoFA)	13,000	21,000
Remaining change to the balance sheet liability*(recognised in SoFA)	-511,000	27,000
Balance sheet liability at 31 December	148,000	759,000

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

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

	December 2013	December 2014	December 2015
Discount rate	2.70%	1.80%	1.30%

NOTES TO THE ACCOUNTS

**20. Analysis of net assets by funds as at 31 December 2015**

	<b>Tangible Fixed Assets £</b>	<b>Loans/ Investments £</b>	<b>Net Current Liabilities £</b>	<b>Long-term Liabilities £</b>	<b>Total £</b>
Unrestricted funds	870,835	6,090,825	(119,711)	(1,229,150)	5,612,799
Restricted funds	6,186,034	1,749,719	(644,000)	(5,278,000)	2,013,753
Endowment funds	35,323,677	882,615	-	-	36,206,292
<b>Total</b>	<b>42,380,546</b>	<b>8,723,159</b>	<b>(763,711)</b>	<b>(6,507,150)</b>	<b>43,832,844</b>

Further details of individual funds are given in note 22 below.

**21. Lease Obligations**

At 31<sup>st</sup> December 2015, Liverpool DBF was committed to making the following payments under non-cancellable operating leases in the year to 31<sup>st</sup> December 2016:

	<b>2015</b>		<b>2014</b>	
	<b>Land and Buildings £</b>	<b>Plant and Equipment £</b>	<b>Land and Buildings £</b>	<b>Plant and Equipment £</b>
Within 1 year	-	2,045	-	-
Within 2 to 5 years	-	-	-	9,621
After 5 years	75,000	-	75,000	-

NOTES TO THE ACCOUNTS

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**22. Accumulated funds**

The General fund is unrestricted. In 2010 £170,000 was designated to the Warrington Mission Development Fund from the sale proceeds of a former vicarage. As at 31 December 2015, total designated funds amounted to £118,992.

**Pastoral Account:** The Diocesan Pastoral Account represents the proceeds of redundant churches. 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.

**Diocesan Stipends Fund (DSF) 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 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.

**Stipends & Ordinands Permanent Endowment:** The Stipends & Ordinands Permanent Endowment Fund represents the accumulation of a number of donations given over a number of years towards the support of Stipendiary Ministry and Ordinands in training and their families.

**DBE Property Restricted Fund:** The DBE Property Restricted fund relates to the proceeds of sale of redundant school sites and is used for the benefit of church schools in the Diocese.

**DBF Property Fund:** The DBF Property Restricted fund represents the accumulated value of Glebe Houses and owned by the DBF.

**Parsonage Building Expendable Endowment Fund:** The Parsonage Building Fund represents 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 Specific Restricted fund includes income and related expenditure for the following:

C of E Stipends Fund  
Church Inspections  
Akure & Partners in Mission  
English Heritage

NOTES TO THE ACCOUNTS

22. Accumulated Funds (continued)

	General	Specific Restricted	DBF Property Fund	Pastoral Account	DBE Property Restricted	DSF Capital Expendable Endowment	Parsonage Building Expendable Endowment	Stipends & Ordinands Permanent Endowment	Total
	£	£	£	£	£	£	£	£	£
<b>Movement in Year:</b>									
Total Funds 2014	5,285,311	652,940	390,515	-	357,851	1,040,457	34,133,998	865,203	42,726,275
Incoming Resources	10,473,100	298,096	25,959	44,509	699,801	426,729	149,222	-	12,117,416
Outgoing Resources	(10,740,274)	(327,627)	(25,959)	(44,509)	(57,823)	(320,368)	-	-	(11,516,560)
Investment Asset									
Gains/losses	488,301	-	-	-	-	-	-	17,412	505,713
Revaluation of property									
Gains/losses	-	-	-	-	-	-	-	-	-
Transfers	106,361					(106,361)			-
Total Funds 2015	5,612,799	623,409	390,515	-	999,829	1,040,457	34,283,220	882,615	43,832,844
<b>Represented by:</b>									
<b>Tangible Fixed Assets:</b>	870,835	-	6,186,034	-	-	1,040,457	34,283,220	-	42,380,546
DBF Houses & Glebe	679,320	-	2,492,034	-	-	1,040,457	-	-	4,211,811
DBF Houses VLL	168,090	-	-	-	-	-	-	-	168,090
Parsonages & TV Glebe	-	-	3,694,000	-	-	-	34,283,220	-	37,977,220
Furniture & Fittings	23,425	-	-	-	-	-	-	-	23,425
<b>Investments:</b>	6,010,825	623,409	126,481	-	999,829	-	-	882,615	8,643,159
CCLA	2,075,468	623,409	126,481	-	999,829	-	-	882,615	4,707,802
Investment Property	3,935,345	-	-	-	-	-	-	-	3,935,345
DBE Services Ltd	12	-	-	-	-	-	-	-	12
<b>VLL to parishes</b>	80,000	-	-	-	-	-	-	-	80,000
<b>Net Current Assets:</b>	(119,711)	-	(644,000)	-	-	-	-	-	(763,711)
Debtors	851,819	-	-	-	-	-	-	-	851,819
Bank and Cash	2,110,374	-	-	-	-	-	-	-	2,110,374
Taxation & Social Security	-	-	-	-	-	-	-	-	-
Sundry Creditors & Accruals	(3,081,904)	-	(644,000)	-	-	-	-	-	(3,725,904)
<b>Liabilities:</b>	(1,229,150)	-	(5,278,000)	-	-	-	-	-	(6,507,150)
Loans From CCLA	(1,000,000)	-	-	-	-	-	-	-	(1,000,000)
Loans Church Comms	(192,750)	-	-	-	-	-	-	-	(192,750)
Loans from CBF	(1,400)	-	-	-	-	-	-	-	(1,400)
Clergy Pension Deficit	-	-	(5,278,000)	-	-	-	-	-	(5,278,000)
Defined Benefit Pension Deficit	(35,000)	-	-	-	-	-	-	-	(35,000)
	5,612,799	623,409	390,515	-	999,829	1,040,457	34,283,220	882,615	43,832,844
<b>Analysis of Reserves:</b>									
<b>General Funds</b>	5,612,799	-	-	-	-	-	-	-	5,612,799
<b>Restricted Funds</b>	-	623,409	390,515	-	999,829	-	-	-	2,013,753
<b>Endowment Funds</b>	-	-	-	-	-	1,040,457	34,283,220	882,615	36,206,292
	5,612,799	623,409	390,515	-	999,829	1,040,457	34,283,220	882,615	43,832,844

NOTES TO THE ACCOUNTS

**23. Transition to FRS102**

This is the first year LDBF has presented its results under FRS102 and SORP2015. The last financial statements under previous UK GAAP were for the year ended 31 December 2014. The date of transition to FRS 102 was 1 January 2014. Set out below are a reconciliation of the deficit for the year and the reserves from the amounts previously stated in the 2014 financial statements following the change in accounting policies.

<b>Reconciliation of the net income for the financial year as previously stated to that restated.</b>	<b>Unrestricted</b>	<b>Restricted</b>	<b>Endowment</b>	<b>Total Funds</b>
	<b>2014</b>	<b>2014</b>	<b>2014</b>	<b>2014</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Surplus/(deficit) as previously reported (before investment gains)	(139,964)	(935,082)	(540,340)	(1,615,386)
Defined benefits pension scheme				
- Clergy	-	153,000	-	153,000
- Church Workers	65,000	-	-	65,000
Total adjustment to net income	65,000	153,000	-	218,000
<b>Net expenditure for the year under FRS102 (before investment gains)</b>	<b>(74,964)</b>	<b>(782,082)</b>	<b>(540,340)</b>	<b>(1,397,386)</b>

<b>Funds Reconciliation - 1 January 2014</b>	<b>Unrestricted</b>	<b>Restricted</b>	<b>Endowment</b>	<b>Total Funds</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
As at 1 January 2014 - as previously reported	5,966,363	8,690,388	36,537,028	51,193,779
Defined benefits pension scheme				
- Clergy	-	(6,507,000)	-	(6,507,000)
- Church Workers	(824,000)	-	-	(824,000)
Total adjustment to net funds	(824,000)	(6,507,000)	-	(7,331,000)
<b>Funds as at 1 January 2014 under the charities SORP (FRS102)</b>	<b>5,142,363</b>	<b>2,183,388</b>	<b>36,537,028</b>	<b>43,862,779</b>

<b>Reserves Reconciliation - 31 December 2014</b>	<b>Unrestricted</b>	<b>Restricted</b>	<b>Endowment</b>	<b>Total Funds</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
As at 1 January 2014 - as previously reported	6,044,311	7,755,306	36,039,658	49,839,275
Defined benefits pension scheme				
- Clergy	-	(6,354,000)	-	(6,354,000)
- Church Workers	(759,000)	-	-	(759,000)
Total adjustment to net funds	(759,000)	(6,354,000)	-	(7,113,000)
<b>Funds as at 31 December 2014 under the charities SORP (FRS102)</b>	<b>5,285,311</b>	<b>1,401,306</b>	<b>36,039,658</b>	<b>42,726,275</b>

The above amounts relating to defined benefits pension schemes reflect the discounted value of deficit funding contributions due under the deficit recovery plans for multi-employer defined benefit pension schemes in which the LDBF participates. This is explained more fully in note 19.

