



Diocese of Liverpool

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**Liverpool Diocesan Board of Finance**

# **REPORT AND ACCOUNTS**

**For the year ended 31 December 2011**

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*Registered Charity Number 249740*

*Registered Company Number 18301*



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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 2011.

I would like to thank and commend Mike Eastwood and all his St James' House Team for their conscientious work in 2011, leading many important initiatives in the past 12 months, working with all parts of the Diocese, contributing to development and growth.

2011 was a year of progress in the Diocese from my perspective. Despite continuing economic uncertainty in Europe and further afield, we concentrated on implementing the strategy agreed in 2010 (The Bishop's Growth Agenda) and by the year end saw early signs of momentum in Parish Share Collection rates and financial management. Our overarching aim remains to create a platform for a financially sustainable future during the next 3 years where income "in" and expenditure "out" balance and we can support work to advance mission and ministry in the Diocese.

Key projects in 2011 to underpin this goal have been:-

- a) The Reversing the Payment Trend Policy
- b) The introduction of the "Growth Planning Framework" and "Diocesan Statistics"
- c) The implementation of a revised Investment Fund strategy
- d) Budgetary cost control across the organisation

Turning to some of the specific figures in the 2011 Accounts I would highlight the following overview points:-

1. We had a management accounts budget to lose £56k and delivered a loss of £164k (i.e. £108k worse than budget). However this was significantly better than in 2010.
2. Uncollected Parish Share was £148k (i.e. more than the full budget loss) showing again the importance we place on getting this "right" for the future.
3. Other over budget areas were Clergy Remuneration (numbers in post / training), Clergy moves and Safeguarding whilst Support for Schools / Donations fared better than budget.

For 2012 we are again budgeting a small deficit (£90k) and Parish Share will again be the number one issue to manage, if we are to hit our target.

May I thank all members of the LDBF for their support and guidance throughout the year and I look forward to their continuing contributions in 2012.

**David Greensmith**  
24<sup>th</sup> May 2012

## **TRUSTEES' ANNUAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2011**

### **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 L1 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 2009 for the current Finance Committee which runs from 1 January 2010 to 31 December 2012. The trustees who served in 2011 were:

David Greensmith, Chair (ex-officio)	Rev Chris Jones, Deputy Chair (elected)
Bishop of Warrington (ex-officio)	Archdeacon of Liverpool (ex-officio)
Archdeacon of Warrington (ex-officio)	David Burgess (elected)
Peter Owen (elected)	Michael Pitts (elected)
Mark Stafford (elected)	Jim Taylor (elected)
Bob Timmis (elected)	Rev Steve Parish (elected)
Rev Tim Stratford (elected)	Cyril Barratt (Treasurer – co-opted by the Committee)

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### **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, Financial Controller  
Stuart Haynes, Media Manager  
Linda Jones, Senior Officer for Church Growth  
Steve Pierce, Director of Learning & Stewardship  
Jon Richardson, Director of Education  
Ultan Russell, Senior Officer for Church & Society

### **Bankers and professional advisers**

#### *Auditors*

BWMacfarlane LLP, 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, 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.

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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 sub-committees dealing with audit, remuneration of DBF staff, and the management of the DBF property and investments.

The Diocesan Board of Education is integrated into the Diocesan Board of Finance both legally (it is not separately constituted) and practically (the Diocesan Director of Education is a full and participating member of the senior management team). This helps organisational cohesiveness and 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 make joint appointments and provide services, especially to schools.

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- ♦ 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.
- ♦ 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

As at 31 December 2011 there were no subsidiary trading companies to the DBF. DBE Services Ltd continued trading, as did the Southern North West Training Partnership. 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. Southern North West Training Partnership is an inter-diocesan company for the dioceses of Liverpool, Manchester and Chester, plus partner denominations, established to provide local training for clergy and readers.

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, over 300 readers and over 100 active retired clergy. 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.

### **Risk management**

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

### **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:



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- ♦ 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 new operational plan entitled *Supporting the Bishop's Growth Agenda*. Our aims can be summarised as follows:

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

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

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

The Finance Committee 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, "Achievements and performance". For information on our strategic thinking into the future please see section 6, "Future plans".

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### **Grant-making policy**

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

***Churches Together in the Merseyside Region*** – £13,806 as part of our ongoing commitment to ecumenical work.

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

We also contributed £15,800 to our ecumenically funded post working in areas of racial justice. This project finished at the end of 2011.

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 parishes in the diocese and gave £21,400 in Designated Priority Area grants.

We also continue to help meet some of the additional administrative costs for Area Deans (£2,000 per Area Dean, £1,000 of which is payable to the parish), help with the removal and resettlement costs of clergy (£164,678 in total) and support various national church activities through Archbishops' Council (£285,668).

### **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.

## **4. ACHIEVEMENTS AND PERFORMANCE**

By definition much of our work continues year on year. We took a particular view in 2002 that we should set new initiatives in train and stick with them, believing that they would take time to come to fruition. We are determined to follow these initiatives through until either they achieve their stated goals or until it becomes clear that they will not or cannot. Much of this work and learning informed and was captured in our operational plan *Supporting the Bishop's Growth Agenda*.

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In his Presidential Address to our November 2009 Diocesan Synod Bishop James argued very strongly for the importance of numerical growth in church attendance. This growth agenda is the dominant theme of our work in the coming years with annual reports to Diocesan Synod on progress. 2009/10 – the most recent year for which information is available – shows that our Average Weekly Attendance grew by 2%. This goes against a national trend of decline and is the first time in a number of years we have seen growth. We see this as a sign that our long-standing investments in leadership and growth are beginning to bear fruit, but need it to be part of a long-term trend of annual growth rather than a one-off.

In 2011 we produced our first statistical report to Diocesan Synod, based on a 'dashboard' of key data. We also undertake an annual clergy survey. Both of these are available on our website. These have become our basic measures of impact and effectiveness. In 2011 they highlighted the following:

We are a diocese at the forefront of developing the mixed economy church, in line with the 2004 General Synod Report *Mission-Shaped Church*. This strategy remains both a good thing in itself and fundamental to our reputational development, the latter being key to our ability to attract outstanding clergy into the diocese.

We continue to increase the number of licensed ministers available for deployment. However, we need both to achieve more widespread deployment of our ministry resource and to pursue vigorously the vocations initiative which began in 2008 and was given significant impetus by the Life Call event in September – this is now an annual commitment.

We remain at the leading edge of work both on safeguarding 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.

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 the year the collection rate had recovered to 97.9%.

As reported last year, there are signs of clear financial strain. Parish Share is becoming a higher percentage of regular giving by church members, leaving less money available to parishes for local mission purposes. PCC charitable giving is also reducing, another sign of a financial squeeze. Quite simply these are tough times for the economy in general and the church in particular. In 2012 we will be re-vamping our leading edge Giving in Grace website to help parishes face the giving challenge head on. But fundamentally the fact that 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. We are determined to continue to provide better statistics so that, in the words of the Bishop's Growth Agenda:

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*We want to help ensure that the decisions we make at parish, deanery and diocesan level are based on evidence rather than intuition or anecdote and that we identify what is working well, what we can build upon and develop and what may need to be challenged and changed.*

We are also developing good tools for parishes to help them plan for growth. We piloted a new document entitled the *Growth Planning Framework* in 2011. This will become a foundational document and process for parishes in the diocese for years to come.

We continue to increase our 'market share' of children attending schools. We had just under 30,000 children in Church of England schools in 2011. Our continually developing reputation for excellence in our church schools is being supplemented by the development of the Church & School Partnership Award which aims to enhance the collaboration and relationship between local churches and their church school. We also undertook a wide-ranging review of the work of our Diocesan Board for Education (DBE) entitled *Building on Firm Foundations*. This highly positive review will set the agenda for the DBE for much of the coming decade.

The clergy questionnaire continues to show high levels of satisfaction across most aspects, with 97% of clergy once again saying that they enjoy ministry in the Diocese of Liverpool. However, it is not all good news and we are looking to address the areas of particular concern around levels of clergy stress.

### **Access and inclusion**

The DBF's commitment to access and inclusion has continued through the work on Disability Awareness. 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 will use to publish annual diocesan and parish **dashboards**. We continue to undertake an annual **Clergy Survey**. Information gathering and publication is fast becoming a key strength.

### **Asset management**

#### *Investments*

2011 was a difficult year for our equity investments, with UK and international markets falling back from the gains made in 2009 and 2010. Our cash management is still dominated by the re-working of our housing stock. 2011 was a better year in this regard, in that we were able to achieve a number of operationally beneficial housing sales but which did impact positively on the balance sheet (see below).

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 investment declined in value by £199,334.

#### *Property*

We hold a lot of property (valued at £47 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-

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working of the individual asset. Rather, our primary responsibility is to ensure that clergy and their families feel safe and comfortable in their homes and that it provides a suitable base for mission and ministry.

2011 saw some changes in our property portfolio. Six properties were sold for a total value of £1,444,833. These were previously valued in the balance sheet at a total of £994,197 and so resulted in gains of £450,636. Four properties were bought in the year for a total of £1,032,417. A further £48,458 was spent on the development of properties.

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. We anticipate the real benefits of this sale will accrue after the initial rent review in 2013.

### 5. FINANCIAL REVIEW

2011 was a mixed year financially. Once again we had set a close to breakeven budget for the first time in over a decade with only a 1% increase in Parish Share, despite inflation running at over 4% for most of the year. Also the financial performance in 2010 had been disappointing.

#### ***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. The 2011 budget was set with an operating deficit of £56,000. Overall we fell £110,000 short of budget, despite the fact that St James' House was better than budget by £114,000 due to efficiency savings and better than expected income from DBE Services.

The main negatives in the financial performance were:

£140,000 shortfall in Parish Share collection (see above).

£96,000 deficit on clergy remuneration owing to there being slightly more clergy in post than we budgeted for and the costs of residential training for future clergy rising sharply in September.

Significantly Clergy Housing came in on budget for the first time in a number of years.

The 2012 budget shows a deficit of £90,000, although it will be tough to meet this if Parish Share receipts are less than 100%.

#### ***Annual accounts***

The Statement of Financial Activities on page 19 shows a net reduction in funds for the year of £233,573 (as against a net reduction in 2010 of £548,117). This is because in addition to the operating deficit of £164,000 there was:

- ♦ £244,000 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.

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- ◆ £160,000 on the on-going work of the Mission Opportunities Fund and other mission.
- ◆ £199,000 of losses on the value of investments
- ◆ £50,000 of additional expenditure on capital projects at church schools
- ◆ £451,000 in gains on the sale of property
- ◆ £216,000 in income from the sale of a land at a former school site
- ◆ £124,000 in other year-end adjustments and minor expenditure
- ◆ £40,000 in gains on the revaluation of property

Despite the negative variances in the year we believe that our overall financial management is good. We are continuing to develop income streams, have kept central costs under control and maintain a very impressive level of Parish Share collection. 2011 was a tough year financially from a balance sheet point of view, but given the wider economic context of the year and the underlying improvements we have made to the management accounts position there are strong reasons to remain optimistic about the financial future.

### 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 2011 the paper value of investments generally stayed above 4.0 months and were at 4.1 months by the end of the year. 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 developments 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 (essentially cash and equities in the Unrestricted, DBF Property and Pastoral Funds) stands at £3.3m (when Designated Funds of £202k 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 the current level will cushion the diocese from short-term revenue problems and will enable them to meet their legal requirements in case of serious financial problems.

Designated reserves amount to £202k and are to be used for the Warrington Mission Development Fund and the Mission Opportunities Fund. The initial allocation of £500k to the Mission Opportunities Fund covered the period 2006 – 2011 and has now been spent out. In 2011, a donation of £32k was received from Thornton St Frideswyde PCC and was allocated to the Mission Opportunities Fund. The balance remaining at the end of

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2011 therefore was £32k. With this fund we continue to take a medium-term view about investing in new forms of church.

### **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.

We continued to hold £250,000 with Charity Bank at the end of 2011. This was originally deposited partly to act as an endorsement of the aims of Charity Bank but more particularly to enhance our developing relationship with them. We believe that this relationship has delivered certain important advantages to the DBF, not least giving us the option of signposting parishes to Charity Bank for loans to help with major projects. It was also helpful in securing a two-year loan facility from Charity Bank to help us re-work our property portfolio. However, we rely on our reserves to generate income and in 2012 the funds held with Charity Bank will be transferred to our main investment portfolio managed by CCLA. This transfer is a part of a re-allocation process aimed at increasing our investment income.

Our historic Glebe land portfolio is substantially managed by Fisher German, following a merger with our former managers, Denton Clark.

### **Housing**

The housing is expressed on the balance sheet on the basis of the 2003 insurance values of each house, apart from those houses where significant development activity has taken place or which have been acquired subsequent to 2003.

### **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. They also support a programme of CCTV installations in some of our most exposed vicarages; this is central to giving clergy and their families the security they need for ministry and home life.

## **6. FUTURE PLANS**

We continue to work under our new operational plan *Supporting the Bishop's Growth Agenda* which covers the period 2011 – 2013. It re-affirms and sharpens many of our strategies for growth, sets a new course for training and development activities, has interesting ideas around church planting, re-emphasises the pivotal role of deaneries, endorses our commitment to low income areas and encourages emerging thinking and action on re-imagining church in those areas where existing models are running out of steam.

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

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

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

1. How can we grow numerically?
2. How can we kindle love for God and our neighbour?
3. How are we serving our local community?

Under this plan we are aiming to see:

- ◆ Growing numbers of people connecting with our churches
- ◆ Growing numbers of people on nurture courses
- ◆ Growing numbers of people coming into recognised leadership positions
- ◆ An increasing proportion of children being educated in church schools
- ◆ An increasing number of parishes being released from debilitating revenue deficits and financial constraints
- ◆ An increasing number of expressions of church in the workplace, in social spaces and in social networks

We will seek to:

- (i) Target resources on areas of greatest need and those of greatest opportunity
- (ii) Invest in the spiritual and numerical growth of the church and its capacity to serve the wider community
- (iii) Accelerate the re-shaping of the church for the 21<sup>st</sup> century to help ensure there is a growing and sustainable Christian witness in every community

We recognise that we cannot do everything in one go so we plan to take the first principle above as a straightforward guiding principle. We have distilled (ii) and (iii) into 4 key aims which will determine the work of all the support teams in St James' House:

- ◆ Christian disciples growing in faith, hope and number
- ◆ Outstanding Christian leaders for today and tomorrow
- ◆ Excellent church schools promoting Christian education
- ◆ A vibrant and inclusive mixed economy of churches in and from all traditions serving our diverse communities

In all our work guided by our core values we will seek to:

- ◆ Serve our bishops, parishes and schools taking our lead and direction from the Bishop in Synod
- ◆ Be seen and felt to be on the side of parishes rather than working separately from or against them
- ◆ Make the best possible use of all the resources entrusted to us
- ◆ Make the best possible use of the time that people use to engage with us



## TRUSTEES' REPORT

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A full copy of *Supporting the Bishop's Growth Agenda* is available on the diocesan website [www.liverpool.anglican.org](http://www.liverpool.anglican.org).

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

The Board is Custodian Trustee for trust assets with a market value of £6.9m at 31 December 2011. Detailed Certificates of Holdings were sent to parishes and other managing trustees as at December 2011. 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 the government's Devolved Formula Capital funding. At the 31 December 2011, these funds had a market value of £2.8m.

### **8. NOTES AND QUERIES**

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

#### **Significant changes in fixed assets**

These are now explained in notes 15 and 16 to the financial statements.

#### **Related party transactions**

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

In 2008 a loan of £25k was issued to the SNWTP, a related party, and a further loan of £25k was issued in 2009. During 2011, a further £5,000 was repaid leaving £42,500 due to the Diocese. This balance is included within the figure of £166,422 for parish and other loans at note 18 on page 35.

#### **Post Balance Sheet Events**

There are no significant events occurring between 31 December 2011 and the date of signing the report which have significantly affected the charity.

## TRUSTEES' REPORT

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### **Fundraising**

There have been no significant fundraising activities at diocesan level in 2011.

### **Insurance**

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

### **Trustees' interest in shares**

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

### **Taxation status**

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

### **Contingent liability**

There were no contingent liabilities on the Board other than those in note 24.

## **9. 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).

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

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

TRUSTEES' REPORT

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

By order of the Finance Committee

**Mike Eastwood**  
**Diocesan Secretary**  
24 May 2012

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 2011, which comprise the Statement of Financial Activities, the Balance Sheet, the Statement of Total Recognised Gains and Losses, the Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the charitable company's members as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the charitable company's members those matters we are required to state to them in an 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 15-16), the trustees (who are also the directors of the charitable company for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

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

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

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the charitable company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the trustees; and the overall presentation of the financial statements. 'In addition, we read all the financial and non-financial information in the 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 2011 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 matter prescribed by the Companies Act 2006**

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

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

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

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

**Anne Morris F.C.A.**

**Senior Statutory Auditor**

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

**Statutory Auditor**

*Castle Chambers*

*43 Castle Street*

*Liverpool*

*L2 9SH*

*24 May 2012*

STATEMENT OF FINANCIAL ACTIVITIES

**LIVERPOOL DIOCESAN BOARD OF FINANCE**

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

**STATEMENT OF FINANCIAL ACTIVITIES  
INCLUDING INCOME AND EXPENDITURE ACCOUNTS  
FOR THE YEAR ENDING 31 DECEMBER 2011**

	Note	Unrestricted Funds 2011 £	Restricted Funds 2011 £	Endowment Funds 2011 £	Total Funds 2011 £	Total Funds 2010 £
<b>INCOMING RESOURCES</b>						
Incoming resources from generated funds						
Voluntary Income:						
Parish Share	2	6,592,995	-	-	6,592,995	6,499,743
National Church Institutions	3	1,701,859	-	-	1,701,859	1,800,941
Grants Received	4	763,082	187,747	-	950,829	971,123
Investment income	6	323,460	176,982	-	500,442	566,316
Incoming resources from charitable activities	5	348,720	21,911	-	370,631	388,721
Other incoming resources	7	450,636	216,360	-	666,996	(38,640)
<b>TOTAL INCOMING RESOURCES</b>		<b>10,180,752</b>	<b>603,000</b>	<b>-</b>	<b>10,783,752</b>	<b>10,188,204</b>
<b>RESOURCES EXPENDED</b>						
Costs of generating funds						
Costs of generating voluntary income						
Investment management costs	8	-	3,464	-	3,464	2,619
Charitable activities						
National Church responsibilities	9	285,668	-	-	285,668	320,718
Ministry in parishes	10	7,060,774	985,310	144,397	8,190,481	8,225,007
Support for mission & ministry in parishes	11	1,726,512	31,420	-	1,757,932	2,074,910
Education	12	427,282	50,389	-	477,671	390,298
Governance costs	13	143,192	-	-	143,192	134,064
Other outgoing resources	14	-	-	-	-	7,183
<b>TOTAL RESOURCES EXPENDED</b>		<b>9,643,428</b>	<b>1,070,583</b>	<b>144,397</b>	<b>10,858,408</b>	<b>11,154,799</b>
Net Outgoing Resources before Transfers		537,324	(467,583)	(144,397)	(74,656)	(966,595)
Gross transfers between funds	28	(771,582)	627,185	144,397	-	-
Net Incoming / (Outgoing) Resources before other recognised gains and losses	21	(234,258)	159,602	-	(74,656)	(966,595)
Other recognised gains/losses						
(Loss) / gain on investment assets		(118,600)	(37,670)	(43,064)	(199,334)	418,478
Gain (loss) on revaluation of fixed assets for the charity's own use	15	164,417	(124,000)		40,417	-
<b>NET MOVEMENT IN FUNDS FOR THE YEAR</b>		<b>(188,441)</b>	<b>(2,068)</b>	<b>(43,064)</b>	<b>(233,573)</b>	<b>(548,117)</b>
Balance brought forward 1 January 2011		3,665,445	11,910,383	36,820,016	52,395,844	52,943,961
<b>Balance carried forward 31 December 2011</b>		<b>3,477,004</b>	<b>11,908,315</b>	<b>36,776,952</b>	<b>52,162,271</b>	<b>52,395,844</b>

All of the results for both accounting periods relate to continuing activities

BALANCE SHEET

**LIVERPOOL DIOCESAN BOARD OF FINANCE**

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

**BALANCE SHEET**

**AT 31 DECEMBER 2011**

	Notes	2011		2010	
		£	£	£	£
<b>Fixed Assets</b>					
Tangible Fixed Assets	15		44,499,922		44,387,528
Investments	16		7,848,577		8,047,911
Loans	17		120,000		120,000
			<u>52,468,499</u>		<u>52,555,439</u>
<b>Current Assets</b>					
Debtors	18				
falling due within one year		1,065,725		1,150,362	
falling due after more than one year		119,648		102,614	
Bank and Cash		717,777		286,929	
		<u>1,903,150</u>		<u>1,539,905</u>	
<b>Creditors:</b>					
Amounts falling due within one year	19	(1,855,878)		(1,345,400)	
<b>Net current assets (liabilities)</b>			47,272		194,505
Total assets less current liabilities			<u>52,515,771</u>		<u>52,749,944</u>
<b>Creditors:</b>					
Amounts falling due after more than one year	20		(353,500)		(354,100)
<b>Net Assets</b>			<u>52,162,271</u>		<u>52,395,844</u>
<b>Accumulated Funds</b>					
Endowment funds	28		36,776,952		36,820,016
Restricted funds			11,908,315		11,910,383
Unrestricted funds			3,477,004		3,665,445
			<u>52,162,271</u>		<u>52,395,844</u>

The financial statements on pages 19 to 42 were approved by the Finance Committee on 24 May 2012 and signed on its behalf by:

Mr David Greensmith  
Chairman

Rev Chris Jones  
Vice Chairman

RECOGNISED GAINS AND LOSSES

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**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES  
FOR THE YEAR ENDED 31 DECEMBER 2011**

	<b>2011</b>	<b>2010</b>
	<b>£</b>	<b>£</b>
Net expenditure for the financial year	(74,656)	(966,595)
Unrealised (loss) / gain on revaluation of assets	(158,917)	418,478
	—————	—————
Total losses recognised since last financial statements	(233,573)	(548,117)
	—————	—————



CASH FLOW STATEMENT

**CASH FLOW STATEMENT**

**FOR THE YEAR ENDED 31 DECEMBER 2011**

	Note	£	2011 £	£	2,010 £
<b>Net Cash Flow from Operating Activities</b>	i		(4,906)		(1,900,354)
<b>Returns on Investments and Servicing of Finance</b>					
Investment income		500,442		566,316	
Interest on bank loans and overdrafts		(16,607)		(19,410)	
			483,835		546,906
<b>Capital Expenditure and Financial Investment</b>					
Sale of tangible fixed assets and loan redemption		1,444,833		2,281,782	
Sale of fixed asset investments		-		290,000	
Purchase of tangible fixed assets		(1,092,314)		(827,648)	
Purchase of fixed asset investments		-		-	
			352,518		1,744,134
<b>Financing</b>					
Loans repaid to Church Commissioners		(200)		(55,000)	
Loans repaid to CBF		(400)		(400)	
Parish and other loans repaid		-		-	
Loan from Charity Bank		(400,000)		-	
			(400,600)		(55,400)
<b>Net Change in cash and cash equivalents</b>			430,848		335,286
Cash and cash equivalents brought forward			286,929		(48,357)
<b>Cash and cash equivalents carried forward</b>			717,777		286,929

CASH FLOW STATEMENT

**NOTES TO THE CASH FLOW STATEMENT  
FOR THE YEAR ENDED 31 DECEMBER 2011**

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

	2011	2010
	£	£
Net outgoing resources before other recognised gains and losses	(74,656)	(966,596)
Depreciation	26,140	22,172
Investment income	(500,442)	(566,316)
Interest on bank loans and overdrafts	16,607	19,410
(Gains) / Losses on disposal of property	(450,636)	38,645
Transfers re: fixed assets	-	-
Increase in debtors	67,603	(63,838)
(Decrease) / Increase in creditors	910,478	(383,831)
Net cash flow from Operating Activities	<u>(4,906)</u>	<u>(1,900,354)</u>

**ii, Analysis of net funds**

	1 January 2011	Cash flow	Other non 31 December cash changes	2011
	£	£	£	£
Net Cash:-				
Cash at bank and in hand	286,929	430,848	-	717,777
Bank Overdrafts	-	-	-	-
	<u>286,929</u>	<u>430,848</u>	<u>-</u>	<u>717,777</u>

**ii, Reconciliation of net cash flow to movement in net funds**

	2011	2010
	£	£
Increase (decrease) in cash	430,848	335,286
Opening net funds	286,929	(48,357)
Closing net funds	<u>717,777</u>	<u>286,929</u>

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2011**

**I. (a) Accounting policies**

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

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

**(b) Basis of accounting**

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

**(c) Incoming resources**

The principal source of income comes from voluntary giving in the form of parish share. Income is accounted for when receivable, where receipts are reasonably certain and the amounts receivable can be quantified. It is stated net of discounts and provisions and write offs and irrecoverable arrears.

**(d) Donations and legacies**

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

**(e) Grants payable and receivable**

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

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

**(f) Resources expended**

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

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

NOTES TO THE ACCOUNTS

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

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

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

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

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 the Central Board of Finance.

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

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

**(h) Major Funds**

Funds held by the Company are either:

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

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

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

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

NOTES TO THE ACCOUNTS

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Details of the major funds held by the Board are given in note 28 to the Financial Statements.

**(i) Stipends**

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

**(j) Staff Pensions**

The Board of Finance contributes to the Church of England Funded Pension Scheme (for clergy) and the Church Workers Pension Fund for other staff. These schemes are multi employer pension schemes and it is not possible to identify the assets and liabilities of the schemes which are attributable to the Board. Therefore, in accordance with FRS 17, payments to the schemes are accounted for as for defined contribution schemes and the Board accounts for pension costs on the basis of contributions actually payable to the schemes in the year. Details of the schemes are given in note 25 to the accounts.

**(k) 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. Glebe and parsonage houses and other property used by the Diocese are capitalised at cost, or valuation when first capitalised or transferred to the Board. Parsonage and Glebe houses that were first capitalised during the year ended 31 December 2005 were included at an estimate of market value, based on insurance valuations made at 31 December 2003 and this valuation has not been updated.

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

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

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

Depreciation on 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.

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

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

**(m) Designated funds**

NOTES TO THE ACCOUNTS

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

**(n) Reserves**

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

Restricted funds are subject to specific conditions either imposed by the donor and binding on the Board or linked to the basis on which money was obtained. They represent unspent restricted income and/or assets to which restrictions as to their use apply.

**(o) Value Linked Loans**

Value linked loans from the Church Commissioners that are administered by the DBF and the corresponding equivalent value of property to which they relate are all included in the Balance Sheet as an asset and a corresponding liability, in accordance with the recommendation of the Diocesan Accounts Guide. Such parish related loans outstanding at 31 December 2011 amounted to £120,000 (2010 - £120,000). Where the property is held in trust for Parish use, the asset is included as a Loan in note 17 to the accounts and where the property is held for Diocesan purposes it is included in DBF property in note 15 to these accounts.

**(p) Irrecoverable VAT**

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

**(q) 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. Parish Share**

	<b>Unrestricted Funds £</b>	<b>Restricted Funds £</b>	<b>Permanent Endowment £</b>	<b>Total Funds 2011 £</b>	<b>Total Funds 2010 £</b>
General Parish Share Income	6,592,995	-	-	6,592,995	6,499,743
	<b>6,592,995</b>	<b>-</b>	<b>-</b>	<b>6,592,995</b>	<b>6,499,743</b>

**3. Income from National Church Institutions**

	<b>Unrestricted Funds £</b>	<b>Restricted Funds £</b>	<b>Permanent Endowment £</b>	<b>Total Funds 2011 £</b>	<b>Total Funds 2010 £</b>
Church Commissioners Allocation to Diocese	1,499,746	-	-	1,499,746	1,490,719
Archbishops Council Pension Relief	-	-	-	-	105,100
Parish Ministry Support Grant	176,850	-	-	176,850	181,800
Grant for Legal services	25,264	-	-	25,264	23,322
	<b>1,701,859</b>	<b>-</b>	<b>-</b>	<b>1,701,859</b>	<b>1,800,941</b>

**4. Grants Received**

	<b>Unrestricted Funds £</b>	<b>Restricted Funds £</b>	<b>Permanent Endowment £</b>	<b>Total Funds 2011 £</b>	<b>Total Funds 2010 £</b>
Discretionary Funds Grant	121,220	-	-	121,220	119,822
DPA Strategy Income	-	22,000	-	22,000	23,532
Tearfund Project	-	-	-	-	-
Mission Opportunities, RITC and Tudor Trust	-	102,526	-	102,526	95,336
Faiths4Change	-	-	-	-	99,872
Marshalls Charity Grants for Parsonages	-	19,140	-	19,140	14,160
Partners in Mission Income	-	466	-	466	1,484
Church Growth	-	5,842	-	5,842	13,515
Stipends	11,639	-	-	11,639	18,916
DBE Services Ltd	148,250	-	-	148,250	94,982
Church & Society	-	37,772	-	37,772	45,637
Assigned Fees	481,973	-	-	481,973	443,866
	<b>763,082</b>	<b>187,747</b>	<b>-</b>	<b>950,829</b>	<b>971,123</b>

NOTES TO THE ACCOUNTS

**5. Incoming resources from charitable activities**

	<b>Unrestricted Funds</b>	<b>Restricted Funds</b>	<b>Permanent Endowment</b>	<b>Total Funds 2011</b>	<b>Total Funds 2010</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Hospital Chaplaincy Income	17,863	-	-	17,863	22,201
Gift Aid Scheme	25,724	-	-	25,724	23,339
General DBF Income	59,692	-	-	59,692	62,463
Fellfield Income	6,810	-	-	6,810	7,038
Board of Education	157,995	-	-	157,995	154,004
Communications Office	17,963	-	-	17,963	11,718
Lifelong Learning	62,673	-	-	62,673	66,133
Clergy Housing Income	-	5,218	-	5,218	25,383
Church Inspection Fees	-	16,693	-	16,693	16,442
	<b>348,720</b>	<b>21,911</b>	<b>-</b>	<b>370,631</b>	<b>388,721</b>

**6. Investment Income**

	<b>Unrestricted Funds</b>	<b>Restricted Funds</b>	<b>Permanent Endowment</b>	<b>Total Funds 2011</b>	<b>Total Funds 2010</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
DBF Investment Income	251,160	-	-	251,160	268,526
Church House Rental Income	72,300	-	-	72,300	109,861
Parsonages Rental Income	-	157,363	-	157,363	167,674
Glebe Rental Income	-	19,619	-	19,619	20,255
	<b>323,460</b>	<b>176,982</b>	<b>-</b>	<b>500,441</b>	<b>566,316</b>

**7. Other incoming resources**

	<b>Unrestricted Funds</b>	<b>Restricted Funds</b>	<b>Permanent Endowment</b>	<b>Total Funds 2011</b>	<b>Total Funds 2010</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Church Repairs Fund	-	-	-	-	5
DBE Property Income	-	216,360	-	216,360	-
Gains / (Losses) on Disposal of Property	450,636	-	-	450,636	(38,645)
	<b>450,636</b>	<b>216,360</b>	<b>-</b>	<b>666,996</b>	<b>(38,640)</b>



NOTES TO THE ACCOUNTS

**8. Investment Management Costs**

	<b>Unrestricted Funds</b>	<b>Restricted Funds</b>	<b>Permanent Endowment</b>	<b>Total Funds 2011</b>	<b>Total Funds 2010</b>
	£	£	£	£	£
Glebe Rental Management Charges	-	3,464	-	3,464	2,619
	-	3,464	-	3,464	2,619

**9. National Church Responsibilities**

	<b>Unrestricted Funds</b>	<b>Restricted Funds</b>	<b>Permanent Endowment</b>	<b>Total Funds 2011</b>	<b>Total Funds 2010</b>
	£	£	£	£	£
Archbishops' Council	285,668	-	-	285,668	320,718
	285,668	-	-	285,668	320,718

**10. Mission & Ministry in Parishes**

	<b>Unrestricted Funds</b>	<b>Restricted Funds</b>	<b>Permanent Endowment</b>	<b>Total Funds 2011</b>	<b>Total Funds 2010</b>
	£	£	£	£	£
Clergy stipends	4,593,627	-	-	4,593,627	4,383,283
Clergy pension contributions	1,630,600	-	-	1,630,600	1,895,019
National insurance	380,080	-	-	380,080	244,628
Resettlement/removal grants etc	164,678	-	-	164,678	144,155
Lay Workers	70,108	-	-	70,108	37,608
Administration and other costs	69,289	-	-	69,289	74,374
Area Dean Grants	36,551	-	-	36,551	37,750
Mission Opportunities, RITC and Tudor Trust	-	128,830	-	128,830	163,495
Clergy Housing	-	856,480	144,397	1,000,877	1,065,672
Grants to Parishes from Property Sales	-	-	-	-	60,000
DBF Central Costs (25%)	97,046	-	-	97,046	98,100
St James' House Costs (15%)	18,794	-	-	18,794	20,923
	7,060,774	985,310	144,397	8,190,481	8,225,007

NOTES TO THE ACCOUNTS

**11. Support for Mission & Ministry in Parishes**

	<b>Unrestricted Funds</b>	<b>Restricted Funds</b>	<b>Permanent Endowment</b>	<b>Total Funds 2011</b>	<b>Total Funds 2010</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Clergy Training	243,807	-	-	243,807	235,874
Lifelong Learning	294,955	-	-	294,955	309,308
Faiths4Change	-	-	-	-	154,264
Church and Society	108,148	-	-	108,148	111,068
Disability Discretionary	1,059	-	-	1,059	2,762
Church Growth & Ecumenism	115,519	-	-	115,519	112,970
Tearfund Project	-	1,192	-	1,192	12,608
Resources Department	129,147	-	-	129,147	121,914
Ordinands in Training	145,657	-	-	145,657	100,195
General Synod Members Expenses	8,094	-	-	8,094	3,534
Church Inspections	-	14,450	-	14,450	24,548
Communications Office	100,294	-	-	100,294	97,119
Legal Fees	212	-	-	212	1,589
Pastoral Committee	-	15,778	-	15,778	32,510
Diocesan Synod	1,374	-	-	1,374	12,007
Safeguarding and Inclusion	82,938	-	-	82,938	75,952
Diocesan Advisory Council	19,822	-	-	19,822	23,555
Ecumenical Funding	79,244	-	-	79,244	83,437
DPA Parish Housing & DPA Grants	21,400	-	-	21,400	59,000
Additional Pension Costs	-	-	-	-	91,908
DBF Central Costs (60%)	232,912	-	-	232,912	235,440
St James' House Costs (80%)	100,237	-	-	100,237	111,581
Other	41,695	-	-	41,695	61,767
	<b>1,726,512</b>	<b>31,420</b>	<b>-</b>	<b>1,757,932</b>	<b>2,074,910</b>

NOTES TO THE ACCOUNTS

**12. Education**

	<b>Unrestricted Funds £</b>	<b>Restricted Funds £</b>	<b>Permanent Endowment £</b>	<b>Total Funds 2011 £</b>	<b>Total Funds 2010 £</b>
Board of Education	427,282	-	-	427,282	390,298
Property Expenditure on Schools	-	50,389	-	50,389	-
	<b>427,282</b>	<b>50,389</b>	<b>-</b>	<b>477,671</b>	<b>390,298</b>

**13. Governance Costs**

	<b>Unrestricted Funds £</b>	<b>Restricted Funds £</b>	<b>Permanent Endowment £</b>	<b>Total Funds 2011 £</b>	<b>Total Funds 2010 £</b>
DBF Central Costs (15%)	58,227	-	-	58,227	58,861
Diocesan Registry	65,437	-	-	65,437	56,604
Audit and accounting fees	13,263	-	-	13,263	11,625
St James' House Costs (5%)	6,265	-	-	6,265	6,974
	<b>143,192</b>	<b>-</b>	<b>-</b>	<b>143,192</b>	<b>134,064</b>

**14. Other outgoing resources**

	<b>Unrestricted Funds £</b>	<b>Restricted Funds £</b>	<b>Permanent Endowment £</b>	<b>Total Funds 2011 £</b>	<b>Total Funds 2010 £</b>
Pastoral Account	-	-	-	-	7,183
(Losses) / Gains on Disposal of Property	-	-	-	-	-
	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>7,183</b>

NOTES TO THE ACCOUNTS

**15. Tangible Fixed Assets**

	<b>DBF Property £</b>	<b>DBF Glebe £</b>	<b>DBF VLL Property £</b>	<b>Team Vicars Glebe £</b>	<b>Parsonages £</b>	<b>Fixtures &amp; Fittings £</b>	<b>Total Funds £</b>
<b>Cost or Valuation</b>							
At 1 January 2011	514,903	4,494,348	318,169	4,340,000	34,687,926	197,592	44,552,938
Additions	-	140,507	-	-	940,368	11,439	1,092,314
Disposals	-	(248,197)	-	-	(746,000)	-	(994,197)
Revaluation of property	164,417	-	-	(124,000)	-	-	40,417
<b>At 31 December 2011</b>	<b>679,320</b>	<b>4,386,658</b>	<b>318,169</b>	<b>4,216,000</b>	<b>34,882,294</b>	<b>209,031</b>	<b>44,691,472</b>
<b>Depreciation</b>							
At 1 January 2011	-	-	-	-	-	165,410	165,410
Charge for year	-	-	-	-	-	26,140	26,140
<b>At 31 December 2011</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>191,550</b>	<b>191,550</b>
<b>Net book value</b>							
<b>At 31 December 2011</b>	<b>679,320</b>	<b>4,386,658</b>	<b>318,169</b>	<b>4,216,000</b>	<b>34,882,294</b>	<b>17,481</b>	<b>44,499,922</b>
<b>At 31 December 2010</b>	<b>514,903</b>	<b>4,494,348</b>	<b>318,169</b>	<b>4,340,000</b>	<b>34,687,926</b>	<b>32,182</b>	<b>44,387,528</b>

All but one of the properties held as Tangible Fixed Assets are freehold. The trustees are of the opinion that the market value of the land and buildings materially exceeds their carrying values but are unable to quantify the difference.

**16. Fixed Asset Investments**

	<b>Investment Properties £</b>	<b>UK Unquoted Investments £</b>	<b>Total Funds 2011 £</b>	<b>Total Funds 2010 £</b>
<b>Unquoted</b>				
Market value at 1 January 2011	3,275,000	4,772,911	8,047,911	7,919,432
Additions	-	-	-	-
Disposals	-	-	-	(290,000)
Gains/(losses) on Investment Assets	-	(199,334)	(199,334)	418,479
Transfers to Tangible FA	-	-	-	-
<b>Market value at 31 December 2011</b>	<b>3,275,000</b>	<b>4,573,577</b>	<b>7,848,577</b>	<b>8,047,911</b>

NOTES TO THE ACCOUNTS

The UK unquoted investments are pooled and have been reallocated during the year to ensure that each fund has an appropriate portion of investments allocated to it, taking into account the relative size of the fund and other assets held specifically in that fund (see note 28). All UK Unquoted Investments are with CCLA Investment Management.

The Linnet Lane and Carsdale Road investment properties were valued through external inspection in 2007 by Thomson and Moulton Chartered Surveyors (RICS). The Stanley Road investment property was valued for insurance purposes in 2008 by St Giles Group Ltd (FSA regulated). Church House was valued by Honeybourne Kenny and Partners in 2009. The trustees have valued the investments properties at a current market value of £3,275,000 as at 31 December 2011.

<b>Historical Cost of Investments</b>	2011	2010
	£	£
UK Unquoted	3,361,682	3,361,682
Investment Property	2,086,955	2,086,955
	<u>5,448,637</u>	<u>5,448,637</u>

<b>Unquoted Investments comprise</b>	2011	2010
	£	£
CBF Fixed Interest Securities Fund		
Shares	667,569	634,755
CBF UK Equity Fund	1,877,760	2,032,000
CBF Property Fund	792,597	794,822
CBF Investment Fund	1,234,191	1,309,874
CBF Deposit Fund	1,448	1,448
DBE Services Ltd	12	12
	<u>4,573,577</u>	<u>4,772,911</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 trading activities for the year ending 31 December 2011 were;

Turnover of £2,148,610 less Costs of sales of £1,360,068 and Administration costs of £129,504 leaving an operating profit of £659,038. The Diocese's share of the surplus was £144,797 (see note 4).

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.

In 2007 the Southern North West Training Partnership Ltd was set up to provide the advancement of theological education in areas of Christian Faith, mission and practice. No shares have been issued as the company is limited by guarantee.

NOTES TO THE ACCOUNTS

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

	2011	2010
	£	£
Loans to Parishes:		
Value Linked Loans for Curate's properties	<u>120,000</u>	<u>120,000</u>

**18. Debtors**

	Unrestricted Funds £	Restricted Funds £	Permanent Endowment £	Total Funds 2011 £	Total Funds 2010 £
Amounts due from parishes	543,154	-	-	543,154	439,729
Sundry debtors	361,761	-	-	361,761	322,478
Parish and other loans	166,422	-	-	166,422	209,496
Prepayments	114,036	-	-	114,036	281,272
	<u>1,185,373</u>	-	-	<u>1,185,373</u>	<u>1,252,976</u>

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

	Total Funds 2011 £	Total Funds 2010 £
Parish and other loans	<u>119,648</u>	<u>102,614</u>
	<u>119,648</u>	<u>102,614</u>

NOTES TO THE ACCOUNTS

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

	Unrestricted Funds £	Restricted Funds £	Permanent Endowment £	Total Funds 2011 £	Total Funds 2010 £
Sundry creditors and accruals	695,446	-	-	695,446	917,297
Schools development project	1,134,462	-	-	1,134,462	-
Loans from Charity Bank	-	-	-	-	400,000
Taxation and social security	25,970	-	-	25,970	28,103
	<b>1,855,878</b>	<b>-</b>	<b>-</b>	<b>1,855,878</b>	<b>1,345,400</b>

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

	Unrestricted Funds £	Restricted Funds £	Permanent Endowment £	Total Funds 2011 £	Total Funds 2010 £
Loans from Church Commissioners	350,700	-	-	350,700	350,900
Loans from CBF	-	2,800	-	2,800	3,200
	<b>350,700</b>	<b>2,800</b>	<b>-</b>	<b>353,500</b>	<b>354,100</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 2011 was £22,493.72 at a rate of 6%.

Loans in respect of curates properties total £120,000 (2010 - £120,000) (see note 17).

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

	2011 £	2010 £
This is stated after charging: -		
Auditors' remuneration		
Audit – BWMacfarlane LLP	12,000	11,162
Depreciation	26,141	22,172
VLL Loan Interest Paid	22,494	25,062
Operating Leases – Land & Buildings	72,000	72,000
Operating Leases – Plant and Equipment	7,889	5,484
Interest on bank loans and overdrafts	16,607	19,410

NOTES TO THE ACCOUNTS

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**22. Directors' emoluments**

No emoluments have been paid from Board funds to any members of the Board of Finance. Board members are not included in the employees shown in note 23 below. Board members who are also stipendiary clergy receive remuneration including housekeeping, stipends and pension provisions based on national rates set by the central stipendiary authority.

**23. Employees' information**

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

	<b>2011</b>	<b>2010</b>
	<b>Number</b>	<b>Number</b>
Full time	27	28
Part time	26	26
	<u>53</u>	<u>54</u>

Included in the above are two full time and one part time parish-based posts employed as lay alternatives to stipendiary clergy, funded from the stipends budget. Also included were five full time and two part-time posts funded externally by Service Level Agreements, Sefton CVS, ecumenical grants and Liverpool University Anglican Chaplaincy.

	<b>2011</b>	<b>2010</b>
	<b>£</b>	<b>£</b>
Staff costs (for the above persons)		
Wages and salaries	1,083,065	1,092,150
Social Security costs	79,502	68,640
Other pension costs (Note 25)	290,205	321,185
	<u>1,452,772</u>	<u>1,481,975</u>

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

There were no employees with emoluments in excess of £60,000.

**24. Guarantees**

The Board has given guarantees to Lloyds Bank plc of £227,504.38 (2010: £224,674) in respect of loans granted to parishes. These guarantees would crystallise in the event of a default. During the year the Board gave a repayment guarantee in relation to a loan provided to the Florence Institute from the Architectural Heritage Fund to a maximum of £253,265. The loan relates solely to cash flow and the project is fully funded.



## 25. Pensions

### **(a) Clergy Pensions**

The Liverpool DBF participates in the Church of England Funded Pensions Scheme and employs 211 members of the Scheme out of a total membership of approximately 9,000 active members.

The Church of England Funded Pensions Scheme is a defined benefit scheme but the Liverpool DBF is unable to identify its share of the underlying assets and liabilities - each employer in that scheme pays a common contribution rate. A valuation of the Scheme was carried out as at 31 December 2009. This revealed a shortfall of £262m, with assets of £605m and a funding target of £867m, assessed using the following assumptions:

- An investment strategy of:
  - for investments backing liabilities for pensions in payment, an allocation to gilts, increasing linearly from nil at 31 December 2009 to 2/3 by 31 December 2029, with the balance in return-seeking assets; and
  - for investments backing liabilities prior to retirement, a 100% allocation to return-seeking assets.
- Investment returns of 4.4% pa on gilts and 5.9% pa on equities;
- RPI inflation of 3.8% pa (and pension increases consistent with this);
- Increase in pensionable stipends of 3.8% pa; and
- Post-retirement mortality in accordance with 80% of the SINA tables, with allowance made for improvements in mortality rates from 2003 according to the “medium cohort” projections, and subject to a minimum annual improvement of 1.5% for males and 1.0% for females.

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

Following the results of the 2009 valuation, changes were made to benefits being built up in the Scheme from 1 January 2011 and the Liverpool DBF contribution rate was set at 38.2% of pensionable stipends.

Contributions rates will be reviewed at the next valuation of the Scheme, due no later than as at 31 December 2012.

### **(b) Staff Pensions**

The Liverpool DBF participates in the Church of England Defined Benefits Scheme (DBS), part of the Church Workers Pension Fund. During the year to 31st December 2011, the Liverpool DBF made contributions of £296,748 and this has been taken as the pension cost shown in these accounts, as explained below.

It is not possible for an individual employer to determine its share of the underlying assets and liabilities as 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. In such cases, FRS 17 requires the employer to account for its contributions to the DBS as if it were a defined contribution scheme but to make certain additional disclosures based on available information. The required disclosures, together with a description of the operation of the DBS, are given below.

NOTES TO THE ACCOUNTS

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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 Scheme 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 Scheme are held as a single trust fund out of which all the benefits are to be provided. From time to time, a notional premium is transferred from employers' sub-pools to the Life Risk Pool and all pensions and death benefits are paid from the Life Risk Pool.

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 being carried out as at 31st December 2010. In this valuation, the Life Risk Section was shown to be in deficit by £6.7m and some £5.5m was notionally transferred from the employers' sub-pools to the Life Risk Pool. Of this, £97k was deducted from the Employer sub-pool. This increased the employer's contributions that would otherwise have been payable. Other available information relating to the valuation as at 31st December 2010 is given below:

Market value of DBS	£220.7m
Market value of Employer sub-pool	£2.4m
Market value of Life Risk Pool (1,140 pensioners)	£97.4m

	<b>Total Scheme members</b>	<b>Employer members</b>
Deferred pensioners	1513	30
Active members	1134	32

The Defined Benefits Scheme was closed to new LDBF employees from 2 January 2009. New employees are eligible to join the Church of England Defined Contributions Scheme (DCS), also part of the Church Workers Pension Fund. At 31 December 2011 the Board had 8 active members in the DCS.

NOTES TO THE ACCOUNTS

**26. Analysis of net assets by funds as at 31 December 2011**

	<b>Tangible Fixed Assets £</b>	<b>Loans/ Investments £</b>	<b>Net Current Assets £</b>	<b>Long-term Liabilities £</b>	<b>Total £</b>
Unrestricted funds	1,014,970	2,768,262	47,272	(353,500)	3,477,004
Restricted funds	7,562,201	4,346,114	-	-	11,908,315
Endowment funds	35,922,751	854,201	-	-	36,776,952
<b>Total</b>	<b>44,499,922</b>	<b>7,968,577</b>	<b>47,272</b>	<b>(353,500)</b>	<b>52,162,271</b>

Further details of individual funds are given in note 28 below.

**27. Lease Obligations**

At 31<sup>st</sup> December 2011, Liverpool DBF was committed to making the following payments under non-cancellable operating leases in the year to 31<sup>st</sup> December 2012:

	<b>2011</b>		<b>2010</b>	
	<b>Land and Buildings £</b>	<b>Plant and Equipment £</b>	<b>Land and Buildings £</b>	<b>Plant and Equipment £</b>
Within 1 year	-	-	-	3,975
Within 2 to 5 years	-	9,621	-	-
After 5 years	72,000	-	72,000	-

NOTES TO THE ACCOUNTS

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## 28. Accumulated funds

The General fund is unrestricted. In 2006, £500,000 was designated to the Mission Opportunities Fund, to give the Board flexibility to respond to fresh expressions of the church in future. In 2011, the brought forward balance of £82,815 was spent. During the year a donation of £32,000 was received from Thornton St Frideswyde PCC and was designated to the Mission Opportunities Fund. Therefore the balance remaining at the end of the year was £32,000.

In 2010 £170,000 was designated to the Warrington Mission Development Fund from the sale proceeds of a former vicarage.

As at 31 December 2011, the total designated funds amounted to £202,000.

**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.

**Parsonage Building 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:

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

NOTES TO THE ACCOUNTS

28. 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 2010	3,665,445	890,424	11,008,398	-	11,561	1,345,950	34,687,926	786,140	52,395,844
Incoming Resources	10,180,752	185,300	201,340	-	216,360	-	-	-	10,783,752
Outgoing Resources	(9,643,428)	(144,472)	(859,944)	(15,778)	(50,389)	(144,397)	-	-	(10,858,408)
Investment Asset									
Gains/losses	(118,600)	(37,187)	-	-	(483)	(10,232)	-	(32,832)	(199,334)
Revaluation of property									
Gains/losses	164,417	-	(124,000)	-	-	-	-	-	40,417
Transfers	(771,582)	-	611,407	15,778	-	(49,971)	194,368	-	-
Total Funds 2011	<b>3,477,004</b>	<b>894,065</b>	<b>10,837,201</b>	<b>-</b>	<b>177,049</b>	<b>1,141,350</b>	<b>34,882,294</b>	<b>753,308</b>	<b>52,162,271</b>
<b>Represented by:</b>									
<b>Tangible Fixed Assets:</b>	<b>1,014,970</b>	<b>-</b>	<b>7,562,201</b>	<b>-</b>	<b>-</b>	<b>1,040,457</b>	<b>34,882,294</b>	<b>-</b>	<b>44,499,922</b>
DBF Houses & Glebe	679,320	-	3,346,201	-	-	1,040,457	-	-	5,065,978
DBF Houses VLL	318,169	-	-	-	-	-	-	-	318,169
Parsonages & TV Glebe	-	-	4,216,000	-	-	-	34,882,294	-	39,098,294
Furniture & Fittings	17,481	-	-	-	-	-	-	-	17,481
<b>Investments:</b>	<b>2,648,262</b>	<b>894,065</b>	<b>3,275,000</b>	<b>-</b>	<b>177,049</b>	<b>100,893</b>	<b>-</b>	<b>753,308</b>	<b>7,848,577</b>
CCLA	2,648,250	894,065	-	-	177,049	100,893	-	753,308	4,573,565
Investment Property	-	-	3,275,000	-	-	-	-	-	3,275,000
DBE Services Ltd	12	-	-	-	-	-	-	-	12
<b>VLL to parishes</b>	<b>120,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>120,000</b>
<b>Net Current Assets:</b>	<b>47,272</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>47,272</b>
Debtors	1,185,373	-	-	-	-	-	-	-	1,185,373
Bank and Cash	717,777	-	-	-	-	-	-	-	717,777
Taxation & Social Security	(25,970)	-	-	-	-	-	-	-	(25,970)
Sundry Creditors & Accruals	(1,829,908)	-	-	-	-	-	-	-	(1,829,908)
Loans From Charity Bank	-	-	-	-	-	-	-	-	-
<b>Liabilities:</b>	<b>(353,500)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(353,500)</b>
Loans Church Comms	(350,700)	-	-	-	-	-	-	-	(350,700)
Loans from CBF	(2,800)	-	-	-	-	-	-	-	(2,800)
	<b>3,477,004</b>	<b>894,065</b>	<b>10,837,201</b>	<b>-</b>	<b>177,049</b>	<b>1,141,350</b>	<b>34,882,294</b>	<b>753,308</b>	<b>52,162,271</b>
<b>Analysis of Reserves:</b>									
<b>General Funds</b>	<b>3,477,004</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,477,004</b>
<b>Restricted Funds</b>	<b>-</b>	<b>894,065</b>	<b>10,837,201</b>	<b>-</b>	<b>177,049</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>11,908,315</b>
<b>Endowment Funds</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,141,350</b>	<b>34,882,294</b>	<b>753,308</b>	<b>36,776,952</b>
	<b>3,477,004</b>	<b>894,065</b>	<b>10,837,201</b>	<b>-</b>	<b>177,049</b>	<b>1,141,350</b>	<b>34,882,294</b>	<b>753,308</b>	<b>52,162,271</b>