

Leicester Diocesan Board  
of Finance

Report and Financial Statements

For the year ended  
31 December 2009

**Company Registered No 227087  
Registered Charity No 249100**

For the year ended 31 December 2009

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The Board of Finance's overriding aim is to sustain the mission and ministry of the Diocese in all places. During 2009 we have been able to finance the same level of stipendiary clergy as in 2008. I must also note the importance of two major capital projects as far as the financial affairs of the Diocese are concerned during the year, namely Launde Abbey and the Cathedral Square development.

During 2009 the members of the Diocesan Board of Finance voted overwhelmingly in favour of granting a sum of up to £1m to refurbish and develop Launde Abbey and this has been matched by the remarkable response to the "Save Launde Appeal." As a result work has started on the Abbey, which will be complete by the end of 2010. In the case of the St Martin's House phase of the Cathedral Square development, during 2009 the basis of the Board's interest changed from a commitment to underwrite the project to an equity sharing arrangement, partnering with the Cathedral. Overall this project has been made possible by two extraordinarily generous large donations totalling nearly £3m; this building work is scheduled for completion at the same time as Launde Abbey.

It is also very encouraging that the two new brokers appointed to manage the large capital receipts from the sale of Glebe land in 2008 have achieved both commendable capital growth and dividend yield. This has enhanced our capital base and the investment income will underpin the effect of the capital outflows, from unrestricted funds, expected in 2010 to support the refurbishment and development of Launde Abbey and St Martin's House.

I am pleased to report that the Board's budget has been achieved for 2009. However, I must record too that income from property sales and efficiency savings mask a significant reduction in parish share receipts. I refer to this in more detail later in this statement.

Readers of last year's statement will recall that I reported the status of the Board's finances to be robust as we entered a period of unparallel economic uncertainty and that, despite the very unpredictable national and international situation, we intended to retain our budget plans for 2009. These included maintaining parochial ministry at its current level, being mindful of the fact that the increases in clergy costs had not been matched by increases in parish share giving in recent years.

We had launched 'God's Gift – Our Response' to encourage generosity in the Diocese and have followed this up in a number of ways through the year to address the issue of the theology of giving. By mid 2009 the Board had recognised that internal economies would be required both as a result of the historically low interest rates - affecting income from investments - and the increase in provision required to fund the clergy pension scheme. This has resulted in the implementation of savings of some £200k largely in indirect mission support costs which will be fully effective in 2010; nevertheless the budget for 2010 is for a deficit of some £300k.

The plan was that the shortfall in 2010 would be funded from reserves and then in future years to return to a balanced budget. It was intended to achieve this by a combination of increases in parish share receipts, falling clergy numbers (as retirements will exceed ordinations), recovery in investment income as interest rates returned to more normal levels and changes to the pension scheme to be agreed by the General Synod.

Early in 2009 we had been notified that unless alterations to the pension arrangements were made, the cost of the scheme for 2010 would be well in excess of the budgeted figure of 45% of stipend, already a significant increase from 2009, which Dioceses had determined to be the maximum affordable.

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In the event, it now looks unlikely that interest rates will rise very much within the next 12 months. Parish share receipts for 2009 showed a decrease of 1% over the previous year and this will make the achievement of the 2010 budget difficult, given that the clergy costs will rise by 5%. Despite General Synod's agreement to change the terms of the clergy pension scheme, which may mitigate future increases, there is a risk that we will be unable to return to a balanced budget in the medium term. Therefore during the spring and summer of 2010 proposals will be prepared for discussion at Diocesan Synod to address this matter.

During my second year as your Chairman of the Diocesan Board of Finance, I have become increasingly aware of, and grateful for, the immense goodwill, expertise and time given to the affairs of the DBF by a wide range of people, many on a pro bono basis. Our task is made immeasurably easier by this generosity, whether it be from professional advisers or, for example, from church wardens and parish and benefice treasurers, as well as my colleague DBF Trustees.

This is also true of the lay staff at Church House to whom we must all express our gratitude. In particular I should like to express my personal thanks to those in the Finance Department who bore a very heavy burden during the year following the resignation of the previous Finance Director in June 2009. I am very pleased that, in January 2010, we appointed David Ladley as the full time Finance Director for the Diocese.

Please continue to hold the work of financing the mission and ministry of the Diocese in your prayers.

Stephen Barney

2 June 2010

The trustees, who are also directors for the purposes of company law, present their combined trustees' report and directors' report, together with the audited financial statements, for the year ended 31 December 2009.

Except for the section on the summary information about the structure of the Church of England this report refers to the Leicester Diocesan Board of Finance.

Reference and administrative details of the Leicester Diocesan Board of Finance  
These are set out on pages 14 and 15.

Summary information about the structure of the Church of England  
The Church of England is organised as two provinces; each led by an archbishop (Canterbury for the Southern Province and York for the Northern). Each province comprises dioceses of which there are 43 in England.

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

Her Majesty the Queen, who is the Supreme Governor of the Church of England, appoints archbishops, bishops and deans of cathedrals on the advice of the Prime Minister. The two archbishops and 24 senior bishops sit in the House of Lords.

The Church of England is episcopally-led (there are 112 bishops including Diocesan, Area and Suffragan Bishops). It is governed by General Synod as its legislative and deliberative body at national level, making decisions on matters of doctrine, the holding of church services and relations with other churches. General Synod passes measures which, if accepted by Parliament, have the effect of Acts of Parliament. It is made up of three groups or houses of members: the Houses of Bishops, of Clergy and of Laity, and meets in London or York at least twice annually to consider legislation for the broader good of the Church.

#### **The three National Church Institutions**

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

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

The Church Commissioners manage the historic assets of the Church of England, spending most of their income on pensions for the clergy. The costs of episcopal administration through the diocesan, area and suffragan bishops are met by the Church Commissioners.

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

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

### **Leicester Cathedral**

The Cathedral is the mother church of the diocese and legally is constituted as a separate charity currently exempt from Charity Commission registration and supervision. Copies of its trustees' report and financial statements may be obtained from the Cathedral Centre, 21 St Martin's, Leicester, LE1 5DE.

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

The Diocese

### **Diocesan Synod**

The statutory governing body of the diocese is the diocesan synod which is elected with representation across the diocese with broadly equal numbers of clergy and lay people meeting together in Diocesan Synod with the diocesan bishop and archdeacons. Its role is to:

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

### **Deanery Synod**

Each Deanery Synod has two houses, laity and clergy, and its role is to:

- respond to requests from General Synod;
- give effect to the decisions made by the Diocesan Synod;
- consider matters affecting the Church of England by drawing together the views of the parishes within the deanery;
- act as a channel of communication to express the views of parishes to Diocesan Synod and thence to General Synod;
- raise with Diocesan Synod such matters as it considers appropriate; and
- elect members of the deanery to the Diocesan Synod and of the diocese to General Synod.

### **The Bishop's Council**

Under the constitution of the Diocesan Synod, Bishop's Council has the following functions:

- to plan the business of the Synod, to prepare the agenda for its sessions and to circulate to members information about matters for discussion;
- to initiate proposals for action by the Synod and to advise it on matters of policy;
- to advise the President on any matter;
- subject to the directions of the Synod, to transact the business of the Synod when the Synod is not in session;
- subject to the directions of the Synod, to appoint members of committees or nominate individuals for election to committees;
- to carry out such functions as the Synod may delegate to it.

### **Parochial Church Council (PCC)**

The PCC is the elected governing body of an individual parish which broadly is the smallest pastoral area in the Church of England. Typically each parish has one parish church. The PCC is made up of the incumbent as chairman, the churchwardens and a number of elected and ex officio members. Each PCC is a charity and, until recently, were excepted from registration with the Charity Commission. Following the Charities Act 2006, however, PCCs with gross income over £100,000 are required to register with the Charity Commission before 30 September 2009. We have briefed treasurers for whom this is relevant. Except where shown, the transactions of PCCs do not form part of these financial statements. Financial statements of an individual PCC can be obtained from the relevant PCC treasurer.

### **Parishes**

A benefice is a parish or group of parishes served by an incumbent who typically receives a stipend and the benefit of free occupation and use of a parsonage house from the diocese for carrying out spiritual duties.

A deanery is a group of parishes over which an area dean has oversight and an archdeaconry is a group of deaneries for which an archdeacon is responsible.

The diocese is then the principal pastoral and in turn financial and administrative resource of the Church of England, encompassing the various archdeaconries under the spiritual leadership of the Diocesan Bishop.

### **Structure, governance and management of the Diocese of Leicester**

The Diocese of Leicester was restored in 1926, and consists of the City of Leicester and the County of Leicestershire, with the exception of a few parishes on its borders. It covers an area of 835 square miles and has a population of approximately 1 million. Whilst much of the diocese is rural, there are significant market towns and suburban centres. The City of Leicester has a population of approximately 300,000.

The diocese is arranged as two archdeaconries, with Loughborough broadly covering the western part, with 5 deaneries, and Leicester covering the city and eastern part with 5 deaneries. In total there are 238 parishes and currently 136 stipendiary clergy.

### **Diocesan governance**

The Diocese is governed by the Synodical Government Measure 1969. Its statutory governing body is the Diocesan Synod, which is an elected body with representation from all parts of the Diocese. The Diocesan Synod works according to Standing Orders which were approved by Synod in 2002. Members of the Synod hold office for a term of three years. Membership consists of ex officio members, namely the Bishops, the Dean of the Cathedral, the Archdeacons, the Chancellor of the Diocese, the Diocesan General Synod members and the chairs of the Board of Finance and the Diocesan Advisory Committee. Clergy members are elected by the houses of clergy in Deanery Synods, laypersons are elected by the houses of laity in Deanery Synods. Up to five persons may be co-opted by the house of clergy and five persons may be co-opted by the house of laity. A maximum of ten members (five clergy, five lay) may be nominated by the Diocesan Bishop. The Diocesan Synod normally meets three times a year. Many of Diocesan Synod's responsibilities have been delegated to its Standing Committee, the Bishop's Council.

### **Company status**

The company, Leicester Diocesan Board of Finance (LDBF), was formed to manage the financial affairs and hold the assets of the Diocese. It was incorporated on 4 January 1928 as a charitable company limited by membership guarantees (No. 227087) and its governing documents are the Memorandum and Articles of Association. LDBF is registered with the Charity Commission (No. 249100).

Every member of Diocesan Synod is a member of LDBF for company law purposes and has a personal liability limited to £1 under their guarantee as a company member in the event of its being wound up. The members of the Diocesan Finance Committee comprise the Board of Directors and the Trustees of LDBF.

### **Decision-making structure**

Diocesan Synod has delegated the following functions to the Bishop's Council (Standing Committee of the Synod):

- planning the business of Synod including the preparation of agendas and papers
- initiation of proposals for action by the Diocesan Synod and provision of policy advice
- transacting the business of the Diocesan Synod when not in session

Diocesan Synod has delegated the following functions to the Board of Trustees (Finance Committee and Board of Directors):

- management of the funds and property of the Diocese
- preparation of annual estimates of expenditure
- advising on action needed to raise the income necessary to finance expenditure
- oversight of expenditure by bodies in receipt of Diocesan Synod's funds against estimates of expenditure approved by Diocesan Synod
- advising Diocesan Synod of the financial aspects of its policy and on any other matters referred to it
- appointing members of committees or nominating members for election to committees, subject to the directions of Diocesan Synod
- carrying out any other functions delegated by Diocesan Synod.

The Board of Trustees has delegated responsibility for the day-to-day management of the company to the Diocesan Secretary who is supported by a number of heads of departments and their staff.

### **Committee structure**

There are a number of Diocesan Synod committees that, though not sub-committees of LDBF, can influence the operations of LDBF.

Those following are statutory committees:

*Houses Committee*, which is responsible for managing and maintaining the parsonage houses in each benefice, including buying, repairing, maintaining and disposing of all parsonage houses, team vicarages and houses owned by LDBF.

*Glebe Committee*, which is responsible for implementing policy and making major decisions concerning the management of glebe property and investments for the benefit of the Diocesan Stipends Fund of the Diocese.

*Diocesan Mission and Pastoral Committee*, which is responsible for the task of approving pastoral reorganisation, taking account of available clergy numbers and making use of new patterns of ministry.

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

*Leicester Diocesan Board of Patronage*, which is constituted under the provisions of the Patronage (Benefices) Measure 1986, is sole patron or joint patron of a number of benefices.

*Redundant Churches Uses Committee*, which is responsible for finding appropriate alternative uses for churches that have been declared redundant.

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### **Bishop's Council**

The Bishop's Council is the Standing Committee of Synod. Bishop's Council consists of 8 ex-officio members, including the Diocesan Bishop, the Assistant Bishop and the two Archdeacons, 3 clergy elected by the house of clergy from among their number and 5 lay persons elected by the members of the house of laity and a maximum of 2 members nominated by the Diocesan Bishop.

The *Finance Committee*, whose members are the Directors of the company and Trustees of the charity, is responsible for considering the financial affairs of the Diocese. Amongst other things, it draws up draft budgets for approval by the trustees prior to submission to Diocesan Synod and monitors expenditure and income.

The *Investment Committee (a sub-committee of the Finance Committee)* is responsible for determining and overseeing the investment policy of the LDBF.

The *Audit Committee (a sub-committee of the Finance Committee)*, which was formed in early 2007, and is responsible for assisting the trustees in the discharge of their responsibilities for accounting policies, risk management, internal control and financial reporting, including liaison with the auditors.

### **Appointment of trustees**

The Trustees are the members of the Finance Committee and are appointed as shown on page 14. Some senior staff have job titles incorporating the title 'Director' but they are not directors of the company for the purposes of company law.

Trustees are given induction training when first appointed and receive ongoing training as appropriate.

### **Trustees' responsibilities**

Company law requires the trustees (in their capacity as directors) to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the net incoming or outgoing resources of the company for that year.

The Trustees' Responsibilities are set out on page 16.

### **Related parties**

#### **General Synod, Church Commissioners and Archbishops' Council**

LDBF has to comply with Measures passed by the General Synod of the Church of England and is required to make certain annual payments to the Archbishops' Council towards the running costs of the National Church. The stipends of the Diocesan and Area Bishops are borne by the Church Commissioners and are reflected in the financial statements as costs funded by grants received from the Church Commissioners.

#### **Parochial Church Councils (PCCs)**

LDBF is required by Measure to be custodian trustee in relation to PCC property, but the Company has no control over PCCs, which are independent charities. The accounts of PCCs and deaneries do not form part of these financial statements.

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

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#### **Connected charities**

##### **Leicester Diocesan Board of Education and Higher & Further Education Chaplaincies**

Through grant assistance the LDBF provides support to the work of the Leicester Diocesan Board of Education (charity no. 527812) and higher and further education chaplaincies in the Diocese.

##### **Leicester Cathedral Chapter**

By means of support in kind the LDBF provides accounting services to Leicester Cathedral Chapter.

##### **Launde Abbey Trustees**

By means of a long term loan of £500,000 to assist with the refurbishment of the Abbey, which is the Diocesan retreat house, and a small grant towards the costs of the Warden being the priest-in-charge of Loddington.

At the end of 2009 capital and interest outstanding totalled £512,764.

In addition, the Leicester Diocesan Board of Finance has agreed to contribute to the refurbishment work at Launde Abbey to a maximum of £1m. This has been included in these financial statements as an exceptional item.

##### **Coventry Diocesan Board of Finance**

The trustees have a joint working arrangement with the Coventry Diocesan Board of Finance (company no. 319482; charity no. 247828) under which a number of staff are jointly employed.

##### **St Martin's Cathedral Properties Limited (SMCP Ltd)**

This company oversees the Cathedral Square project, which has a vision for outreach in the Diocese. In 2009 The Bishop of Leicester, Leicester Cathedral and Leicester Diocesan Board of Finance agreed development plans for the refurbishment of St Martin's House, which begins in April 2010 for occupancy in early 2011.

The Trustees of SMCP Ltd are The Bishop, The Dean, the Chairman of the Board of Finance and Mr John Nicholls who was appointed during 2009. The Diocesan Secretary is secretary to the trustees.

The Leicester Diocesan Board of Finance has agreed to underwrite the project up to a value of £2m (and convert this amount to an equity stake at the appropriate time) on the basis that the money is being put to use in pursuit of the overall aims of the Diocese, in the provision of premises for the work of the staff of the Diocese and to further the overall mission of the Church of England. The sale proceeds from the existing premises, Church House, to be purchased from Glebe funds during 2010, will be transferred to SMCP Ltd to increase the equity stake in the new building. The valuation procedure is highlighted in note 11.

##### **Pension Schemes**

All stipendiary clergy in the diocese and some licensed lay workers are members of the Church of England clergy pension scheme. The contribution rate for this scheme in the year was 39.7% of the previous year's national minimum stipend, which equates to £7,741 per clergy person.

The lay staff of the diocese are members of either a defined benefit or a defined contribution section of the Church Worker's Pension Scheme.

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### **Risk management**

The trustees confirm that the major risks, to which LDBF is exposed, as identified by the trustees and staff, have been reviewed and that systems and procedures have been established to manage those risks. The trustees have delegated to the Audit Committee the task of ensuring that risks are reviewed and managed as part of the risk management strategy.

The Audit Committee reviews the risk register periodically and reports to trustees whether it is satisfied with its findings and makes recommendations as to areas for further work in subsequent years. The trustees review the risk register at least annually as part of the corporate risk management strategy. The last review was done in October 2009.

Objectives and activities

### **Aims and objectives**

LDBF aims to promote, facilitate and assist with the work and purposes of the Church of England for the advancement of the Christian faith in the Diocese of Leicester.

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

The trustees are aware of the Charity Commission's published guidance on the public benefit requirement in general and more particularly in *The Advancement of Religion for Public Benefit* and have had regard to it in their administration of the Diocese and in planning future activities and setting the grant making policy for the year.

The key activities may be summarised as:

- support for Mission and Ministry in the Parishes (includes all clergy training, housing, stipends, pension and all other expenditure supporting parish based ministry);
- support for the National Church institutions through an annual grant, including a contribution to the cost of training ordinands, and for providing retirement housing for clergy;
- support for the Diocesan Board of Education by way of a grant towards staffing costs and the provision of office accommodation and equipment.

### **Statutory functions**

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

It is the Diocesan Authority for parochial and other trusts and incorporates the functions and responsibilities of the Diocesan Parsonages Board.

The trustees act as custodian trustees in relation to PCC property and investments as necessary.

### **Grant-making (beneficiary-selection) policy**

Grants are made to the National Church to cover proportions of its central costs, the cost of training for ministry and retired clergy housing (See note 5(b)(i) to the financial statements on page 27).

In addition grants are made as set out in note 7 to the Financial Statements on page 30 to a number of bodies, both Diocesan and non-Diocesan, and to individuals.

Grants are made on the basis of either statutory or budget obligation, individual need or towards the fulfilment of the objectives of LDBF.

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## Achievements and performance

### Plans and achievements in 2009

During 2009 LDBF planned to:

- Achieve a budget deficit of £130k, while increasing clergy stipends in line with inflation
- Implement an average parish share increase of 2%
- Continue to review parish share collection through diocesan-wide consultation

During the year LDBF has:

- Made a deficit on operating activities of £27k (2008: surplus £324k), see financial review below.
- Seen a decrease in the amount of parish share collected of £51k over 2008
- Increased clergy stipends and pensions in line with national guidelines

### Operational performance

LDBF received £4.948 million of Parish Share due for the year (2008: £4.999 million) and has met all of its financial obligations to continue resourcing diocesan needs as these arise, including the support of the ministry, provision of well-maintained houses for the clergy, National Church responsibilities and enriching and facilitating many other aspects of church life throughout Leicester and Leicestershire.

### External factors affecting performance

Every effort is made by the Diocese to hold down increases in the Parish Share, which is contributed by the PCCs towards the ministry and other costs of the Diocese. A large part of these other costs are staff salaries and building maintenance costs, which both tend to increase at a rate in excess of the Retail Price Index. In addition, the Diocese is having to manage increased contributions to pension schemes.

## Financial review

### Overall financial performance

The overall financial performance of the LDBF for the year may be summarised as follows:

	<b>2009</b>	2008
	<b>£'000</b>	£'000
Incoming resources from operating activities	<b>8,201</b>	8,384
Resources expended on operating activities	<b>(8,228)</b>	(8,060)
<b>(Deficit) / surplus arising from ordinary operating activities</b>	<b>(27)</b>	324
Exceptional Item – Grant to Launde Abbey	<b>(1,000)</b>	-
<b>Movements in capital funds</b>		
Surplus on sales of tangible fixed assets	<b>909</b>	73
<b>Net (outgoing) / incoming resources per statement of financial activities</b>	<b>(118)</b>	397
Net surplus on sales of investments	<b>138</b>	1,832
Net gains & losses on revaluation	<b>1,790</b>	(2,249)
<b>Net movement in funds during the year as shown on the statement of financial activities</b>	<b>1,810</b>	(20)

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### **Principal Funding Sources**

Around 60.3% (2008: 59.6%) of the incoming resources of the LDBF, excluding surpluses on the sales of tangible fixed assets, comes from the Parish Share, 13.2% (2008: 12.27%) from National Church Selective Allocations and 13.04% (2008: 16.08%) from Investment Income.

### **Principal Areas of Expenditure**

Of the resources expended of £9.228m 72.6% (2008: 79.8%) is spent on resourcing and supporting parochial ministry and 22.4% (2008: 14.3%) on grants and similar items including the Board's contributions to the National Church, the Leicester Diocesan Board of Education and chaplaincies.

### **Review of the financial position**

The balance sheet has strengthened significantly during the year. The above table shows a deficit of income over expenditure of £27k but also a significant gains from the sale of tangible fixed assets and substantial unrealised gains on the valuation of fixed assets and investments, resulting in the net movement of funds of £1.8m despite having set aside £1m for the payment of a grant to Launde Abbey in 2010.

### **Going concern**

The Trustees are satisfied that LDBF has adequate resources to continue to operate as a going concern for the foreseeable future and have prepared the financial statements on that basis.

### **Non-investment Properties**

Other than Church House, all non-investment freehold properties, that is Parsonage Houses and DBF Properties, are shown at cost. In the opinion of the trustees the market value of these properties, assuming vacant possession, is substantially in excess of the cost value, but the amount of this excess is not economically quantifiable.

### **Investment policies and objectives**

LDBF's investment policies are based on two key principles:

***Ethical investment*** - this includes ensuring that investments are held in companies which have high standards of corporate governance and act in a responsible way towards stakeholders. In order to achieve this the Board adheres to the Ethical Investment policy of the Church of England.

***Long-term responsibilities*** - the trustees are aware of their long-term responsibilities in respect of endowed funds and as a result follow a correspondingly prudent approach to investment decisions which seeks to maintain income while continuing capital growth.

Investment policy for long-term funds is aimed primarily at generating a sustainable income with due regard to the need for the preservation of capital value and the possible need to realise investments to meet operational needs. The Glebe investments are held by law for the purpose of raising income to achieve the maximum contribution possible to clergy stipends on an ongoing basis. Unrestricted and restricted fund investments are invested to balance income, liquidity and the maintenance of capital.

### **Investment Financial Risk Management**

The Board uses financial instruments, other than derivatives, as shown in this section of this report on Investment Policy and Returns.

As stated in this section the trustees' primary investment objective is to provide an adequate income return, whilst, as far as possible, maintaining the long-term value of the funds in real terms.

The main risks are those arising from the fluctuations in the stock market, interest and dividend rates, and liquidity. The trustees' investment policies are such as to mitigate such risks and are reviewed regularly. They are summarised below and have not changed from the previous year.

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**Stock market fluctuations and interest and dividend rates:** The trustees seek to ensure that the non-property investments of the Board are split between fixed interest and equity investments and comprise a substantial number of holdings in different bonds and equities.

**Liquidity:** Other than the property holdings, all the Board's investments are able to be turned into liquid funds at short notice. It is the trustees' policy to ensure that under normal circumstances there are enough liquid resources available in short-term deposits to enable the day-to-day business of the Board to be carried out without a requirement to sell investments.

#### **Investment performance**

The investments of the Board are represented by:

- Glebe investments in Land and Property
- Investments in CBF Church of England Investment, UK Equity and Property Funds managed by CCLA Investment Management Ltd.
- Equity and Fixed Interest investments managed by the trustees. These investments are held by the Board's stockbrokers, as nominee, as set out in the Reference and Administrative details section.

#### **Glebe investments**

The net income return on the Glebe investments was 2.23% (2008: 2.38 %).

#### **Listed and unlisted investments**

At the end of the year the ratio between equity and fixed interest investments was 82% to 18% compared to 83% to 17% in 2008. The income return achieved on the listed investments was 5.72% (2008: 5.27%), compared to that of the FTSE all-share index at 3.2% (2008: 4.49%). The income return achieved on the unlisted investments was 5.01% (2008: 4.24%).

The changes in the value of the board's investments are shown at note 12 to the financial statements.

In the light of the market conditions prevalent during the year the Trustees consider the performance of its investments to be satisfactory.

#### **Reserves policy**

LDBF has considerable responsibilities including the remuneration of an average of 142 parochial stipendiary clergy in 2009, the upkeep of approximately 184 houses and the employment of some 52 full or part time staff. For this reason the Trustees believe it to be prudent to maintain adequate reserves to provide working capital resources.

The target figure for these resources is currently set at an amount equivalent to four months' budgeted parish share income for the ensuing year. At 31 December 2009 this figure was £1.7m. At 31 December 2009, LDBF's free reserves (i.e. excluding fixed assets and investments) were £2.8m as shown in note 18 to the financial statements.

The trustees intend to continue to maintain their current policy on general reserves so as to ensure adequate ongoing working capital resources.

#### **Plans for future periods**

The trustees will continue to set annual budgets, including a long-term sustainable use of reserves where required, and seek to manage Parish Share increases in order to allow funds to be spent on mission activity.

The ongoing objective is to be able to adequately resource diocesan needs, as determined by Synod and informed by local and national Church institutions.

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To work towards these objectives the trustees in 2010 plan to:

- implement an increase in the parish share to a maximum of 2.5%
- continue to review parish share collection through diocesan-wide consultation
- make cost saving plans to deliver a balanced budget by 2011.

#### Funds held as Custodian Trustee

The Board acts as Custodian Trustee for a large number of parochial trusts which have either the Parochial Church Council or Vicar and Churchwardens of the particular parish as managing trustees. It also acts as a Custodian Trustee of Launde Abbey Trust, the Diocesan retreat house.

The assets of these funds consist of either cash deposits, investments in the CBF Common Investment Funds or equity and other fixed interest investments. The Board also acts as custodian trustee for real property owned by Parochial Church Councils. All such property and investments are held separately from those of the Board.

The total value of the assets, excluding real property, held as Custodian Trustee at 31 December 2009 was approximately £3.517 million (2008: £2.878 million).

#### Charitable Donations

Charitable donations have been made as part of normal expenditure in the exercise of the Board's objectives. Further details of the donations can be found in Note 7 to the Financial Statements.

No political contributions were made in the year.

#### Board members' interests in shares

The Board, which has no share capital, is a company limited by guarantee. The Board members may derive no benefit or income from or have any capital interest in the Board's financial affairs other than reimbursement of out-of-pocket expenses.

#### Appointment of auditors

The Charity's articles require annual reappointment of auditors. Grant Thornton UK LLP have indicated their willingness to continue in office. In accordance with s485(4) of the Companies Act 2006 a resolution to reappoint Grant Thornton UK LLP will be proposed at the Annual General Meeting. A resolution to authorise the Trustees to fix their remuneration will also be proposed at the Annual General Meeting.

BY ORDER OF THE BOARD

**J Easton** Diocesan Secretary

**S Barney** Chairman

2 June 2010

For the year ended 31 December 2009

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Reference and administrative details of the Leicester Diocesan Board of Finance  
In accordance with the Companies Act 2006 and the Statement of Recommended Practice: Accounting and Reporting by Charities issued in March 2005 (SORP 2005), the trustees (for the purposes of charity law) and directors (for the purposes of company law) during the year and as at the date of signing are as follows:

<b>President (ex officio)</b>	The Rt Revd T J Stevens (Lord Bishop of Leicester)
<b>Chairman (nominated by the Bishop)</b>	Mr S G Barney
<b>Vice-Chairman</b>	Mr K M Davies (resigned 10 September 2009)
<b>Archdeacons (ex officio)</b>	The Ven R W B Atkinson (Archdeacon of Leicester) The Ven P C Hackwood (Archdeacon of Loughborough – resigned 30 August 2009) The Ven D Newman (Archdeacon of Loughborough – from 1 November 2009)
<b>Elected by Diocesan Synod</b>	Mr B D Beeson Revd C Hebden Mrs S A Longhill (resigned 31 December 2009) Mr C McKee (resigned 31 December 2009) Mrs S A Newbury Mr H E Tegg (resigned 31 December 2009) Revd J Whittaker (resigned 31 December 2009) Revd M Dale (from 1 January 2010) Mr D Whittington (from 1 January 2010)
<b>Nominated by the Bishop</b>	Mr J C F Roberson Mr G Newbury
<b>Nominated by the Forum for Ethnic Minority Anglicans</b>	Mr G M B O Sawyer
<b>Co-opted by the Board</b>	None
<b>Secretary</b>	Mrs C J Easton
<b>Registered Office</b>	Church House St Martin's East Leicester LE1 5FX
<b>Telephone</b>	0116 248 7400
<b>Facsimile</b>	0116 253 2889
<b>Company registration number</b>	227087 (England & Wales)
<b>Charity registration number</b>	249100
<b>Auditor</b>	Grant Thornton UK LLP Registered Auditor & Chartered Accountants Regent House 80 Regent Road Leicester LE1 7NH

For the year ended 31 December 2009

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Reference and administrative details of the Leicester Diocesan Board of Finance  
(continued)

<b>Bankers</b>	Barclays Bank plc Dominus Way Meridian Business Park Leicester
<b>Solicitors</b>	Latham & Co Charnwood House 2 & 4 Forest Road Loughborough Leicestershire LE11 3NP
<b>Investment managers: Glebe Agents</b>	Andrew Granger & Co LLP 2 High Street Loughborough Leicestershire LE11 2PY
<b>Other investments</b>	Brewin Dolphin 1st Floor, Waterfront House Waterfront Plaza 35 Station Street Nottingham NG2 3DQ  Charles Stanley & Co. Limited 25 Luke Street London EC2A 4AR  NW Brown Richmond House 16-20 Regent Street Cambridge CB2 1DB  CCLA Investment Management Limited 80 Cheapside London EC2V 6DZ
<b>Diocesan Surveyors</b>	YMD Boon Ltd York House Fernie Road Market Harborough Leicestershire LE16 7PH
<b>Insurance Brokers</b>	Towergate Risk Solutions Towergate House, Five Airport West Lancaster Way Yeadon Leeds LS19 7ZA

For the year ended 31 December 2009

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The trustees (who are also directors of Leicester 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 regulations.

Company law requires the trustees to prepare financial statements for each financial year. Under that law, the trustees have elected to prepare financial statements in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice). The financial statements are required by law to 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 accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charitable company will continue in operation.

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

In so far as each trustee is aware:

- there is no relevant audit information of which the charitable company's auditors are unaware; and
- the trustees have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

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.

## REPORT OF THE INDEPENDENT AUDITOR TO THE MEMBERS OF THE LEICESTER DIOCESAN BOARD OF FINANCE

We have audited the financial statements of Leicester Diocesan Board of Finance for the year ended 31 December 2009 which comprise the principal accounting policies, the statement of financial activities, the balance sheet, the cash flow statement and the related notes. These financial statements have been prepared under the accounting policies set out therein.

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

Respective responsibilities of trustees and auditor

The trustees' (who are also the directors of Leicester Diocesan Board of Finance for the purposes of company law) responsibilities for preparing the Chairman's Report and Directors' and Trustees' Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and for being satisfied that the financial statements give a true and fair view are set out in the Statement of Directors' and Trustees' Responsibilities.

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

We report to you our opinion as to whether the financial statements give a true and fair view, have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and have been prepared in accordance with the Companies Act 2006. We also report to you whether the information given in the Directors' and Trustees' Report is consistent with those financial statements.

In addition we report to you if, in our opinion, the charitable company has not kept adequate accounting records, if the charitable company's financial statements are not in agreement with the accounting records and returns, if we have not received all the information and explanations we require for our audit, or if certain disclosures of trustees' remuneration specified by law are not made.

We read other information contained in the Chairman's Report and Directors' and Trustees' Report, and consider whether it is consistent with the audited financial statements. This other information comprises only the Chairman's Report and Directors' and Trustees' Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

REPORT OF THE INDEPENDENT AUDITOR TO THE MEMBERS OF THE  
LEICESTER DIOCESAN BOARD OF FINANCE (CONTINUED)

Basis of audit opinion

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

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

Opinion

In our opinion:

- the financial statements give a true and fair view of the state of the charitable company's affairs as at 31 December 2009 and of its incoming resources and application of resources, including its income and expenditure, for the year then ended;
- the financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- the financial statements have been properly prepared in accordance with the Companies Act 2006; and
- the information given in the Directors' and Trustees' Report is consistent with the financial statements.

**Peter Edwards (Senior Statutory Auditor)**  
**For and on behalf of**  
**Grant Thornton UK LLP**  
**STATUTORY AUDITOR**  
**Chartered Accountants**  
**East Midlands**

Leicester Diocesan Board of Finance  
STATEMENT OF FINANCIAL ACTIVITIES

For the year ended 31 December 2009

	Note	Unrestricted funds £'000	Designated funds £'000	Restricted funds £'000	Endowment funds £'000	Total 2009 £'000	Total 2008 £'000
<b>Income and expenditure</b>							
<b>Incoming resources</b>							
Incoming resources from generated funds:							
Parish share	4a	4,948	-	-	-	4,948	4,999
Archbishop's council	4b	-	-	1,304	-	1,304	1,288
Donations, legacies and similar income	4c	105	1	81	-	187	116
Activities for generating funds	4d	119	-	-	-	119	116
Investment income	4e	164	16	82	808	1,070	1,348
Income from operating activities	4f	447	-	46	-	493	501
Other incoming resources	4g	-	-	63	17	80	16
Surplus on sales of assets		115	-	-	794	909	73
<b>Total incoming resources</b>		<b>5,898</b>	<b>17</b>	<b>1,576</b>	<b>1,619</b>	<b>9,110</b>	<b>8,457</b>
<b>Resources expended</b>							
Cost of generating funds	5a	136	-	-	126	262	246
Charitable expenditure:							
Archbishop's Council	5b(i)	345	-	-	-	345	370
Other grants and similar items	5b(ii)	1,560	51	107	-	1,718	785
Resourcing of Ministry in Parishes	5b(iii)	5,601	-	139	-	5,740	5,626
Support of Ministry in Parishes	5b(iv)	954	6	1	-	961	805
Governance costs	5c	202	-	-	-	202	228
<b>Total resources expended</b>		<b>8,798</b>	<b>57</b>	<b>247</b>	<b>126</b>	<b>9,228</b>	<b>8,060</b>
<b>Net (outgoing)/incoming resources before transfers</b>	3	<b>(2,900)</b>	<b>(40)</b>	<b>1,329</b>	<b>1,493</b>	<b>(118)</b>	397
<b>Transfers between funds</b>	17	<b>2,698</b>	<b>6</b>	<b>(618)</b>	<b>(2,086)</b>	-	-
<b>Net (outgoing)/incoming resources after transfers</b>		<b>(202)</b>	<b>(34)</b>	<b>711</b>	<b>(593)</b>	<b>(118)</b>	397
Realised gains and losses on investments		145	-	-	(7)	138	1,832
<b>Surplus of income over expenditure</b>		<b>(57)</b>	<b>(34)</b>	<b>711</b>	<b>(600)</b>	<b>20</b>	2,229
Unrealised gains and losses on tangible fixed assets		(160)	-	-	-	(160)	50
Unrealised gains and losses on investments		291	5	-	1,654	1,950	(2,299)
<b>Net movements in funds</b>		<b>74</b>	<b>(29)</b>	<b>711</b>	<b>1,054</b>	<b>1,810</b>	(20)
Fund balances brought forward at 1 January 2009		11,947	696	1,625	42,825	57,093	57,113
<b>Fund balances carried forward at 31 December 2009</b>		<b>12,021</b>	<b>667</b>	<b>2,336</b>	<b>43,879</b>	<b>58,903</b>	<b>57,093</b>

All activities of the charitable company are classified as continuing.

The accompanying accounting policies and notes form an integral part of these financial statements.

	Note	2009 £'000	2008 £'000
<b>Fixed assets</b>			
Tangible assets	11	28,123	27,392
Investment assets	12	24,028	22,027
		<u>52,151</u>	<u>49,419</u>
<b>Current assets</b>			
Debtors	13	3,419	2,814
Short term deposits		4,653	5,186
Cash at bank and in hand		175	236
		<u>8,247</u>	<u>8,236</u>
<b>Creditors:</b> amounts falling due within one year	15	<u>(1,459)</u>	<u>(526)</u>
<b>Net current assets</b>		<b>6,788</b>	<b>7,710</b>
<b>Total assets less current liabilities</b>		<u><b>58,939</b></u>	<u><b>57,129</b></u>
<b>Creditors:</b> amounts falling due after more than one year	16	<b>(36)</b>	<b>(36)</b>
		<u><b>58,903</b></u>	<u><b>57,093</b></u>
<b>Funds</b>			
Unrestricted funds:			
Designated funds	18	667	696
General funds	18	12,021	11,947
		<b>12,688</b>	<b>12,643</b>
Restricted funds	18	<b>2,336</b>	<b>1,625</b>
Endowment funds	18	<b>43,879</b>	<b>42,825</b>
<b>Total funds</b>	18	<u><b>58,903</b></u>	<u><b>57,093</b></u>

The financial statements were approved by the Board of Directors and authorised for issue on 2 June 2010.

S G Barney  
Chairman

Company registered number 227087.

The accompanying accounting policies and notes form an integral part of these financial statements.

Leicester Diocesan Board of Finance  
CASH FLOW STATEMENT

For the year ended 31 December 2009

	Note	2009 £'000	2008 £'000
<b>Net cash outflow from operating activities</b>	20	<b>(698)</b>	(1,065)
<b>Capital expenditure and financial investment</b>			
Payments to acquire tangible fixed assets		(2,109)	(1,550)
Payments to acquire fixed asset investments		(2,145)	(3,008)
Receipts from sales of tangible fixed assets		1,917	161
Receipts from sales of fixed asset investments		<u>2,441</u>	<u>3,820</u>
		<b>104</b>	(577)
<b>Net decrease in short term deposits and cash at bank</b>		<u><b>(594)</b></u>	<u>(1,642)</u>

The accompanying accounting policies and notes form an integral part of these financial statements.

For the year ended 31 December 2009

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1 Principal accounting policies

**Basis of accounting**

The financial statements have been prepared in accordance with applicable accounting standards, the Companies Act 2006, the Statement of Recommended Practice - Accounting and Reporting by Charities (SORP 2005), the Church of England Diocesan Annual Reports and Financial Statements Guide 4<sup>th</sup> edition 2009 and under the historical cost accounting rules except that investment assets and certain other properties are included at valuation.

The principal accounting policies of Leicester Diocesan Board of Finance have remained unchanged from the previous year.

**Tangible Fixed assets**

Parsonage houses owned prior to 1 January 1996 are included at the lowest point of the council tax valuation this being taken as original cost in the absence of other data. Subsequent additions are included at cost.

Houses and properties owned by the Board of Finance are included at cost except in the case of any former parsonage houses transferred to the Board which are included at the book value at the time of transfer.

No depreciation is charged against properties held as tangible fixed assets but any expenditure on maintenance and improvements is written off as incurred. The market value of the properties is considerably in excess of their book value.

Fixed assets are capitalised where there is an individual item value of £500 or greater. Office equipment, furniture and fittings are depreciated at a rate of 20% per annum of original cost and Computer and other electronic equipment at 50% per annum of original cost.

**Fixed asset investments**

Land and buildings held under the Endowments and Glebe Measure 1976 are included at market value at 31 December 2009 as valued by Messrs Andrew Granger & Company.

Listed investments are included at market value. Investments held by the Board as custodian trustee are not included in these financial statements.

**Parish share and Parochial fee income**

Parish share and Parochial fee income includes amounts received up to 31 January 2010 (2008: 31 January 2009) together with any arrears received from previous years.

**Grants receivable and payable**

Revenue grants are credited as incoming resources when they are receivable provided conditions for receipt have been complied with, unless they relate to a specified future period, in which case they are deferred.

Grants payable are accounted for once the Charity has made an unconditional commitment to pay the grant and this is communicated to the beneficiary or the grant has been paid, whichever is the earlier.

**Rental Income**

Rental income is recognised on a receivable basis.

For the year ended 31 December 2009

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1 Principal accounting policies (continued)

**Investment gains and losses**

Realised gains or losses are recognised when investments are sold. Unrealised gains or losses are accounted for on revaluation of investments at 31 December 2009.

**Deferred Income**

Income is recognised as deferred where the event or rental period to which the income relates occurs beyond the end of the financial period being reported on.

**Resources expended**

Expenditure is accounted for on an accruals basis and is allocated between:

- expenditure incurred in the cost of generating funds, including Parish Share
- expenditure incurred directly in the fulfilment of the charity's objectives
- expenditure incurred in the governance of the charity and its assets
- expenditure on support costs including central functions. These costs are subsequently allocated to the other categories of expenditure as described in the following note.

**Support Costs**

These costs have been allocated to the other categories of expenditure described in the above note on the basis of the proportion of staff time spent on each area of expenditure as follows:

- Cost of generating funds – 19.25%
- Charitable expenditure – 65.00%
- Governance – 15.75%.

**Operating leases**

Payments under operating leases are charged against income as incurred.

**Staff pension schemes**

Contributions to the Board's pension schemes are charged to the Statement of Financial Activities so as to spread the cost of pensions over employees' working lives with the Board, contributions being accounted for in the year in which they are payable.

**Fund accounting**

The funds of the charity are analysed between Unrestricted (including Designated) Funds, Restricted Funds and Endowment Funds. Details of all funds together with the basis for identification under each category may be found in note 18 of these financial statements.

2 Staff pension schemes

The Board participates in two sections of the Church Workers Pension Fund, administered by the Church of England Pensions Board. The assets of the funds are held separately from those of the Board of Finance.

**Defined contributions scheme**

The Board participates in the Church of England Defined Contributions Scheme, part of the Church Workers Pension Fund. This scheme provides benefits based on the contributions paid into the fund.

The pension costs for the year of £47,235 (2008: £29,370) are equal to the contributions paid by the Board.

For the year ended 31 December 2009

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2 Staff pension schemes (continued)

**Defined benefits scheme**

The Leicester DBF participates in the Church of England Defined Benefit Scheme (DBS), part of the Church Workers Pension Fund. During the year to 31st December 2009, the Leicester DBF made net contributions of £175,960 (2008: £126,168) and this has been taken as the pension cost shown in these accounts, as explained below. The Leicester Diocesan Board of Finance is also committed to contributing £84,510 per year for the next 5 years (2009 to 2013 inclusive) to cover the amount of pension deficit attributable to the Diocese from the defined benefits pension scheme.

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.

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 as at 31 December 2007. In this valuation, the Life Risk Section was shown to be in deficit by £5.5m and some £4.4m was notionally transferred from the employers' sub-pools to the Life Risk Pool. Of this, £53,900 was deducted from the Leicester DBF 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 2007 is given below:

Market value of DBS	£176.6m
Market value of Leicester DBF sub-pool	£0.979 m
Market value of Life Risk Pool (1,140 pensioners)	£67.7m

	<b>Total Scheme members</b>	<b>Leicester DBF members</b>
Deferred pensioners	1,432	19
Active members	1,504	25

The Board's contribution rate was reviewed as from 1 January 2006 and is now 20.23%.

This scheme provides benefits based on final pensionable salaries. Membership of this scheme was closed to new employees from 1 January 2006.

For the year ended 31 December 2009

2 Staff pension schemes (continued)

**Clergy Pension Scheme**

Diocesan clergy are members of the Church of England Funded Pensions Scheme, which provides benefits based on final pensionable salaries. This Scheme provides for that part of their pension that relates to pensionable service after 1 January 1998. The Scheme's assets are held independently of the employer or other responsible bodies. Pensions in respect of pensionable service before 1 January 1998 will be paid by the Church Commissioners of England under the previous arrangements.

The Board participates in the Church of England Funded Pensions Scheme and employs 142 members of the Scheme out of a total membership of approximately 10,000 active members.

The Church of England Funded Pensions Scheme is a defined benefit scheme but the Board is unable to identify its share of the underlying assets and liabilities – each employer in the scheme pays a common contribution rate. A valuation of the scheme was carried out as at 31 December 2006. This revealed a shortfall of £141 million with assets of £468 million and a funding target of £609 million assessed using the following assumptions;

- An investment strategy of: nil allocation to gilts for the next ten years, increasing linearly to reach 30% after 20 years; and the balance of assets in equities;
- Investment returns of 4.25% pa on gilts and 5.75% pa on equities;
- RPI inflation of 3.1% pa (and pension increases consistent with this);
- Increase in pensionable stipends of 4.6% pa;
- Post-retirement mortality in accordance with the PA00 tables, adjusted so that members are assumed to be two years younger than they actually are, with allowance for future improvements according to the "medium cohort" projections, and subject to a minimum annual improvement in mortality rates of 1% for males and 0.5% for females.

For schemes such as the Church of England Funded Pensions Scheme, paragraph 9(b) of FRS17 requires the Board to account for pension costs on the basis of contributions actually payable to the Scheme in the year. Following the results of the valuation, and some agreed changes to benefits, the Board contribution rate decreased from 39.8% to 39.7% of pensionable stipends with effect from 1 April 2008.

3 Net incoming/(outgoing) resources

Net incoming/(outgoing) resources is stated after charging/crediting:

	<b>2009</b>	2008
	<b>£'000</b>	£'000
Charged:		
Auditor's remuneration:		
- Audit	<b>16</b>	12
- Other services	<b>12</b>	5
Hire of office equipment	<b>9</b>	12
Depreciation of other fixed assets	<b>1</b>	8
	<b>39</b>	37
Credited:		
Surplus on disposal of tangible fixed assets	<b>909</b>	73

Limited liability agreement

The charitable company has entered into a liability limitation agreement with Grant Thornton UK LLP, the statutory auditor, in respect of the statutory audit for the year ended 31 December 2009. The proportionate liability agreement follows the standard terms in Appendix B to the Financial Reporting Council's June 2008 Guidance on Auditor Liability Agreements, and was approved by the members on 15 February 2010.

For the year ended 31 December 2009

4 Analysis of incoming resources  
a Parish Share

	Unrestricted funds £'000	Designated funds £'000	Restricted funds £'000	Endowment funds £'000	Total 2009 £'000	Total 2008 £'000
Parish share assessed for year	5,334	-	-	-	5,334	5,573
Less: shortfall in contributions	(382)	-	-	-	(382)	(547)
	<u>4,952</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,952</u>	<u>5,026</u>
Add: arrears received from prior years	117	-	-	-	117	122
	<u>5,069</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,069</u>	<u>5,148</u>
Less: rebates granted and other adjustments	(121)	-	-	-	(121)	(149)
	<u><u>4,948</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>4,948</u></u>	<u><u>4,999</u></u>

At 31 December 2009 the total arrears outstanding, which had not been written off, amounted to £2,016,977 (2008: £1,781,201) of which £382,346 related to 2009. Full provision has been made against these arrears.

b Archbishops' Council

	Unrestricted funds £'000	Designated funds £'000	Restricted funds £'000	Endowment funds £'000	Total 2009 £'000	Total 2008 £'000
Selective allocations	-	-	1,080	-	1,080	1,029
Special payments	-	-	95	-	95	135
Parish mission fund	-	-	108	-	108	103
Legal costs contribution	-	-	21	-	21	21
	<u>-</u>	<u>-</u>	<u>1,304</u>	<u>-</u>	<u>1,304</u>	<u>1,288</u>

c Donations, legacies and similar income

	Unrestricted funds £'000	Designated funds £'000	Restricted funds £'000	Endowment funds £'000	Total 2009 £'000	Total 2008 £'000
Grants received	105	1	81	-	187	116
	<u>105</u>	<u>1</u>	<u>81</u>	<u>-</u>	<u>187</u>	<u>116</u>

d Income from activities for generating funds

	Unrestricted funds £'000	Designated funds £'000	Restricted funds £'000	Endowment funds £'000	Total 2009 £'000	Total 2008 £'000
Rental income from non-investment properties	118	-	-	-	118	116
Other income	1	-	-	-	1	-
	<u>119</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>119</u>	<u>116</u>

For the year ended 31 December 2009

4 Analysis of incoming resources (continued)

**e Investment income**

	Unrestricted funds £'000	Designated funds £'000	Restricted funds £'000	Endowment funds £'000	Total 2009 £'000	Total 2008 £'000
Glebe rents	-	-	1	361	362	385
Listed securities	137	-	-	272	409	363
Unlisted securities	18	8	51	159	236	220
Bank and deposit interest	9	8	30	16	63	380
	<b>164</b>	<b>16</b>	<b>82</b>	<b>808</b>	<b>1,070</b>	<b>1,348</b>

**f Income from operating activities**

	Unrestricted funds £'000	Designated funds £'000	Restricted funds £'000	Endowment funds £'000	Total 2009 £'000	Total 2008 £'000
Parochial fees	332	-	-	-	332	348
Parish funding contributions	16	-	-	-	16	18
Contributions to Stipends	99	-	-	-	99	64
Other income	-	-	46	-	46	71
	<b>447</b>	<b>-</b>	<b>46</b>	<b>-</b>	<b>493</b>	<b>501</b>

**g Other incoming resources**

	Unrestricted funds £'000	Designated funds £'000	Restricted funds £'000	Endowment funds £'000	Total 2009 £'000	Total 2008 £'000
Other income	-	-	63	17	80	16
	<b>-</b>	<b>-</b>	<b>63</b>	<b>17</b>	<b>80</b>	<b>16</b>

5 Analysis of resources expended

**a Cost of generating funds**

	Unrestricted funds £'000	Designated funds £'000	Restricted funds £'000	Endowment funds £'000	Total 2009 £'000	Total 2008 £'000
Investment management fees	4	-	-	13	17	-
Glebe management costs	-	-	-	113	113	125
Support costs	132	-	-	-	132	121
	<b>136</b>	<b>-</b>	<b>-</b>	<b>126</b>	<b>262</b>	<b>246</b>

**b Charitable expenditure**

	Unrestricted funds £'000	Designated funds £'000	Restricted funds £'000	Endowment funds £'000	Total 2009 £'000	Total 2008 £'000
<b>(i) Archbishops' council</b>						
National church	135	-	-	-	135	176
Training for ministry	169	-	-	-	169	153
Retired clergy housing	41	-	-	-	41	41
	<b>345</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>345</b>	<b>370</b>

For the year ended 31 December 2009

5 Analysis of resources expended (continued)

	Unrestricted funds £'000	Designated funds £'000	Restricted funds £'000	Endowment funds £'000	Total 2009 £'000	Total 2008 £'000
<b>(ii) Other grants and similar items</b>						
Grants to Parishes & other Diocesan bodies	1,325	30	102	-	1,457	522
Grants to Ordinands	91	-	-	-	91	101
Other grants	144	21	5	-	170	162
	<b>1,560</b>	<b>51</b>	<b>107</b>	<b>-</b>	<b>1,718</b>	<b>785</b>

Note  
7

	Unrestricted funds £'000	Designated funds £'000	Restricted funds £'000	Endowment funds £'000	Total 2009 £'000	Total 2008 £'000
<b>(iii) Resourcing of Ministry in Parishes</b>						
Clergy costs	4,094	-	-	-	4,094	3,980
Clergy housing	1,274	-	103	-	1,377	1,313
Other costs	48	-	36	-	84	163
Support costs	185	-	-	-	185	170
	<b>5,601</b>	<b>-</b>	<b>139</b>	<b>-</b>	<b>5,740</b>	<b>5,626</b>

	Unrestricted funds £'000	Designated funds £'000	Restricted funds £'000	Endowment funds £'000	Total 2009 £'000	Total 2008 £'000
<b>(iv) Support of Ministry in Parishes</b>						
Ministry, social responsibility & partnerships	615	-	-	-	615	462
Parish funding	78	-	-	-	78	101
Other parish support	-	4	-	-	4	2
Support costs	261	2	1	-	264	240
	<b>954</b>	<b>6</b>	<b>1</b>	<b>-</b>	<b>961</b>	<b>805</b>

**c Governance costs**

	Unrestricted funds £'000	Designated funds £'000	Restricted funds £'000	Endowment funds £'000	Total 2009 £'000	Total 2008 £'000
Synodical costs	11	-	-	-	11	54
Statutory costs & similar	83	-	-	-	83	74
Support costs	108	-	-	-	108	100
	<b>202</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>202</b>	<b>228</b>

For the year ended 31 December 2009

6 Support costs

i) Analysis of resources expended showing allocation of support costs

	Activities undertaken directly £'000	Grant funding of activities £'000	Support costs £'000	Total 2009 £'000	Total 2008 £'000
Cost of generating funds	130	-	132	262	246
Charitable expenditure:					
Archbishops' council	-	345	-	345	370
Other grants & similar	-	1,718	-	1,718	785
Resourcing of ministry in parishes	5,555	-	185	5,740	5,626
Support of ministry in parishes	700	-	261	961	805
Governance costs	94	-	108	202	228
	<b>6,479</b>	<b>2,063</b>	<b>686</b>	<b>9,228</b>	<b>8,060</b>

ii) Analysis of support costs

	2009 £'000	2008 £'000
Staff costs	492	374
Depreciation	1	8
Property costs	73	72
Other costs	120	177
	<b>686</b>	<b>631</b>

The increase in support staff costs partly relates to the costs incurred with the pensions levy arising in 2009 from the deficit on the defined benefits scheme, which will last until 2013, but also due to exit costs associated with the former finance director and some agency staff covering some exceptional absences.

For the year ended 31 December 2009

7 Analysis of grants

	£'000	2009 £'000	£'000	2008 £'000
<b>To other Diocesan and related bodies</b>				
Launde Abbey	1,000		-	
Diocesan Board of Education	88		95	
University Chaplaincies	151		146	
Centre for Deaf	63		59	
Leicester Cathedral for Development Officer	5		30	
CUF Projects	12		11	
Grants from Commissioners Ministry Fund	102		154	
Grants to Parishes for Church Repairs	25		18	
Grants to External Bodies	11		9	
		<b>1,457</b>		522
<b>To individuals for Ministry</b>				
Grants to Ordinands	91		101	
		<b>91</b>		101
<b>Other Grants</b>				
The Samworth Academy sponsorship	-		3	
Faith Regeneration Project	-		7	
St Philip's Centre	57		56	
Ecumenical Support & EMMTC	7		16	
Grants to retired clergy and widows	10		10	
Shepshed Youth Project	5		20	
Buildings for Mission	-		16	
CME Grants	16		11	
Other grants	75		23	
		<b>170</b>		162
<b>Total grants made</b>		<b>1,718</b>		<b>785</b>

8 Board members' emoluments and expenses

None of the Board members has received any emoluments from the Board of Finance for services performed as directors (2008: None).

The parochial clerical members of the Board and the Archdeacons are in receipt of a stipend, housing and other payments made to clergy paid by the Board by virtue of their office.

1 member received a total of £219 (2008: 2 & £810) in the year for travel expenses related to the activity of the Board.

12 clerical members received a total of £2,773 (2008: 1 & £98) in the year for travel and other expenses in connection with their membership of the General Synod of the Church of England, membership of which is not connected with their membership of the Board.

For the year ended 31 December 2009

9 Clergy costs

The average number of stipendiary clergy and licenced lay workers holding parochial or archidiaconal posts in the Diocese was 142 (2008: 140).

	<b>2009</b>	2008
	<b>£'000</b>	£'000
At a cost of:		
Stipends	<b>3,165</b>	3,087
Social security costs	<b>204</b>	182
Pension contributions	<b>1,139</b>	1,035
	<b>4,508</b>	4,304
Less: Stipends accounted for in grant expenditure	<b>(414)</b>	(324)
	<b>4,094</b>	3,980
Per note 5b (iii)	<b>4,094</b>	3,980

10 Average staff numbers and total remuneration

The average number of administrative and support staff employed during the year was 23 (2008: 23).

Cost of staff under contract during the year amounted to:

	<b>2009</b>	2008
	<b>£'000</b>	£'000
Salaries	<b>591</b>	632
Social security costs	<b>52</b>	50
Pension contributions	<b>222</b>	101
Total	<b>865</b>	783

One employee received remuneration in the band £60,000 - £70,000 (2008: nil). This employee is in the defined benefit scheme.

The Board has entered into joint working arrangements with the Diocese of Coventry. During 2009 an average of 13 staff (2008: 13 staff) came under these arrangements all of whom were employed by LDBF. The Diocese of Coventry contributed 50% of employment costs for which it receives 50% of the relevant employees' time. During the year these costs amounted to £245,665 (2008: £241,473) all of which are accounted for in these financial statements and deducted in the above figures.

For the year ended 31 December 2009

11 Tangible fixed assets

	Parsonage Houses £'000	Church House £'000	DBF properties £'000	Office equipment £'000	Total £'000
<b>Cost or valuation</b>					
At 1 January 2009	21,211	850	5,329	367	27,757
Additions	951	-	1,155	3	2,109
Disposals	(865)	-	(144)	-	(1,009)
Transfers	(890)	-	682	-	(208)
Revaluation adjustment	-	(160)	-	-	(160)
At 31 December 2009	<b>20,407</b>	<b>690</b>	<b>7,022</b>	<b>370</b>	<b>28,489</b>
<b>Depreciation</b>					
At 1 January 2009	-	-	-	365	365
Charge for the year	-	-	-	1	1
At 31 December 2009	-	-	-	<b>366</b>	<b>366</b>
<b>Net book value</b>					
<b>At 31 December 2009</b>	<b>20,407</b>	<b>690</b>	<b>7,022</b>	<b>4</b>	<b>28,123</b>
At 31 December 2008	21,211	850	5,329	2	27,392

Cost or valuation at 31 December 2009 represents fixed assets used for direct charitable purposes.

The valuation of Church House was carried out by Andrew Granger & Co LLP, Chartered Surveyors, as at 31 December 2009. The basis of the valuation was that Church House would be transferred to Glebe when the St Martins property development was completed. If Church House had not been revalued it would have been included on the historical cost basis at £764,000.

All other tangible fixed assets are included at historical cost.

The difference between open market value and historical cost is included in the General Fund.

### FRS 15

Under the requirements of FRS15 'Tangible Fixed Assets' entities are required to depreciate all tangible fixed assets including buildings, unless it can justify not so doing.

The trustees consider that it is not appropriate to charge depreciation on freehold property. The reason for this is that they consider that the residual value of the property will not overall be materially lower than the carrying value.

In order to assist with maintaining this value the Board has the policy and practice of regular and ongoing maintenance to a high standard, the cost of which is written off in the year it is incurred, unless it is considered to enhance the capital value of the relevant property.

In 2009 such expenditure on the properties charged to revenue amounted to £532,677 (2008: £352,115).

For the year ended 31 December 2009

12 Fixed asset investments

	<b>Glebe properties £'000</b>	<b>Listed £'000</b>	<b>Unlisted £'000</b>	<b>Other £'000</b>	<b>Total £'000</b>
Market value at 1 January 2009	10,828	6,609*	4,540	50	22,027
Additions at cost	51	2,094	-	-	2,145
Disposals at opening market value	(400)	(1,902)	-	-	(2,302)
Transfer of parsonage houses to glebe	208	-	-	-	208
Net gains on revaluation	755	918	277	-	1,950
<b>Market value at 31 December 2009</b>	<b>11,442</b>	<b>7,719</b>	<b>4,817</b>	<b>50</b>	<b>24,028</b>
Historical cost at 31 December 2009	Not available	7,425	3,895	13	11,333

\* The opening balance has been amended to show cash balances within short term deposits in current assets on the balance sheet.

Unlisted investments consist of holdings in CBF Church of England common investment funds managed by CCLA Investment Management Ltd and 1,000 shares in Cafedirect plc.

The valuation of investments at 31 December 2009 was carried out by the Board's investment managers as shown in the Administrative Details on page 15. The holding in Cafedirect plc. was valued by reference to information obtained from the company.

The Glebe properties are valued by Andrew Granger & Co LLP, Chartered Surveyors at open market value at 31 December 2009.

The difference between the valuation of fixed asset investments and historical cost is included in the fund applicable to the investment.

The following investments represent more than 5% of the market value of the Board's Fixed Asset Investments, excluding Glebe properties and other investments, at 31 December 2009.

	<b>As at 31 December 2009</b>		
	<b>Cost £'000</b>	<b>Market value £'000</b>	<b>%</b>
CBF Investment Fund Income Shares	1,583	1,869	14.9
CBF Property Fund Income Shares	900	991	7.9

13 Debtors

	<b>2009 £'000</b>	<b>2008 £'000</b>
<b>Amounts falling due within one year</b>		
Parish share and other trade debts	498	476
Loans	295	281
Other debtors	506	480
Prepayments and accrued income	132	77
	<b>1,431</b>	<b>1,314</b>
<b>Amounts falling due after more than one year</b>		
Loans	1,988	1,500
	<b>3,419</b>	<b>2,814</b>

For the year ended 31 December 2009

13 Debtors (continued)

The loans shown above are represented by:

	Due within 1 year £000	Due after 1 year £000	Total £000
<b>Unsecured loans</b>			
Loans to parishes	129	220	349
Other loans	158	513	671
	287	733	1,020
<b>Secured loans</b>			
Countesthorpe PCC	8	-	8
Grange Park equity loan	-	150	150
Value linked loan on retired clergy housing	-	5	5
St Martins Cathedral Properties Limited loan	-	1,100	1,100
	8	1,255	1,263
<b>Total loans outstanding</b>	295	1,988	2,283

**Unsecured loans**

Included in Unsecured Loans are:

A loan of £153,706 to the PCC of St Paul's, Leicester in respect of the refurbishment of their Parish Centre and other costs. The loan will be fully repayable from the proceeds of the sale of the redundant church building. The whole of this loan is included in loans due within 1 year.

A loan of £200,000 to the PCC of Holy Trinity with St John's, Hinckley in respect of the provision of a new church building. This loan is repayable within 2 years, with £100,000 to be repaid each year. The loan bears an interest rate of 3%.

A loan of £87,828 to Shepshed PCC in respect of the re-ordering of St Botolph's Church, Shepshed repayable in annual instalments by 2017. The loan bears an interest rate of 3%. Of this loan £10,000 is treated as due within one year, the balance being treated as due after 1 year.

A loan to the Trustees of Launde Abbey for £512,764 which includes accrued interest. Repayment will be by annual instalments of not less than £1 each year until the year 2031 and then to repay the balance of the loan outstanding together with interest thereon at a rate of 2% compounded with annual rests from 2007. Leicester Diocese is the custodian trustee of Launde Abbey which is the Diocesan retreat house. The whole of this loan is included in loans due after 1 year.

A number of small loans to parishes in respect of church repairs and staff in respect of car loans. The repayment terms and interest rates vary and in total these loans amount to £65,075.

**Secured Loans:**

The Secured Loans are all secured on freehold properties where the loans represent no more than 75% of the market value of the property at the time the loan was granted.

The loan to Countesthorpe PCC is repayable by annual capital instalments of £8,500. Interest is charged at 6% on the balance of the loan outstanding.

For the year ended 31 December 2009

13 Debtors (continued)

The Grange Park equity loan was to purchase a property for a Methodist minister working in Loughborough. The loan is repayable in September 2012 when 56.18% of the disposal value plus interest at a rate of 2% above the Base Rate of HSBC will be paid to the Board of Finance.

The 2008 accounts declared an interest free loan made available to St Martins Cathedral Properties Limited loan totalling £685,665. During 2009, a further £414,348 has been made available on comparable terms, bringing the total made available to date to £1.1m. The includes £600k of the £2m underwriting agreed in November 2008 with the balance to be drawn down during 2010.

The totality of the funds made available from Leicester Diocesan Board of Finance will be secured as a charge against the total value of the refurbished St Martin's House, so that in the eventuality of its disposal, the Diocesan Board of Finance would recover a sum in proportion to its investment, after allowing for any change in value of the building.

14 Related party transactions

As noted in the Trustees' Report the Board is related to the Leicester Diocesan Board of Education and the University Chaplaincies at the three universities in the Diocese of Leicester. Details of grants made to these bodies are given in notes 5 and 7 of the financial statements. In addition in the year the Board charged £25,584 (2008: £28,399) to the Leicester Diocesan Board of Education for accounting and related services.

A loan was made to St Martins Cathedral Properties Limited in the year, see note 13 for details of this loan.

At the end of the year the following amounts, all of which are included in debtors as appropriate, were receivable by the Board in respect of related parties:

	2009 £'000	2008 £'000
<b>Amounts receivable by the Board</b>		
Leicester Diocesan Board of Education	68	105
St Martins Cathedral Properties Limited	1,100	686

15 Creditors: amounts falling due within one year

	2009 £'000	2008 £'000
Trade creditors	109	214
Taxation and social security	46	37
Other creditors	145	196
Accruals	55	39
Deferred income	104	40
Grant payable to Launde Abbey	1,000	-
	<u>1,459</u>	<u>526</u>

16 Creditors: amounts falling due after more than one year

**Loans**

Value-linked (see note below) - 51, Laurel Road, Blaby, Leicester	<u>36</u>	<u>36</u>
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The value-linked loan is secured by guarantee against the property. The loan is repayable when the property is sold, in proportion of the sale value to the original % of the cost of the house originally loaned. The proportion of the loan in the case of this property is 94.77 % and at 31 December 2009 the estimated value of the property and amount repayable if the property were sold were £150,094 and £142,195 respectively.

For the year ended 31 December 2009

17 Analysis of transfers between funds

	Unrestricted funds £'000	Designated funds £'000	Restricted funds £'000	Endowment funds £'000	Total 2009 £'000
Church Commissioners' Restricted Fund income used to fund payments of stipends	1,196	-	(1,196)	-	-
Cost of Parsonage House additions from Pastoral Fund	-	-	(951)	951	-
Parsonage House sale proceeds to Pastoral Fund	-	-	1,659	(1,659)	-
Glebe income used to fund payment of stipends	248	-	-	(248)	-
Diocesan Stipends Capital Fund income used to fund payment of stipends	448	-	-	(448)	-
Endowment income used to fund payment of stipends	41	-	(41)	-	-
Mission fund transfers	81	-	(81)	-	-
Property transfer	682	-	-	(682)	-
Other transfers	2	6	(8)	-	-
	<u>2,698</u>	<u>6</u>	<u>(618)</u>	<u>(2,086)</u>	<u>-</u>

For the year ended 31 December 2009

18 Statement of funds

	Balance at 31/12/08 £'000	Income £'000	Expenditure £'000	Transfers £'000	Revaluation Gains/(losses) £'000	Balance at 31/12/09 £'000
<b>Unrestricted funds</b>						
<b>General fund</b>						
General fund capital	9,094	-	-	-	131	9,225
General fund income	2,853	5,898	(8,798)	2,698	145	2,796
<b>Total unrestricted funds</b>	<b>11,947</b>	<b>5,898</b>	<b>(8,798)</b>	<b>2,698</b>	<b>276</b>	<b>12,021</b>
<b>Designated funds</b>						
Retired clergy fund	96	5	(13)	4	6	98
Church extension fund	506	7	(25)	6	-	494
Workplace Chaplaincy	5	1	(2)	-	-	4
Archdeacon's discretionary	63	4	(5)	-	(1)	61
Diocesan CUF fund	26	-	(12)	(4)	-	10
<b>Total designated funds</b>	<b>696</b>	<b>17</b>	<b>(57)</b>	<b>6</b>	<b>5</b>	<b>667</b>
<b>Total all unrestricted funds</b>	<b>12,643</b>	<b>5,915</b>	<b>(8,855)</b>	<b>2,704</b>	<b>281</b>	<b>12,688</b>
<b>Restricted funds</b>						
Pastoral accounts	1,186	146	(103)	708	-	1,937
CCs restricted income	-	1,196	-	(1,196)	-	-
Endowment income	88	54	(5)	(49)	-	88
CCs mission funding	349	113	(103)	(81)	-	278
Bishop Jeune ordinands	2	-	-	-	-	2
Former Archdeacon's Fund	-	67	(36)	-	-	31
<b>Total restricted funds</b>	<b>1,625</b>	<b>1,576</b>	<b>(247)</b>	<b>(618)</b>	<b>-</b>	<b>2,336</b>
<b>Endowment funds</b>						
<i>Expendable:</i>						
Parsonage houses	21,211	794	-	(1,598)	-	20,407
<i>Permanent:</i>						
Stipends Glebe	20,301	825	(126)	(488)	1,557	22,069
Other endowment capital	1,313	-	-	-	90	1,403
<b>Total endowment funds</b>	<b>42,825</b>	<b>1,619</b>	<b>(126)</b>	<b>(2,086)</b>	<b>1,647</b>	<b>43,879</b>
<b>Total funds</b>	<b>57,093</b>	<b>9,110</b>	<b>(9,228)</b>	<b>-</b>	<b>1,928</b>	<b>58,903</b>

**Fund accounting**

**General funds** are unrestricted funds which are available for use at the discretion of the Directors in furtherance of the general objectives of the charity and which have not been designated for other purposes.

**Designated funds** comprise unrestricted funds that have been set aside by the Directors for particular purposes. The aim and use of each designated fund is set out in the notes below.

**Restricted funds** are funds which are to be used in accordance with specific restrictions imposed by donors or which have been raised by the charity for particular purposes. The aim and use of each restricted fund is set out in the notes below.

**Endowment funds** are funds held on trust to be retained for the charity as capital funds. Where the whole of the fund must be permanently maintained it is known as permanent endowment. Where there is a power of discretion to convert endowed funds into income, the fund is classed as expendable endowment.

18 Statement of funds (continued)

**Designated Funds**

**The Retired Clergy Fund** represents funds set aside for the benefit of retired clergy and their spouses, including those widowed, divorced or separated.

**The Church Extension Fund** represents funds put aside over a number of years by the Board to give loans to Parochial and District Church Councils to help with extensions, improvements and repairs to church buildings.

**Workplace Chaplaincy fund** represents funds to support people in workplace environments by offering confidential and independent support on a range of issues.

**The Archdeacons Discretionary Fund** is used by the Archdeacons to pay grants to needy clergy and their families within the Diocese.

**The Diocesan CUF Fund** was established in 2005 to set aside funds on a 3 year rolling basis to give grants towards projects supported by the Church Urban Fund (CUF).

**Restricted Funds**

**The Pastoral Fund** is a capital and income fund where both may be expended. It may be used for a variety of purposes except for employment costs. It is the Board's policy to use these funds primarily for the purchase of and improvement to parsonage houses.

Prior to 2007 the balance included funds of £281,989 held by the Church Commissioners from the sale of Parsonage Houses which could not be released for other uses until such time as new Pastoral Schemes for the parishes involved had become operative and the appropriate PCC consents to the funds being released.

In 2007 these funds were released to the Diocese but had to be ring-fenced for the same reason. £286,530 including accumulated interest was received by the Diocese, a small amount of which was immediately expendable but the remainder placed in a separate fund in relation to one parish. At 31 December 2009 this fund stood at £312,126 and is included in the Pastoral Fund balance.

**The Restricted Income from the Church Commissioners** is funds received from them to support Stipends and Clergy Pension Costs and is transferred to the General Fund to be applied against payment of such costs.

**The Endowment Income Funds** represent accumulated income and income arising from Endowment Funds that has not yet been expended.

**The Church Commissioners' Mission Fund** represents additional funds given to the Board by the Church Commissioners that have arisen as a result of better returns on their investment assets.

**The Bishop Jeune Ordinands' Fund** arose from accumulated income received from the Diocese of Peterborough arising from a fund set up by the late Bishop Jeune in 1868. It is available to be used for the benefit of ordinands.

For the year ended 31 December 2009

**The former Archdeacon's Fund** arose in 2009 to fund the continuation of the former Archdeacon Paul Hackwood in connection to his new role with the Church Urban Fund.

**Endowment Funds  
Parsonage Houses**

This represents the deemed value of the Parsonage Houses calculated as set out in note 1 to these financial statements.

18 Statement of funds (continued)

**Glebe Properties and Diocesan Stipends Capital Fund**

These funds represent the value of property and investments held under the Endowments and Glebe Measure 1976 invested to produce income to be applied for the augmentation of stipends.

**Endowment Capital Funds**

The majority of the Endowment Capital Funds are for the augmentation of stipends.

19 Analysis of net assets between funds

	<b>General fund £000</b>	<b>Designated funds £000</b>	<b>Restricted funds £000</b>	<b>Endowment funds £000</b>	<b>Total 2009 £000</b>
Fund balances at 31 December 2009 are represented by:					
Tangible fixed assets	7,716	-	-	20,407	<b>28,123</b>
Investments	2,684	147	-	21,197	<b>24,028</b>
Net current assets	1,657	520	2,336	2,275	<b>6,788</b>
Long term liabilities	(36)	-	-	-	<b>(36)</b>
<b>Total net assets</b>	<b>12,021</b>	<b>667</b>	<b>2,336</b>	<b>43,879</b>	<b>58,903</b>

20 Reconciliation of net (outgoing) / incoming resources before transfers to net cash outflow from operating activities

	<b>2009 £'000</b>	<b>2008 £'000</b>
<b>Reconciliation of changes in resources to net cash (outflow) / inflow from operating activities</b>		
Net (outgoing) / incoming resources before realised and unrealised gains & losses	<b>(118)</b>	397
Depreciation	1	8
Surplus on disposal of tangible fixed assets	<b>(909)</b>	(73)
Increase in debtors	<b>(605)</b>	(1,137)
Increase / (decrease) in creditors due within 1 year	<b>933</b>	(260)
<b>Net cash outflow from operating activities</b>	<b>(698)</b>	<b>(1,065)</b>