

**Leicester Diocesan Board
of Finance**

Report and Financial Statements

**For the year ended
31 December 2013**

Company Registered No 227087
Registered Charity No 249100

Leicester Diocesan Board of Finance

Report and Financial Statements

For the year ended 31 December 2013

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Leicester Diocesan Board of Finance
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CHAIRMAN'S REPORT

For the year ended 31 December 2013

For the third year in a row our annual operating income and costs are broadly balanced. This is the key figure that determines the financial sustainability of the Diocese and from which we are able to determine how to fund our existing commitments to financing our mission and ministry.

The financial statements on pages 19 and 35 of the accounts detail altered accounting treatment of the historical loans to St Martins Cathedral Properties and Launde Abbey, which gives rise to provisions of £3.39 million and £0.56 million respectively. The LDBF's beneficial interest is protected as a first charge in the eventuality of disposal of St Martins House; the Trustees of Launde Abbey and the Bishop have agreed to a similar arrangement in respect of Launde Abbey. Not notwithstanding these provisions the net assets of the LDBF increased slightly (by 1.3%).

In respect of the security of the annual financing of parochial ministry there continues to be one extremely worrying emerging pattern which is becoming more and more concerning and pressing, this is why I am drawing our attention to it at the beginning of my statement. In all other respects there is much to be grateful for in terms of our financial affairs, as I shall refer to later in this report.

The key issue for us to resolve is the level of giving to support parochial ministry. All the comparators indicate that this is a particular problem for Leicester Diocese both in respect of what is being achieved in other dioceses and the capacity of us all, as a whole, to give more generously. This is not to deny, and to give thanks for, the many places where the biblical principles of giving are applied sacrificially.

Whilst on average in the Church of England parish contributions have increased each year, in our diocese, for the last 5 years, this has not been the case. For 2013 our parish contributions dropped by 4.0%, whilst the average increase for all dioceses was 1.8%. To illustrate why this is a problem going forward; had our giving, this year alone, been at the average level of increase for all dioceses, we would have been able to fund 5 more stipendiary clergy posts than will be the case.

As I have said previously we have been very fortunate that, to date, we have been able to maintain current levels of ministry due to the growing and over budget performance of our Glebe and investment income, which is again the case this year. We have also been able to seek to ensure that stipend increases match cost of living increases. As I explained to both Diocesan Synod and by letter to individual PCCs and DCCs we face a number of very serious challenges in the short to medium term, particularly due to our giving situation, but also since we are one of the largest recipients of funding from the Church Commissioners, this is by no means certain to continue.

The introduction of the new parish contribution system for 2014 (replacing the parish share scheme), has provoked much interesting dialogue and, in some deaneries, engagement in new and positive ways with the theology of giving and money. Plans to build on this work will be brought by Bishop's Council to Diocesan Synod at its May 2014 meeting. Unless we can make significant progress, this single issue will continue to be the greatest threat to our ability to sustain our mission and ministry.

Elsewhere I can report on some very good news, particularly that the parish capital and growth fund groups have received some very imaginative and exciting applications for finance to enable mission led growth. A significant number of new projects have been approved. Some have been deferred for further information. More applications are scheduled for consideration.

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It is also significant that Leicester Diocese is now the second fastest growing of the 43 dioceses in terms of congregational numbers, albeit from a lowish base, nevertheless this does give us significant credibility when we apply for central funds for pioneer ministers and fresh expressions.

As I said, at the beginning, our annual budget determines how we can fund and maintain our existing ministry. Our capital assets provide interest for our annual running costs and for future mission-based investment opportunities. As in previous years they have continued to grow. In 2013 by £4.54 million. Our use of these funds is strictly governed in a number of ways. Over the last 5 years the Board of Finance has advised the Diocese, through Bishops Council and Diocesan Synod, to examine how this might be done more creatively which led to the setting up, for example, of the capital and growth funds, as well as the refurbishment of Launde Abbey and the acquisition of St Martins House.

It is interesting that the national church is now beginning to examine how to deal with capital in different ways via an initiative called Total Return Investment, which was unanimously approved by DBF Chairs in February 2014, and will be considered by General Synod. This may eventually enable us to increase the monies available for our growth and capital funds. Our own investment committee has been meeting over the last 12 months to consider changes to its investment strategy; its proposals will be presented to the DBF Trustees shortly.

Most recently our Diocesan Synod supported, almost unanimously, subventions for the Cathedral particularly in respect of the opportunities for a new distinctive Christian presence in the centre of Leicester as a result of the potential interment of Richard III in the Cathedral. Additionally, this has enabled the Cathedral and Diocese to work closely with the City, County and Universities to create a new civic and church space between the Cathedral and the new Richard III visitor centre which is to be opened during 2014.

I am also able to report that both Launde Abbey and St Martins House made good progress in 2013, particularly in terms of building on their reputations and achieving financial viability.

As you can see from this report the financial affairs of the Diocesan Board of Finance are increasingly complex and rely on the competence and diligence of very many people, both staff and volunteers. I believe that the current teams of people involved are without exception very gifted and very committed to what we are achieving. I am extremely grateful for what, it seems to me, God, in his graciousness, is enabling to be done in His name.

Stephen Barney

12 June 2014

Leicester Diocesan Board of Finance

DIRECTORS' AND TRUSTEES' REPORT

For the year ended 31 December 2013

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 2013.

Except for the section on the summary information about the structure of the Church of England, the three National Church Institutions and Leicester Cathedral this report refers to the Leicester Diocesan Board of Finance. The financial transactions of these other bodies do not form part of these financial statements.

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 41 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 certain Cathedrals on the advice of the Prime Minister. The two Archbishops and 24 senior Bishops sit in the House of Lords.

The Church of England is episcopally-led (there are 108 bishops including Diocesan, Assistant 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, Assistant 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 Diocesan Board of Finance

DIRECTORS' AND TRUSTEES' REPORT

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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 St Martins House.

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 addition 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 330,000.

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 237 parishes with 133 stipendiary clergy holding Parochial / Archidiaconal posts. In addition, there are 10 clergy that hold non-parochial posts.

The Diocese is the principal pastoral and in turn financial and administrative resource of the Church of England, encompassing the two Archdeaconries under the spiritual leadership of the Diocesan Bishop.

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 broadly equal numbers of clergy and lay people from all parts of the Diocese meeting together 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.

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. 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.

Deaneries

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. Each of the ten deaneries in the Diocese is governed by a 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.

Leicester Diocesan Board of Finance

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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.

The Parochial Church Council (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 are excepted from registration with the Charity Commission. Following the Charities Act 2011, however, PCCs with gross income over £100,000 are required to register with the Charity Commission. 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.

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;
- advising the Diocesan Bishop on any matter;
- appointing members of committees and nominating individuals for election to committees;
- carrying out such other functions as the Synod may delegate to it.

Diocesan Synod has delegated the following functions to the Finance Committee (Board of Trustees 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 Chief Executive & Diocesan Secretary who is supported by a number of heads of departments and their staff.

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DIRECTORS' AND TRUSTEES' REPORT

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Committee structure

There are a number of Diocesan Synod committees that, though not all of these are 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.

Closed Church Buildings Committee, which is responsible for finding appropriate alternative uses for churches that have been declared redundant.

Vacancy in See Committee, which is responsible for representing the Diocese in the appointment process of a Diocesan Bishop.

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*) 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 according to the Memorandum and Articles of Association, 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.

Leicester Diocesan Board of Finance

DIRECTORS' AND TRUSTEES' REPORT

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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.

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.

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. 1151592 – from April 2013) and higher and further education chaplaincies in the Diocese.

Leicester Cathedral Chapter

By means of support in kind the LDBF provides certain 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. At the end of 2013 capital and interest outstanding totalled £555,182. During 2013, the loan was fully provided for.

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 Martins Cathedral Properties Limited (SMCP Ltd)

The Trustees of SMCP Ltd include The Bishop, The Dean and the Chairman of the Board of Finance and five others. The Chief Executive & Diocesan Secretary is secretary to the Trustees.

The 2012 accounts showed a total loan balance for St Martins Cathedral Properties Limited totalling £4,176,263, £3,290,598 of this was interest free. During 2013, the total interest charge for the year was £29,000 which was added to the principal. Therefore the total amount of gross loans outstanding at 31 December 2013 was £4,205,263. During 2013, provisions totalling £3,399,632 were made on these loans.

The loan agreement for the £3.29m interest free loan with St Martins Cathedral Properties Limited ensures that the totality of the funds made available from Leicester Diocesan Board of Finance are secured as a charge against the total value of the refurbished St Martins House, so that in the eventuality of its disposal, the Diocesan Board of Finance would recover an amount calculated as a percentage (based on the valuation of the property at 31 December 2011) of any future disposal proceeds. The property was valued by Andrew Granger & Co LLP as at 31 December 2011 at £4.25m. Consequently, LDBF will be entitled to 77.41% of any future disposal proceeds irrespective of the provisions made against the loan.

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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 38.2% (2012 - 38.2%) of the previous year's national minimum stipend, which equates to £8,315 (2012 - £7,785) per clergy person.

The lay staff of the diocese are members of one of two defined benefit pension plans of the Church Worker's Pension Scheme.

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 28).

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.

Leicester Diocesan Board of Finance

DIRECTORS' AND TRUSTEES' REPORT

For the year ended 31 December 2013

THE STRATEGIC REPORT

Achievements and performance

Plans and achievements in 2013

During 2013 LDBF planned to:

- implement an increase in the parish share to a maximum of 2.0%;
- continue to review parish share collection through diocesan-wide consultation.

During the year LDBF has:

- Delivered on a broadly balanced budget (before unbudgeted, exceptional items);
- Seen an increase in incoming resources of £416k over 2012;
- Increased clergy stipends and pensions in line with national guidelines.

Operational performance

LDBF received £4.67m of Parish Share due for the year (2012: £4.858m) and has met all of its financial obligations to continue resourcing diocesan needs as those arose, 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 to maintain increased contributions to pension schemes on the staff defined benefit scheme.

Financial review

Overall financial performance

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

	2013 £'000	2012 £'000
Incoming resources from operating activities	8,473	8,270
Resources expended on operating activities	<u>(8,964)</u>	<u>(8,410)</u>
Deficit arising from ordinary operating activities	(491)	(140)
Exceptional items		
Provisions against loans to related parties and a parish	(4,055)	(213)
Deficit arising from ordinary and exceptional activities	(4,546)	(353)
Movements in capital funds		
Surplus on sales of tangible fixed assets	757	544
Net incoming resources per statement of financial activities	(3,789)	191
Net surplus on sales of investment properties & investments	99	139
Net gains on revaluation of investment properties & investments	4,632	2,255
Net movement in funds during the year as shown on the statement of financial activities	942	2,585

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Principal Funding Sources

Around 55.1% (2012: 58.7%) of the incoming resources of the LDBF, excluding surpluses on the sales of tangible fixed assets, came from the Parish Share, 16.4% (2012: 16.3%) from National Church Selective Allocations and 14.9% (2012: 13.4%) from Investment Income.

Principal Areas of Expenditure

Of the resources expended of £8.96m, 79.6% (2012: 83.9%) was spent on resourcing and supporting parochial ministry and 14.9% (2012: 10.3%) 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 during the year. The above table shows a deficit of income over expenditure of £4.546m. The table also shows gains from the sale of tangible fixed assets and investment properties and substantial unrealised gains on the valuation of investments, resulting in the net positive movement of funds of £942k.

Going concern

The Trustees, having reviewed forecasts for the 12 months after signing these financial statements, 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

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.

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 January 2014.

Leicester Diocesan Board of Finance

DIRECTORS' AND TRUSTEES' REPORT

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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.

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 land and building investments was 2.29% (2012: 1.48%).

Listed and unlisted investments

As at 31 December 2013, 90.2% of the investments were equity investments (2012: 85.0%), 9.5% were fixed interest investments (2012: 14.7%) and 0.3% was land (2012: 0.3%).

As at 31 December 2013, 65.0% of the investments by market value were listed (2012: 64.2%), 35.0% were unlisted (2012: 35.7%). The income return achieved on the listed investments was 3.9% (2012: 4.1%), compared to that of the FTSE all-share index at 3.28% (2012: 3.57%). The income return achieved on the unlisted investments was between 3.70% and 6.10% (2012 average: 5.85%).

The changes in the value of the board's investments are shown in 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.

Leicester Diocesan Board of Finance

DIRECTORS' AND TRUSTEES' REPORT

For the year ended 31 December 2013

Reserves policy

LDBF has considerable responsibilities including the remuneration of an average of 143 (2012: 139) stipendiary clergy in 2013 (133 parochial, 10 non-parochial), the upkeep of approximately 168 (2012: 167) houses and the employment of 21 (2012: 23) full time equivalent 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 2013 this figure was £1m. At 31 December 2013, LDBF's free reserves were £9.886m 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.

To work towards these objectives the Trustees in 2014 plan to:

- implement a new parish contribution scheme whilst aspiring to achieve a 2% increase.
- continue to review parish contribution collection through diocesan-wide consultation.

On 18 March 2013 Diocesan Synod agreed to provide Leicester Cathedral with a capital related grant up to a maximum of £500,000, together with an annual subvention of up to £30,000 to aid the Cathedral's operational budget for a maximum of 5 years. As at 31 December 2013, £324k had been called on the Capital grant, and the full subvention had been utilised.

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 2013 was approximately £2.013 million (2012: £1.858 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.

Leicester Diocesan Board of Finance

DIRECTORS' AND TRUSTEES' REPORT

For the year ended 31 December 2013

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 Kerry Chief Executive & Diocesan Secretary

S Barney Chairman

12 June 2014

Leicester Diocesan Board of Finance

DIRECTORS' AND TRUSTEES' REPORT

For the year ended 31 December 2013

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:

President (ex officio) The Rt Revd T J Stevens (Lord Bishop of Leicester)

Chairman (nominated by the Bishop) Mr S G Barney

Archdeacons (ex officio) The Ven T Stratford (Archdeacon of Leicester)
The Ven D Newman (Archdeacon of Loughborough)

Elected by Diocesan Synod Mr B D Beeson
Revd C Hebden
Mrs S A Newbury
Mr D Whittington
Mr J C F Roberson
Revd A R Leighton
Revd S A Bailey (appointed 6th February 2013)
Mr C Sheldon (appointed 4th June 2013)

Co-opted by the Board Mr M Alexander
Revd Canon M F Rusk
Mr G Newbury

Secretary Mr J Kerry

Registered Office St Martins House
7 Peacock Lane
Leicester
LE1 5PZ

Telephone 0116 261 5200

Company registration number 227087 (England & Wales)

Charity registration number 249100

Auditor Grant Thornton UK LLP
Statutory Auditor
Chartered Accountants
Regent House
80 Regent Road
Leicester
LE1 7NH

Leicester Diocesan Board of Finance

DIRECTORS' AND TRUSTEES' REPORT

For the year ended 31 December 2013

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

Bankers Barclays Bank plc
Dominus Way
Meridian Business Park
Leicester

Solicitors Latham & Co
Charnwood House
2 & 4 Forest Road
Loughborough
Leicestershire
LE11 3NP

Investment managers:

Glebe Agents Andrew Granger & Co LLP
2 High Street
Loughborough
Leicestershire
LE11 2PY

Other investments 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

Diocesan Surveyors YMD Boon Ltd
York House
Fernie Road
Market Harborough
Leicestershire
LE16 7PH

Insurance Brokers Towergate Risk Solutions
Towergate House, Five Airport West
Lancaster Way
Yeadon
Leeds
LS19 7ZA

Leicester Diocesan Board of Finance
DIRECTORS' AND TRUSTEES' RESPONSIBILITIES STATEMENT

For the year ended 31 December 2013

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 the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the Trustees must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the charitable company and 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 judgements and estimates that are reasonable and prudent
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charitable company will continue in operation.

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

The Trustees confirm that:

- so far as each trustee is aware, there is no relevant audit information of which the charitable company's auditor is unaware; and
- the Trustees have taken all steps that they ought to have taken as Trustees in order to make themselves aware of any relevant audit information and to establish that the Charitable company's auditor is 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.

INDEPENDENT AUDITOR'S REPORT 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 2013 which comprise the Statement of Financial Activities, the Balance Sheet, the Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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 its members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Trustees and auditor

As explained more fully in the Trustees' Responsibilities Statement set out on page 16, the Trustees (who are also the directors of the charitable company for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

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

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the charitable company's affairs as at 31 December 2013 and of its incoming resources and application of resources, including its income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

Peter Edwards
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
East Midlands

13 June 2014

Leicester Diocesan Board of Finance

STATEMENT OF FINANCIAL ACTIVITIES

For the year ended 31 December 2013

	Note	Unrestricted funds £'000	Designated funds £'000	Restricted funds £'000	Endowment funds £'000	Total 2013 £'000	Total 2012 £'000
Income and expenditure							
Incoming resources							
Incoming resources from generated funds:							
Parish share	4a	4,670	-	-	-	4,670	4,858
Archbishop's council	4b	-	-	1,547	-	1,547	1,496
Donations, legacies and similar income	4c	124	4	79	-	207	196
Activities for generating funds	4d	167	-	-	-	167	132
Investment income	4e	147	18	59	1,036	1,260	1,105
Income from operating activities	4f	392	1	-	-	393	369
Other incoming resources	4g	46	-	68	115	229	114
Surplus on sales of assets		125	-	-	632	757	544
Total incoming resources		5,671	23	1,753	1,783	9,230	8,814
Resources expended							
Cost of generating funds	5a	173	-	-	144	317	320
Charitable expenditure:							
Archbishop's Council	5b(i)	336	-	-	-	336	300
Other grants and similar items	5b(ii)	762	13	227	-	1,002	584
Resourcing of Ministry in Parishes	5b(iii)	5,867	-	62	-	5,929	6,130
Support of Ministry in Parishes	5b(iv)	1,075	5	130	-	1,210	1,101
Governance costs	5c	170	-	-	-	170	188
Total resources expended before loan provisions		8,383	18	419	144	8,964	8,623
Loan provisions	5d	2,855	-	1,200	-	4,055	-
Total resources expended after loan provisions		11,238	18	1,619	144	13,019	8,623
Net incoming/(outgoing) resources before transfers	3	(5,567)	5	134	1,639	(3,789)	191
Transfers between funds	17	1,828	(8)	554	(2,374)	-	-
Net incoming/(outgoing) resources before other recognised gains and losses		(3,739)	(3)	688	(735)	(3,789)	191
Realised gains and losses on investments		-	-	-	99	99	139
Surplus/(deficit) of income over expenditure		(3,739)	(3)	688	(636)	(3,690)	330
Unrealised gains and losses on investments		252	10	-	4,370	4,632	2,255
Net movements in funds		(3,487)	7	688	3,734	942	2,585
Fund balances brought forward at 1 January 2013		12,645	721	1,554	56,387	71,307	68,722
Fund balances carried forward at 31 December 2013		9,158	728	2,242	60,121	72,249	71,307

All activities of the charitable company are classified as continuing.

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

Leicester Diocesan Board of Finance

BALANCE SHEET AT 31 DECEMBER 2013

	Note	£'000	2013 £'000	£'000	2012 £'000
Fixed assets					
Tangible assets	11		29,134		28,562
Investment assets	12		39,272		35,302
			68,406		63,864
Current assets					
Debtors	13	2,728		6,312	
Short term deposits		1,494		1,669	
Cash at bank and in hand		180		219	
		4,402		8,200	
Creditors: amounts falling due within one year	15	(523)		(721)	
Net current assets			3,879		7,479
Total assets less current liabilities			72,285		71,343
Creditors: amounts falling due after more than one year	16		(36)		(36)
			72,249		71,307
Funds					
Unrestricted funds:					
Designated funds	18	728		721	
General funds	18	9,158		12,645	13,366
			9,886		
Restricted funds	18		2,242		1,554
Endowment funds	18		60,121		56,387
Total funds	18		72,249		71,307

The financial statements were approved by the Board of Directors and authorised for issue on 12 June 2014

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 2013

	Note	2013 £'000	2013 £'000	2012 £'000	2012 £'000
Net cash outflow from operating activities	20		(1,153)		(283)
Capital expenditure and financial investment					
Payments to acquire tangible fixed assets		(784)		(467)	
Payments to acquire fixed asset investments		(841)		(2,068)	
Receipts from sales of tangible fixed assets		1,682		740	
Receipts from sales of fixed asset investments		882		2,512	
			939		717
Net (decrease) / increase in short term deposits and cash at bank			<u>(214)</u>		<u>434</u>

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

Leicester Diocesan Board of Finance
NOTES TO THE REPORT AND FINANCIAL STATEMENTS

For the year ended 31 December 2013

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 4th 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 2013 as valued by Andrew Granger & Co LLP.

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 2014 (2012: 31 January 2013) 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.

Leicester Diocesan Board of Finance
NOTES TO THE REPORT AND FINANCIAL STATEMENTS

For the year ended 31 December 2013

1 Principal accounting policies (continued)

Rental Income

Rental income is recognised on a receivable basis.

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 2013.

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 – 17% (2012: 18%)
- Charitable expenditure – 72% (2012: 71%)
- Governance – 11% (2012: 11%).

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.

Leicester Diocesan Board of Finance

NOTES TO THE REPORT AND FINANCIAL STATEMENTS

For the year ended 31 December 2013

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. Both schemes are classed as defined benefit schemes.

(i) Pension Builder Scheme

For eligible salaried employees who commenced employment after 1 January 2006, The Board participates in the Church of England Pension Builder Scheme (PBS) within the Church Workers Pension Fund, which provides benefits at retirement based on contributions made to the PBS prior to the date of retirement.

As at the formal valuation at December 2010, the PBS was in surplus on an ongoing funding basis. The next formal valuation of the PBS is due as at 31 December 2013 and the work will be performed during 2014.

The Board is unable to identify its share of the underlying assets and liabilities as each employer is exposed to actuarial risks associated with the current and former employees of other entities participating in the PBS. For schemes like this, paragraph 9(b) of Financial Reporting Standard 17 (FRS 17) required The Leicester DBF to account for pension costs on the basis of contributions actually payable to the Scheme in the year.

The Board contributes 10% of basic salary. There is no minimum contribution for employees. The pension costs for the year of £36,344 (2012: £37,325) are equal to the contributions paid by the Board and there were no contributions outstanding at the year end.

The Board had 29 active members and 12 deferred members in the PBS as at 31 December 2013.

(ii) Defined Benefit Scheme

The Board also participates in the Church of England Defined Benefit Scheme (DBS), part of the Church Workers Pension Fund. This Scheme was closed to employees joining on or after 1 January 2006.

During the year to 31 December 2013, the Leicester DBF made net contributions of £45,329 (2012: £40,889) and this has been taken as the pension cost shown in these accounts, as explained below. In addition, The Board is also committed to making contributions to cover the amount of pension deficit attributable to the Diocese from the defined benefits pension scheme. During 2013, The Board contributed £72,914 (2012: £73,694).

The Board is unable to identify its share of the underlying assets and liabilities as each employer is exposed to actuarial risks associated with the current and former employees of other entities participating in the DBS. A valuation of the Fund was carried out as at 31 December 2010 and the Board's contribution rate in respect of future accruing benefits was revised to 22.6% of pensionable salaries and additional contributions in respect of the shortfall in the Employer sub-pool of £154,048 per year are payable until and including 2017. The next valuation of the Fund is due at 31 December 2013 and the work will be performed over 2014.

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.

For the year ended 31 December 2013

2

Staff pension schemes (continued)

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 2010. In this valuation, the Life Risk Section was shown to be in deficit by £6.9m and some £5.5m was notionally transferred from the employers' sub-pools to the Life Risk Pool. Of this, £71,000 was deducted from the Leicester DBF sub-pool. This increased the employer contributions that would otherwise have been payable. Other available information relating to the valuation as at 31st December 2010 is given below;

Market value of Leicester DBF sub-pool	£1.161m
--	---------

Leicester DBF members	
Deferred pensioners	19
Active members	15

The Board's contribution rate was reviewed as from 1 January 2006 and was 20.23%. From 1 April 2012 the rate is 22.6%. This scheme provides benefits based on final pensionable salaries. Membership of this scheme was closed to new employees from 1 January 2006.

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 141 members of the Scheme out of a total membership of approximately 8,500 active members - 133 out of the 141 members hold Parochial or Archidiaconal positions within the Diocese.

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 2012. This revealed a deficit of £293 million, based on assets of £896 million and a funding target of £1,189 million, assessed using the following assumptions:

- An investment strategy of:
 - for investments backing liabilities for pensions in payment, an allocation to gilts, increasing linearly from 10% at 31 December 2012 to two thirds by 31 December 2029, with the balance in return-seeking assets;
 - for investment backing liabilities prior to retirement a 100% allocation to return-seeking assets;
- Investment returns of 3.2% p.a. on gilts and 5.2% p.a. on equities;

Leicester Diocesan Board of Finance
NOTES TO THE REPORT AND FINANCIAL STATEMENTS

For the year ended 31 December 2013

2 Staff pension schemes (continued)

- RPI inflation of 3.2% p.a. (and pension increases consistent with this);
- Increase in pensionable stipends 3.2% p.a.; and
- Post-retirement mortality in accordance with 80% of the S1NMA and S1NFA tables, with allowance made for improvements in mortality rates from 2013 in line with the CMI 2012 core projections, with a long term annual rate of improvement of 1.5% for males and females.

For schemes such as the Church of England Funded Pensions Scheme, paragraph 9(b) of 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 2012 valuation, the Board's contribution rate is due to increase from 38.2% to 39.9% of pensionable stipends from 1 January 2015 (of which 14.1% will be in respect of the £293m shortfall in the Scheme and 25.8% is in respect of accrual of future benefits and the day-to-day expense of running the Scheme).

Contribution rates will be reviewed at the next valuation of the Scheme due as at 31 December 2015.

The pension costs for the year of £1.139m (2012: £1.097m) are equal to the contributions paid by the Board.

3 Net incoming / (outgoing) resources

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

		2013 £'000	2012 £'000
Charged:	Auditor's remuneration:		
	- Audit	19	17
	- Other services	-	-
	Hire of office equipment	26	16
	Depreciation of other fixed assets	<u>7</u>	<u>16</u>
Credited:	Surplus on disposal of tangible fixed assets	<u>757</u>	<u>544</u>

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 2013. 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 7 April 2014.

4 Analysis of incoming resources

a Parish Share

	Unrestricted funds £'000	Designated funds £'000	Restricted funds £'000	Endowment funds £'000	Total 2013 £'000	Total 2012 £'000
Parish share assessed for year	5,259	-	-	-	5,259	5,258
Less: shortfall in contributions	<u>(583)</u>	-	-	-	<u>(583)</u>	<u>(375)</u>
	<u>4,676</u>	-	-	-	<u>4,676</u>	<u>4,883</u>
Add: arrears received from prior years	86	-	-	-	86	99
	<u>4,762</u>	-	-	-	<u>4,762</u>	<u>4,982</u>
Less: rebates granted and other adjustments	<u>(92)</u>	-	-	-	<u>(92)</u>	<u>(124)</u>
	<u>4,670</u>	-	-	-	<u>4,670</u>	<u>4,858</u>

Leicester Diocesan Board of Finance

NOTES TO THE REPORT AND FINANCIAL STATEMENTS

For the year ended 31 December 2013

4

Analysis of incoming resources (continued)

At 31 December 2013 the total arrears outstanding, which had not been written off, amounted to £1,240,830 (2012: £1,302,741) of which £583,657 related to 2013. Full provision has been made against these arrears.

b Archbishops' Council

	Unrestricted funds £'000	Designated funds £'000	Restricted funds £'000	Endowment funds £'000	Total 2013 £'000	Total 2012 £'000
Selective allocations	-	-	1,390	-	1,390	1,345
Special payments	-	-	2	-	2	2
Parish mission fund	-	-	130	-	130	125
Legal costs contribution	-	-	25	-	25	24
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	-	-	1,547	-	1,547	1,496
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

c Donations, legacies and similar income

	Unrestricted funds £'000	Designated funds £'000	Restricted funds £'000	Endowment funds £'000	Total 2013 £'000	Total 2012 £'000
Grants received	124	4	79	-	207	196
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	124	4	79	-	207	196
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

d Income from activities for generating funds

	Unrestricted funds £'000	Designated funds £'000	Restricted funds £'000	Endowment funds £'000	Total 2013 £'000	Total 2012 £'000
Rental income from non-investment properties	167	-	-	-	167	132
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	167	-	-	-	167	132
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

e Investment income

	Unrestricted funds £'000	Designated funds £'000	Restricted funds £'000	Endowment funds £'000	Total 2013 £'000	Total 2012 £'000
Glebe rents	-	-	2	530	532	428
Listed securities	86	-	-	313	399	364
Unlisted securities	20	11	55	191	277	256
Bank and other interest	41	7	2	2	52	57
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	147	18	59	1,036	1,260	1,105
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

Leicester Diocesan Board of Finance

NOTES TO THE REPORT AND FINANCIAL STATEMENTS

For the year ended 31 December 2013

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Analysis of incoming resources (continued)

f Income from operating activities

	Unrestricted funds £'000	Designated funds £'000	Restricted funds £'000	Endowment funds £'000	Total 2013 £'000	Total 2012 £'000
Parochial fees	369	-	-	-	369	295
Parish funding contributions	1	-	-	-	1	6
Contributions to Stipends	2	-	-	-	2	45
Other income	20	1	-	-	21	23
	392	1	-	-	393	369

g Other incoming resources

	Unrestricted funds £'000	Designated funds £'000	Restricted funds £'000	Endowment funds £'000	Total 2013 £'000	Total 2012 £'000
Other income	46	-	68	115	229	114
	46	-	68	115	229	114

5

Analysis of resources expended

a Cost of generating funds

	Unrestricted funds £'000	Designated funds £'000	Restricted funds £'000	Endowment funds £'000	Total 2013 £'000	Total 2012 £'000
Investment management fees	-	-	-	25	25	23
Glebe management costs	-	-	-	119	119	129
Support costs	173	-	-	-	173	168
	173	-	-	144	317	320

b Charitable expenditure

	Unrestricted funds £'000	Designated funds £'000	Restricted funds £'000	Endowment funds £'000	Total 2013 £'000	Total 2012 £'000
(i) Archbishops' council						
National church	123	-	-	-	123	90
Training for ministry	163	-	-	-	163	163
Retired clergy housing	50	-	-	-	50	47
	336	-	-	-	336	300

	Unrestricted funds £'000	Designated funds £'000	Restricted funds £'000	Endowment funds £'000	Total 2013 £'000	Total 2012 £'000
(ii) Other grants and similar items						
Note	7					
Grants to Parishes & other Diocesan bodies	596	-	215	-	811	410
Grants to Ordinands	75	-	-	-	75	82
Other grants	91	13	12	-	116	92
	762	13	227	-	1,002	584

Leicester Diocesan Board of Finance

NOTES TO THE REPORT AND FINANCIAL STATEMENTS

For the year ended 31 December 2013

5 Analysis of resources expended (continued)

	Unrestricted funds £'000	Designated funds £'000	Restricted funds £'000	Endowment funds £'000	Total 2013 £'000	Total 2012 £'000
(iii) Resourcing of Ministry in Parishes						
Clergy costs	4,290	-	39	-	4,329	4,525
Clergy housing	991	-	15	-	1,006	923
Other costs	297	-	8	-	305	402
Support costs	289	-	-	-	289	280
	5,867	-	62	-	5,929	6,130
(iv) Support of Ministry in Parishes						
Clergy costs	176	-	-	-	176	179
Ministry, social responsibility & partnerships	64	5	108	-	177	136
Parish funding	79	-	-	-	79	76
Other parish support	361	-	22	-	383	328
Support costs	395	-	-	-	395	382
	1,075	5	130	-	1,210	1,101
c Governance costs						
Synodical costs	2	-	-	-	2	8
Statutory costs & similar	62	-	-	-	62	78
Support costs	106	-	-	-	106	102
	170	-	-	-	170	188
d Loan provisions						
Amounts provided during the year (See note 13)	2,855	-	1,200	-	4,055	-

Leicester Diocesan Board of Finance
NOTES TO THE REPORT AND FINANCIAL STATEMENTS

For the year ended 31 December 2013

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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 2013 £'000	Total 2012 £'000
Cost of generating funds	144	-	173	317	320
Charitable expenditure:					
Archbishops' council	-	336	-	336	300
Other grants & similar	-	1,002	-	1,002	584
Resourcing of ministry in parishes	5,640	-	289	5,929	6,130
Support of ministry in parishes	815	-	395	1,210	1,101
Governance costs	64	-	106	170	188
	6,663	1,338	963	8,964	8,623

ii) Analysis of support costs

	2013 £'000	2012 £'000
Staff costs	511	486
Depreciation	7	16
Property costs	121	123
Other costs	324	307
	963	932

7

Analysis of grants

	£'000	2013 £'000	2012 £'000
To other Diocesan and related bodies			
Launde Abbey	-	(25)	
Diocesan Board of Education	79	81	
University Chaplaincies	157	175	
Leicester Cathedral for Royal Visit	-	66	
Leicester Cathedral Capital / Subvention	354	-	
Church Urban Fund Projects	3	2	
Grants from Growth Fund	124	88	
St Paul's Leicester loan provision	-	2	
Wigston PCC – Grant from sale of land	15	-	
Scalford PCC	51	-	
Capital fund grants	6	-	
Grants to External Bodies	22	21	
		811	410
To individuals for Ministry			
Grants to Ordinands	75	82	
		75	82
Other Grants			
St Philip's Centre	18	21	
Ecumenical Support	7	7	
Grants to retired clergy and widows	12	10	
College of the Resurrection	-	5	
CME Grants	15	16	
Holy Land trip	20	-	
Other grants	44	33	
		116	92
Total grants		1,002	584

Leicester Diocesan Board of Finance
NOTES TO THE REPORT AND FINANCIAL STATEMENTS

For the year ended 31 December 2013

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 (2012: 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.

No member (2012: 1) received travel expenses and other sundry expenses (2012: £403) related to the activity of the Board.

9 Clergy costs

The average number of stipendiary clergy and licenced lay workers holding parochial or archidiaconal posts in the Diocese was 133 (2012: 133).

	2013 £'000	2012 £'000
Gross clergy cost charged:		
Stipends	3,243	3,217
Social security costs	263	263
Pension contributions	<u>1,136</u>	<u>1,100</u>
	<u>4,642</u>	<u>4,580</u>
Less: Non Parochial Stipends and associated costs	(293)	(287)
	<u><u>4,349</u></u>	<u><u>4,293</u></u>

10 Average staff numbers and total remuneration

The average number of staff employed during the year was 33 (2012: 32).

Cost of staff employed during the year amounted to:

	2013 £'000	2012 £'000
Salaries	764	755
Social security costs	62	55
Pension contributions	<u>154</u>	<u>152</u>
	<u><u>980</u></u>	<u><u>962</u></u>

One employee received remuneration in the band £60,000 - £70,000 during the year (2012: 1). Contributions in the year to the defined contribution scheme for this employee amounted to £6,365 (2012: £6,334).

The total cost of salaries, social security and pension contributions, for those individuals with Diocesan employment contracts, amounted to £1,127,175 (2012: £1,086,036). £146,520 (2012: £123,486) has been recharged to other charities including £124,583 (2012: £112,152) to the Diocese of Coventry as noted below. The Board has entered into joint working arrangements with the Diocese of Coventry.

During 2013 an average of 6 staff (2012: 6 staff) came under these arrangements all of whom were employed by LDBF. The Diocese of Coventry contributed between 50% and 84% of employment costs for which it receives the requisite proportion of the relevant employees' time. During the year, these costs were accounted for in these financial statements, but deducted in the above figures.

Leicester Diocesan Board of Finance
NOTES TO THE REPORT AND FINANCIAL STATEMENTS

For the year ended 31 December 2013

11 Tangible fixed assets

	Parsonage Houses £'000	DBF properties £'000	Office equipment £'000	Total £'000
Cost				
At 1 January 2013	20,806	7,750	407	28,963
Additions	522	253	9	784
Disposals	(480)	(445)	-	(925)
Transfers (see note 17)	-	720	-	720
At 31 December 2013	20,848	8,278	416	29,542
Depreciation				
At 1 January 2013	-	-	401	401
Charge for the year	-	-	7	7
At 31 December 2013	-	-	408	408
Net book value				
At 31 December 2013	20,848	8,278	8	29,134
At 31 December 2012	20,806	7,750	6	28,562

Cost at 31 December 2013 represents fixed assets used for direct charitable purposes.

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 2013 such expenditure on the properties charged to revenue amounted to £365,014 (2012: £457,842).

Leicester Diocesan Board of Finance
NOTES TO THE REPORT AND FINANCIAL STATEMENTS

For the year ended 31 December 2013

12 Fixed asset investments

	Glebe properties £'000	Listed £'000	Unlisted £'000	Other £'000	Total £'000
Market value at 1 January 2013	20,704	9,373	5,175	50	35,302
Additions at cost	-	841	-	-	841
Disposals at carrying value	(20)	(763)	-	-	(783)
Transfer to DBF Properties (see note 17)	(720)	-	-	-	(720)
Net gains on revaluation	2,924	1,206	502	-	4,632
Market value at 31 December 2013	22,888	10,657	5,677	50	39,272
Historical cost at 31 December 2013	Not available	8,886	4,152	13	13,051

Unlisted investments consist of holdings in CBF Church of England common investment funds managed by CCLA Investment Management Ltd.

Church House (market value £720,000) was transferred into unrestricted funds (DBF Properties - see note 17) to enable renovation work to take place to convert the building into residential accommodation for Cathedral Clergy.

The valuation of investments at 31 December 2013 was carried out by the Board's investment managers as shown in the Administrative Details on page 15.

The Glebe properties are valued by Andrew Granger & Co LLP, Chartered Surveyors at open market value at 31 December 2013.

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 2013.

	As at 31 December 2013		
	Cost £'000	Market value £'000	%
CBF Investment Fund Income Shares	2,502	3,991	24.4
CBF Property Fund Income Shares	1,072	1,094	6.7

Leicester Diocesan Board of Finance
NOTES TO THE REPORT AND FINANCIAL STATEMENTS

For the year ended 31 December 2013

13 Debtors

	2013 £'000	2012 £'000
Amounts falling due within one year		
Parish share	423	414
Loans	348	288
Other debtors	712	542
Prepayments and accrued income	175	183
	<u>1,658</u>	<u>1,427</u>
Amounts falling due after more than one year		
Loans	<u>1,070</u>	<u>4,885</u>
	<u><u>2,728</u></u>	<u><u>6,312</u></u>

The loans shown above are represented by:

	Due within 1 year £000	Due after 1 year £000	Total due after 1 year £000	Total £000
Unsecured loans				
St Paul's PCC, Leicester	-	166	-	-
Provision on St Paul's loan	-	(166)	-	-
Holy Trinity with St. John's PCC, Hinckley	-	201	-	-
Provision on St. John's loan	-	(201)	-	-
Trustees of Launde Abbey	-	555	-	-
Provision on Launde Abbey loan	-	(555)	-	-
Loans to parishes	<u>198</u>	<u>259</u>	<u>259</u>	<u>457</u>
Total unsecured loans	<u>198</u>	<u>259</u>	<u>259</u>	<u>457</u>
Secured loans				
Grange Park equity loan	150	-	-	150
Value linked loan on retired clergy housing	-	5	5	5
St Martins Cathedral Properties (SMCP) loan	-	4,205	-	-
Provision on SMCP loan	-	(3,399)	806	806
	<u>150</u>	<u>811</u>	<u>811</u>	<u>961</u>
Total loans outstanding	<u>348</u>	<u>1,070</u>	<u>1,070</u>	<u>1,418</u>

Unsecured loans

Included in Unsecured Loans are:

A loan of £165,580 to the PCC of St Paul's, Leicester in respect of the refurbishment of their Parish Centre and other costs. The loan is repayable from the proceeds of the sale of the redundant church building. This loan is now fully provided for with a further provision of £100,000 being made during 2013 bringing the total provision to £165,580.

For the year ended 31 December 2013

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Debtors (continued)

A loan of £200,530 (which includes accrued interest) to the PCC of Holy Trinity with St John's, Hinckley in respect of the provision of a new church building. £100,000 of this loan was repayable in 2011 and £100,530 was repayable in 2012. No repayments have been made. The loan has been fully provided for, although repayment sometime in the future remains a possibility.

A loan to the Trustees of Launde Abbey for £555,182 (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. This loan is now fully provided for with a provision of £555,182 being made during 2013. Leicester Diocese is the custodian trustee of Launde Abbey which is the Diocesan retreat house.

Several loans from the Church Extension Fund were made in the year including £100,000 to St. Peter's Market Bosworth, £85,000 to St. Egelwin, Scalford and £55,000 to St. Mary de Castro, Leicester. The largest outstanding balance is with Burbage PCC of £112,000. £38,000 of this is due within 1 year.

The repayment terms and interest rates vary across the different loans to PCCs.

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 £150,000 Grange Park equity loan was to purchase a property for a Methodist minister working in Loughborough. The loan was repayable in September 2012 when 56.18% of the disposal value plus interest at a rate of 2% above the Base Rate of HSBC was to be paid to the Board of Finance. The loan remained outstanding at the year end as plans concerning the future of this ecumenical project are considered.

St Martins Cathedral Properties Limited had £29,000 interest charged during the year which was added to the loan balance. The total loan balance at the year end was £4,205,263. During 2013, a provision of £3,399,632 was made against the total loan balance. The provision was for the entirety of the £3.29m interest free loan and the interest bearing £100k loan. There is no provision against the £900k interest bearing loan facility (which had a balance at the end of 2013 of £805,631).

The loan agreement for the interest free loan of £3.29m with St Martins Cathedral Properties Limited ensures that the totality of the funds made available from Leicester Diocesan Board of Finance are secured as a first charge against the total value of the refurbished St Martins House, so that in the eventuality of its disposal, the Diocesan Board of Finance would recover an amount calculated as a percentage (based on the valuation of the property at 31 December 2011) of any future disposal proceeds. The property was valued by Andrew Granger & Co LLP as at 31 December 2011 at £4.25m. Consequently, LDBF will be entitled to 77.41% of any future disposal proceeds.

Leicester Diocesan Board of Finance
NOTES TO THE REPORT AND FINANCIAL STATEMENTS

For the year ended 31 December 2013

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Related party transactions

As noted in the Trustees' Report the Board is related to the Leicester Diocesan Board of Education (LDBE) 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.

Loans (plus accrued interest) totalling £4,205,263 have been made to St Martins Cathedral Properties Limited (SMCP Ltd) over the last 3 years. Provisions totalling £3,399,632 have been made against the total loan balance.

During 2013, LDBF recharged SMCP Ltd £225,690 (2012: £205,112), of which £218,535 (2012: £198,239) were salaries. Conversely, SMCP Ltd recharged LDBF £160,849 (2012: £145,626) of which £122,847 (2012: £113,531) was a service charge.

During 2013, LDBF recharged Leicester Cathedral Chapter £77,207 (2012: £28,467), of which £53,334 (2012: Nil) were salaries or a stipend.

During 2013, LDBF recharged LDBE £176,224 (2012: £144,994), of which £152,771 (2012: £108,742) were salaries or consultancy costs. During 2012 a short term loan was made from LDBE for £310,000 with a 5% interest rate. The loan and interest owed was settled in February 2013.

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

	2013 £'000	2012 £'000
Amounts receivable by the Board		
Leicester Diocesan Board of Education	174	43
Leicester Cathedral Chapter	64	17
St Martins Cathedral Properties Limited - Loan	4,205	4,176
St Martins Cathedral Properties Limited - Other recharges	61	95

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Creditors: amounts falling due within one year

	2013 £'000	2012 £'000
Trade creditors		
Trade creditors	82	107
Taxation and social security	54	46
Other creditors	258	496
Accruals	97	40
Deferred income	32	32
	523	721

Leicester Diocesan Board of Finance
NOTES TO THE REPORT AND FINANCIAL STATEMENTS

For the year ended 31 December 2013

16 Creditors: amounts falling due after more than one year

	2013 £'000	2012 £'000
Loans		
Value-linked re; 51, Laurel Road, Blaby, Leicester	<u>36</u>	<u>36</u>

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 94.74%. At 31 December 2013, the estimated value of the property was £121,667 which itself is a 15% discount to the Nationwide House Price Index as per Diocesan Accounting Guidelines. The amount repayable to the Church Commissioners based on the discounted valuation would be £115,264.

17 Analysis of transfers between funds

	Unrestricted funds £'000	Designated funds £'000	Restricted funds £'000	Endowment funds £'000	Total 2013 £'000
Church Commissioners' Restricted Fund income used to fund payments of stipends	1,417	-	(1,417)	-	-
Loan provisions (See note 13)	(1,200)	-	1,200	-	-
Glebe income used to fund payment of stipends	525	-	-	(525)	-
Diocesan Stipends Capital Fund income used to fund payment of stipends	506	-	-	(506)	-
Endowment income used to fund payment of stipends	44	-	(44)	-	-
Growth and Capital Fund	(230)	-	230	-	-
Property transfers & transactions	-	-	590	(590)	-
Church House transfer (see note 12)	720	-	-	(720)	-
Other transfers	46	(8)	(5)	(33)	-
	<u>1,828</u>	<u>(8)</u>	<u>554</u>	<u>(2,374)</u>	<u>-</u>

Church Commissioners' Restricted Fund income - Within Restricted Funds there is £1.417m of income received from The Archbishops' Council to fund the payment of stipends from unrestricted funds.

Loan provisions - A provision of £1.2m was made from restricted funds against loans to SMCP (£1.1m) and St. Paul's, Leicester (£100k). A transfer of £1.2m from unrestricted funds was affected to match this.

Glebe income - Glebe income is rental income from endowment properties. The income is used to fund the payment stipends from unrestricted funds.

Diocesan Stipends Capital Fund income & other endowment income - Income from endowment investments are used to fund stipends paid out of unrestricted funds.

Leicester Diocesan Board of Finance

NOTES TO THE REPORT AND FINANCIAL STATEMENTS

For the year ended 31 December 2013

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Statement of funds

	Balance at 1 Jan 2013 £'000	Income £'000	Expenditure £'000	Transfers £'000	Other recognised gains £'000	Balance at 31 Dec 2013 £'000
Unrestricted funds						
General fund	12,645	5,671	(11,238)	1,828	252	9,158
Total unrestricted funds	12,645	5,671	(11,238)	1,828	252	9,158
Designated funds						
Retired clergy fund	110	8	(17)	9	10	120
Church extension fund	512	7	-	-	-	519
Workplace Chaplaincy	2	-	-	-	-	2
Archdeacon's discretionary	68	8	-	-	-	76
Diocesan CUF fund	12	-	(1)	-	-	11
Tanzania Trip	17	-	-	(17)	-	-
Total designated funds	721	23	(18)	(8)	10	728
Total all unrestricted funds	13,366	5,694	(11,256)	1,820	262	9,886
Restricted funds						
Pastoral accounts	1,339	69	(1,364)	990	-	1,034
CCs restricted income	-	1,417	-	(1,417)	-	-
Endowment income	89	62	(10)	(52)	-	89
Growth fund	96	131	(181)	697	-	743
Capital fund	-	-	-	336	-	336
Bishop Jeune ordinands	2	-	(1)	-	-	1
Former Archdeacon's fund	22	74	(61)	-	-	35
Alan Everitt Memorial fund	6	-	(2)	-	-	4
Total restricted funds	1,554	1,753	(1,619)	554	-	2,242
Endowment funds						
<i>Expendable:</i>						
Parsonage houses	20,806	632	-	(590)	-	20,848
<i>Permanent:</i>						
Stipends Glebe	34,098	1,151	(144)	(1,666)	4,333	37,772
Other endowment capital	1,483	-	-	(118)	136	1,501
Total endowment funds	56,387	1,783	(144)	(2,374)	4,469	60,121
Total funds	71,307	9,230	(13,019)	-	4,731	72,249

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.

For the year ended 31 December 2013

18

Statement of funds (continued)

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.

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).

The Tanzania Trip Fund arose in 2012 to help fund a mission trip for the Bishop's Youth Council visit to our link Diocese in Tanzania in 2013. This fund balance has now been transferred back to the general fund.

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 2013 this fund stood at £313,268 (2012 - £313,261) 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 Growth Fund was formerly known as the **Church Commissioners' Mission Fund** and represents additional funds given to the Board by the Church Commissioners that have arisen as a result of better returns on their investment assets. This fund now has the additional proceeds of several houses sold in 2013. **The Capital Fund** is a new fund set up in 2013 that supports churches within the Diocese with grants for capital projects. This fund now has the additional proceeds of several houses sold in 2013.

Leicester Diocesan Board of Finance
NOTES TO THE REPORT AND FINANCIAL STATEMENTS

For the year ended 31 December 2013

18 Statement of funds (continued)

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.

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.

The Alan Everitt Memorial Fund, which commenced in 2010, is specifically for drama and dance based projects that promote the self esteem of young people in a Christian environment.

Endowment Funds

Parsonage Houses

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

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

	General fund £'000	Designated funds £'000	Restricted funds £'000	Endowment funds £'000	Total 2013 £'000
Fund balances at 31 December 2013 are represented by:					
Tangible fixed assets					
Tangible fixed assets	8,286	-	-	20,848	29,134
Investments	2,574	163	-	36,535	39,272
Net current assets	(1,666)	565	2,242	2,738	3,879
Long term liabilities	(36)	-	-	-	(36)
Total net assets	9,158	728	2,242	60,121	72,249

20 Reconciliation of net outgoing resources before transfers to net cash outflow from operating activities

	2013 £'000	2012 £'000
Reconciliation of changes in resources to net cash outflow from operating activities		
Net (outgoing) / incoming resources before realised and unrealised gains & losses	(3,789)	191
Depreciation	7	16
Surplus on disposal of tangible fixed assets	(757)	(544)
Decrease / (increase) in debtors	3,584	(175)
(Decrease) / increase in creditors due within 1 year	(198)	229
Net cash outflow from operating activities	(1,153)	(283)

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Reconciliation of deficit on management accounts to net movement in funds per statement of financial activities

	2013 £'000	2012 £'000
Deficit per management accounts	(4,546)	(353)
Add		
Realised surplus on sales of tangible fixed assets	757	544
	<u>(3,789)</u>	<u>191</u>
Net outgoing resources from other funds	-	-
Net (outgoing) / incoming resources	(3,789)	191
Gains on investment assets:		
Realised	99	139
Unrealised	<u>4,632</u>	<u>2,255</u>
	<u>4,731</u>	<u>2,394</u>
Net movement in funds per statement of financial activities (see page 19 of the financial statements)	<u>942</u>	<u>2,585</u>

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Income and expenditure account for the year ending 31 December 2013

	Unrestricted funds £'000	Designated funds £'000	Restricted funds £'000	Endowment funds £'000	Total 2013 £'000
Parish Share					
Parish Share	4,670	-	-	-	4,670
 Archbishop's Council					
Ministry (Stipend) Support for low Income Dioceses	1,390	-	-	-	1,390
Grant from Church Commissioners - Legal Fees	25	-	-	-	25
Grant from Church Commissioners - PMF	-	-	130	-	130
Guaranteed Annuities	2	-	-	-	2
	1,417	-	130	-	1,547
 Donations, Legacies and similar Income					
External Grants	-	-	74	4	78
Other Donations	6	5	-	-	11
EIG Donation	118	-	-	-	118
	124	5	74	4	207
 Activities for Generating Funds					
Rents	167	-	-	-	167
 Investment Income					
D.S.F. Capital Income – Restricted to Stipend Expenditure	506	-	-	-	506
Other Stipend Trust Income	58	-	-	-	58
Glebe Income (gross income)	644	-	-	-	644
Church and Society Deposit Interest	-	4	1	1	6
Investment Income	147	14	-	-	161
	1,355	18	1	1	1,375

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For the year ended 31 December 2013

	Unrestricted funds £'000	Designated funds £'000	Restricted funds £'000	Endowment funds £'000	Total 2013 £'000
Income from Operating Activities					
Assigned Fees	369	-	-	-	369
Other Local Income	2	-	-	-	2
Course Fees (incl. CCD)	15	-	-	-	15
Advertising Income	1	-	-	-	1
Publications Sales Income	2	-	-	-	2
Parish Funding Income	1	-	-	-	1
Loughborough Chaplaincy Support	3	-	-	-	3
	393	-	-	-	393
Other Incoming Resources					
DBF Accounting Charge	12	-	-	-	12
Sale of Redundant Church	-	-	68	-	68
Sundry Income	34	-	-	-	34
	46	-	68	-	114
Total Incoming Resources	8,172	23	273	5	8,473
Expenditure					
Archbishops' Council Costs	339	-	-	-	339
Grants and Similar Items	762	13	199	10	984
Property Costs	951	-	24	-	975
	2,052	13	223	10	2,298
Salaries and Overheads					
Stipends	4,468	-	54	-	4,522
Salaries (Incl. NI and Pension)	972	-	29	-	1,001
	5,440	-	83	-	5,523
Books & Publications	23	-	1	-	24
Software Support	15	-	-	-	15
Consultative Support	88	-	29	-	117
Training Courses and Conferences	81	-	11	-	92
Email / Internet	9	-	-	-	9
Repairs and Maintenance Contracts	8	-	1	1	10
Minor Equipment Purchases	14	-	2	-	16
External Hospitality & Catering	43	3	-	-	46
Internal Hospitality & Catering	28	-	-	-	28
Fares	15	1	3	-	19
Mileage	35	-	7	-	42
Parking	6	-	1	-	7
Accommodation	13	-	-	-	13
Subsistence	1	-	-	-	1
Photocopying Costs	8	-	-	-	8
Property Service Charge/Rental	125	-	-	-	125
Equipment Rental & Leases	26	-	-	-	26
Postage	20	-	-	-	20
Carried forward	558	4	55	1	618

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	Unrestricted funds £'000	Designated funds £'000	Restricted funds £'000	Endowment funds £'000	Total 2013 £'000
Expenditure (contd.)					
Brought forward	558	4	55	1	618
Printing	34	-	-	-	34
Room Hire	6	-	-	-	6
Stationery	20	-	-	-	20
Sundry Costs	6	-	-	-	6
Loan provisions – SMCP & Launde	3,955	-	-	-	3,955
Telephone – Calls & Line Rental	18	-	-	-	18
Telephone – Mobile	6	-	1	-	7
Visiting Speakers	2	-	-	-	2
Insurances	20	-	10	7	37
Audit Fees	18	-	-	-	18
Legal & Professional Fees	33	-	29	40	102
Website Costs – Leicester Diocese	1	-	-	-	1
Bank Charges	2	-	-	-	2
Depreciation	7	-	-	-	7
	4,686	4	95	48	4,833
Other Costs					
Stipend Housing Allowances	53	-	-	-	53
St. Paul's loan provision	-	-	100	-	100
Saxby proceeds write off	-	-	9	-	9
Interregna Costs	14	-	-	-	14
Faculty Fees	16	-	-	-	16
First Appointment /Resettlement					
Grants	59	-	-	-	59
Removal Costs	22	-	-	-	22
Diocesan Contribution re Asst. Bishop	19	-	-	-	19
Other Costs inc. Clergy CRB Costs	6	-	-	-	6
Bishops' Expenses	6	-	-	-	6
Registrars Fees	51	-	-	-	51
Chancellor Retainer & Expenses	7	-	-	-	7
Clergy Expenses	3	-	-	-	3
	256	-	109	-	365
Total resources expended	12,434	17	510	58	13,019
(Deficit) / Surplus for the year	(4,262)	6	(237)	(53)	(4,546)

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