

**Leicester Diocesan Board
of Finance**

Report and Financial Statements

**For the year ended
31 December 2014**

Company Registered No 227087
Registered Charity No 249100

Leicester Diocesan Board of Finance

Report and Financial Statements

For the year ended 31 December 2014

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CHAIRMAN'S REPORT

For the year ended 31 December 2014

Encouragingly, our annual income and expenditure from operational activities is broadly balanced again, with a £6k surplus for 2014 in comparison to a £70k deficit in 2013. This reflects growth in parish contribution allied with a focus on cost control in line with Diocesan department budgets. Unfortunately, another significant factor was the unusually high level of clergy vacancies.

Capital fund balances increased again during the year, notwithstanding expenditure by the capital and growth funds to support parish based growth initiatives and a capital grant to the Cathedral to support partial reordering prior to the re-interment of the remains of King Richard III. Capital gains were achieved in respect of the Glebe estate and our stock market investment portfolio.

Whilst the UK stock market, at the time of writing, is at a historically high level, even if this does not continue, the consolidation of the assets of SMCP (completed in quarter 1 of 2015) will enhance our balance sheet, after buying out the Cathedral's interest in St Martins House. During the year we rationalised the number of stock brokers managing our investments; this is expected to increase our dividend income in future years.

Over the last 5 years I have drawn your attention, on a number of occasions, to the single greatest threat to our ongoing ability to finance our mission and ministry in Leicestershire, which has been the falling level of parish contributions.

2014 was the first year that we were able to complete a full annual cycle of the new parish contribution system. It is good news, therefore, that the result has been a 1% increase in giving in comparison to the previous year, with promises of contributions for 2015 1.8% up on 2014. It is particularly noteworthy that during 2014, 15% of parishes decided that they were able to contribute to our common life by giving more than their original offer. For more information about the new contribution system, please do consult the leaflet distributed to all parishes in early May 2015, and which can also be found on the Parish Contribution page of the Diocesan website.

Leicester Diocese is one of the largest recipients of funding from the Church Commissioners under what is called the Darlow formula. As mentioned previously, the national church has been examining whether these funds are distributed effectively. Not surprisingly (in my opinion) they have concluded that the current system does not support the most disadvantaged parishes, neither does it encourage mission led growth. Therefore, the system for allocating these funds is being changed, with a transition period of 10 years currently proposed, and subject to final approval by the General Synod. We await final details of the implications of this change. Nevertheless, we have been encouraged to receive a new significant grant from the Commissioners to support Fresh Expressions and the deployment of Pioneer Ministers.

In respect of the related organisations in which the DBF has an interest, namely St Martins House and Launde Abbey, both have performed at or better than their annual budgets during 2014. The establishment of the Cathedral and Leicester as a significant tourist destination is enhancing the trading performance of St Martins House.

We have been fortunate that Diocesan staff have continued to deliver imaginative programmes, and dealt effectively with many diverse issues, as well as give of their time generously, not least in supporting the additional work load generated by the civic and public events surrounding RIII. We have been very pleased to welcome Sally Hayden, who joined us from Christian Aid, as our new Generous Giving Development Officer. I remain immensely grateful to my fellow DBF Trustees for their wise council and advice. I must also pay special tribute to our retiring Diocesan Bishop, Tim Stevens, both for his inspiring and visionary

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leadership and for his wise advice and support in respect of how the DBF might contribute to the work of the Diocese.

Stephen Barney

17 September 2015

Leicester Diocesan Board of Finance

DIRECTORS' AND TRUSTEES' REPORT (Incorporating The Strategic Report)

For the year ended 31 December 2014

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 2014.

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.

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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 118 stipendiary clergy holding Parochial / Archidiaconal posts. In addition, there are 8 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.

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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 exempted 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;
- carry 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;
- carry 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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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 approving the 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 a job title which incorporates '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

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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 for 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, LDBF provides support to the work of the Leicester Diocesan Board of Education (DBE, charity no. 1151592 – from April 2013) and higher and further education chaplaincies in the Diocese.

DBE is the controlling entity for Diocese of Leicester Educational Trust, Diocese of Leicester Academies Trust and Diocese of Leicester Educational Services Limited. These entities all work towards providing education with Christian principles.

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 2014 capital and interest outstanding totalled £566,337. In addition, a further loan of £40,278 was made during 2014 to cover legal fees. Both loans have been 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. The Chief Executive & Diocesan Secretary is secretary to the Trustees.

The 2013 accounts showed a total loan balance for SMCP Ltd. totalling £4,205,263. £3,290,598 of this was interest free. During 2014, interest of £21,237 was added to the principal and £250,000 was repaid. Therefore the total amount of gross loans outstanding at 31 December 2014 was £3,976,500. There are provisions totalling £3,403,089 on these loans.

The loan agreement for the £3.29m interest free loan with SMCP Ltd. 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 (SMH), so that in the eventuality of its disposal, LDBF would recover an amount calculated as a percentage (based on the valuation of the property at 31 December 2011) of any future disposal proceeds. As SMH was valued at £4.25m at 31 December 2011, LDBF will be entitled to 77.41% of any future disposal proceeds irrespective of the provisions made against the loan.

The property was valued by Andrew Granger & Co LLP at £3.8m as at 31 December 2014.

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On 31 March 2015 the net assets and operations of SMCP Ltd were transferred to LDBF. At that time all related loans were discharged, including associated asset charges. The objects of the operations are unchanged and governance ultimately now falls within the remit of the Board of Trustees of LDBF. A sub group, chaired by Mr Jonathan Kerry, maintains supervision of the day to day operations.

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% (2013 - 38.2%) of the previous year's national minimum stipend, which equates to £8,492 (2013 - £8,315) per clergy person.

Lay staff of the Diocese are members of one of the two defined benefit pension plans of the Church Workers' 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 guidance on the public benefit requirement 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 (Incorporating The Strategic Report)

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THE STRATEGIC REPORT

Achievements and performance

Plans and achievements in 2014

During 2014 LDBF planned to:

- implement a new parish contribution scheme whilst aspiring to achieve 2% increase;
- continue to review the parish contribution 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 £63k over 2013, before losses on the sale of tangible fixed assets;
- Seen a 1% increase in Parish Contributions over 2013;
- Increased clergy stipends and pensions in line with national guidelines.

Operational performance

LDBF received £4.71m of Parish Contribution due for the year (2013: £4.67m) 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

The major external factor affecting performance is the fluctuation in parish contributions, which are given by the PCCs towards 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:

	31 December 2014 £'000	31 December 2013 £'000
Incoming resources from operating activities	8,536	8,473
Resources expended on operating activities	8,972	(8,964)
Deficit arising from ordinary operating activities	(436)	(491)
Exceptional items		
Provisions against loans to related parties and a parish	(55)	(4,055)
Deficit arising from ordinary and exceptional activities	(491)	(4,546)
Movements in capital funds		
(Loss) / Surplus on sales of tangible fixed assets	(76)	757
Outgoing resources per statement of financial activities	(567)	(3,789)
Net surplus on sales of investment properties & investments	173	99
Net gains on revaluation of investment investments	2,255	4,632
Net movement in funds during the year as shown on the statement of financial activities	1,861	942

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Principal Funding Sources

Around 55.0% (2013: 55.1%) of the incoming resources of the LDBF, excluding surpluses on the sale of tangible fixed assets, came from the Parish Share, 16.2% (2013: 16.4%) from National Church Selective Allocations and 14.6% (2013: 14.9%) from investment income.

Principal Areas of Expenditure

Of the resources expended of £8.97m (2013: £8.96m), 77.5% (2013: 79.6%) was spent on resourcing and supporting parochial ministry and 15.3% (2013: 14.9%) 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 £491k. The table also shows losses and 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 £1.861m.

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, i.e. 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, seeking 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 latest review was completed mid 2015.

For the year ended 31 December 2014

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 a charities property fund managed by Cordea Savills;
- 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 2.04% (2013: 2.29%).

Listed and unlisted investments

As at 31 December 2014, 91.8% of the investments were equity investments (2013: 90.2%), 7.9% were fixed interest investments (2013: 9.5%) and 0.3% was land (2013: 0.3%).

As at 31 December 2014, 65.0% of the investments by market value were listed (2013: 65.0%), 35.0% were unlisted (2013: 35.0 %). The income return achieved on the listed investments was 3.4% (2013: 3.9%), compared to that of the FTSE all-share index at 7.9% (2013: 3.28%). The income return achieved on the unlisted investments was between 3.93% and 6.93% (2013 average: 4.9%).

The changes in the value of the board's investments are shown in note 13 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.

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Reserves policy

LDBF has considerable responsibilities including the remuneration of an average of 126 (2013: 143) stipendiary clergy in 2014 (118 parochial, 8 non-parochial), the upkeep of approximately 163 (2013: 168) houses and the employment of 30 (2013: 33) 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 2014 this figure was £1.597m. At 31 December 2014, LDBF's free reserves were £9.54m as shown in note 19 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 and post balance sheet events

The Trustees will continue to set annual budgets, including a long-term sustainable use of reserves where required, and seek to manage Parish Contribution 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 2015 plan to:

- achieve a 1.8% increase in parish contribution collection
- continue to maintain a break even position on operational activities

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 2014, the £500,000 capital related grant and the 2014 annual £30,000 subvention had been utilised in full.

On 31 March 2015, the net assets and operations of St Martins Cathedral Properties Limited ("SMCP") were transferred to Leicester Diocesan Board of Finance ("LDBF"). At that time, all related loans were discharged, including associated asset charges. The objects of the operation are unchanged and governance ultimately falls within the remit of the Board of Trustees of LDBF. A sub-group, chaired by Mr Jonathan Kerry, maintains supervision of the day to day operations.

With regard to the development of SMCP within LDBF during 2015, the Trustees intend to:

- Obtain management of the Guildhall Visitor Centre and implement the White Rose Café within
- Implement and manage retail outlets for the Cathedral and Café
- Achieve a surplus of not less than £25,000
- Continue to develop the conference and events business and to employ an in-house catering team
- Continue with initiatives for King Richard III visitors
- Establish a 5 year strategic plan for the outreach work based at St Martins House

Leicester Diocesan Board of Finance

DIRECTORS' AND TRUSTEES' REPORT (Incorporating The Strategic Report)

For the year ended 31 December 2014

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 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 2014 was approximately £1.795 million (2013: £2.013 million).

Charitable Donations

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

No political contributions were made in the year.

Board members' interests in shares

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

Appointment of auditors

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

This report, which includes The Strategic Report, was approved by the Trustees on 17 September 2015 and signed on their behalf by:

J Kerry Chief Executive & Diocesan Secretary

S Barney Chairman

17 September 2015

Leicester Diocesan Board of Finance

DIRECTORS' AND TRUSTEES' REPORT (Incorporating The Strategic Report)

For the year ended 31 December 2014

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) (retired 31 August 2015) The Rt Revd J Holbrook (Bishop Commissary of Leicester) (appointed 1 September 2015)
Chairman (nominated by the Bishop)	Mr S G Barney
Archdeacons (ex officio)	The Ven Dr 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
Nominated by the Bishop	Revd J Whittaker (appointed 24 November 2014)
Co-opted by the Board	Mr M Alexander Revd Canon M F Rusk Mr G Newbury Mr C Sheldon
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 (Incorporating The Strategic Report)

For the year ended 31 December 2014

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	
	Cordea Savills 33 Margaret Street London W1G 0JD
	Brewin Dolphin 1st Floor Waterfront House Waterfront Plaza 35 Station Street Nottingham NG32 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 2014

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 2014 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 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 Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate

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 2014 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

18 September 2015

Leicester Diocesan Board of Finance

STATEMENT OF FINANCIAL ACTIVITIES (Incorporating an Income & Expenditure Account)

For the year ended 31 December 2014

	Note	Unrestricted funds £'000	Designated funds £'000	Restricted funds £'000	Endowment funds £'000	Total 2014 £'000	Total 2013 £'000
Income and expenditure							
Incoming resources							
Incoming resources from generated funds:							
Parish contribution/share	4a	4,708	-	-	-	4,708	4,670
Archbishops' council	4b	-	-	1,590	-	1,590	1,547
Donations, legacies and similar income	4c	172	4	80	-	256	207
Activities for generating funds	4d	204	-	-	-	204	167
Investment income	4e	157	17	94	986	1,254	1,260
Income from operating activities	4f	341	1	-	-	342	393
Other incoming resources	4g	36	-	136	10	182	229
Surplus on sales of assets		-	-	-	-	-	757
Total incoming resources		5,618	22	1,900	996	8,536	9,230
Resources expended							
Cost of generating funds	5a	232	-	-	136	368	317
Charitable expenditure:							
Archbishops' Council	5b(i)	382	-	-	-	382	336
Other grants and similar items	5b(ii)	585	2	403	-	990	1,002
Resourcing of Ministry in Parishes	5b(iii)	5,804	-	62	-	5,866	5,929
Support of Ministry in Parishes	5b(iv)	987	16	85	-	1,088	1,210
Governance costs	5c	278	-	-	-	278	170
Total resources expended before loan provisions and loss on sale of assets		8,268	18	550	136	8,972	8,964
Loan provisions	5d	55	-	-	-	55	4,055
Loss on sale of assets		76	-	-	-	76	-
Total resources expended		8,399	18	550	136	9,103	13,019
Net (outgoing) / incoming resources before transfers	3	(2,781)	4	1,350	860	(567)	(3,789)
Transfers between funds	18	2,352	9	(1,763)	(598)	-	-
Net (outgoing) / incoming resources before other recognised gains and losses		(429)	13	(413)	262	(567)	(3,789)
Realised gains and losses on investments		20	2	-	151	173	99
Unrealised gains and losses on investments		43	5	-	2,207	2,255	4,632
Net movements in funds		(366)	20	(413)	2,620	1,861	942
Fund balances brought forward at 1 January 2014	19	9,158	728	2,242	60,121	72,249	71,307
Fund balances carried forward at 31 December 2014	19	8,792	748	1,829	62,741	74,110	72,249

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 2014

	Note	£'000	2014 £'000	£'000	2013 £'000
Fixed assets					
Tangible assets	12		28,888		29,134
Investment assets	13		42,269		39,272
			71,157		68,406
Current assets					
Debtors	14	2,428		2,728	
Short term deposits		1,150		1,494	
Cash at bank and in hand		4		180	
		3,582		4,402	
Creditors: amounts falling due within one year	16	(593)		(523)	
Net current assets			2,989		3,879
Total assets less current liabilities			74,146		72,285
Creditors: amounts falling due after more than one year	17		(36)		(36)
			74,110		72,249
Funds					
Unrestricted funds:					
Designated funds	19	748		728	
General funds	19	8,792		9,158	
			9,540		9,886
Restricted funds	19		1,829		2,242
Endowment funds	19		62,741		60,121
Total funds	19		74,110		72,249

The financial statements were approved by the Board of Directors and authorised for issue on 17 September 2015.

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 2014

	Note	2014 £'000	2014 £'000	2013 £'000	2013 £'000
Net cash outflow from operating activities	21		(110)		(1,153)
Capital expenditure and financial investment					
Payments to acquire tangible fixed assets		(485)		(784)	
Payments to acquire fixed asset investments		(11,461)		(841)	
Receipts from sales of tangible fixed assets		644		1,682	
Receipts from sales of fixed asset investments		<u>10,892</u>		<u>882</u>	
			(410)		939
Net decrease in short term deposits and cash at bank			<u>(520)</u>		<u>(214)</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 2014

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 deemed to increase the market value is capitalised. Expenditure on repairs and maintenance 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 and computer and other electronic equipment are depreciated at 50% of original cost per annum.

Fixed asset investments

Land and buildings held under the Endowments and Glebe Measure 1976 are included at market value at 31 December 2014 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 contribution / share and parochial fee income

Parish contribution / share and parochial fee income includes amounts received up to 31 January 2015 (2013: 31 January 2014) 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 2014

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 2014.

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 Contribution/Share;
- expenditure incurred directly in the fulfilment of the charity's objectives;
- expenditure incurred in the governance of the charity and its assets;
- expenditure incurred 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 – 20% (2013: 17%)
- Charitable expenditure – 61.3% (2013: 72%)
- Governance – 18.7% (2013: 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 19 of these financial statements.

For the year ended 31 December 2014

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 is administered by the Church of England Pensions Board.

The PBS is made up of two sections; Pension Builder Classic and Pension Builder 2014, both of which are classed as defined benefit schemes.

Pension Builder Classic provides a pension for members payable from retirement, accumulated from contributions paid and converted into a pension benefit during employment based on terms set and reviewed by the Church of England Pensions Board from time to time. Bonuses may also be declared, depending upon the investment returns and other factors. At 31 December 2014, The Board had zero active members, 13 deferred members and 5 pensioners in Pension Builder Classic.

Pension Builder 2014 is a cash balance scheme that provides a lump sum that members use to provide benefits at retirement. Pension contributions are recorded in an account for each member. This account may have bonuses added to it by the Church of England Pensions Board before retirement. There is no requirement to grant any bonuses. The account, plus any bonuses declared, is payable from members' normal pension age. At 31 December 2014, The Board had 45 active members, 1 deferred member and zero pensioners in Pension Builder 2014.

The assets of PBS are held separately from those of the Board. As at the formal valuation in December 2010, the PBS was in surplus on an ongoing funding basis. A formal valuation of the PBS is being carried out as at December 2013, but as of the date of these accounts, the final results have yet to be announced. Pension Builder 2014 commenced in February 2014 so will be included in the next valuation due at December 2016.

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 Board 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 £67,597 (2013: £36,344) are equal to the contributions paid by the Board and there were no contributions outstanding at the year end.

(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 2014, the Leicester DBF made net contributions of £43,447 (2013: £45,329) 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 2014, The Board contributed £103,097 (2013: £72,914).

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.

For the year ended 31 December 2014

2

Staff pension schemes (continued)

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 £60,140 are payable during 2015 up to 31 July. A further valuation of the Fund was carried out as at December 2013, but as of the date of these accounts, resulting contributions have yet to be formally agreed.

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

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

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

A valuation of the DBS is carried out once every three years. In the 31 December 2010 valuation, the Life Risk Section was shown to be in deficit by £6.7m and some £5.5m was notionally transferred from the employers' sub-pools to the Life Risk Pool. Of this, £71,000 was deducted from The Board's sub-pool. This increased the employer contributions that would otherwise have been payable.

The market value of The Board's sub-pool as at 31 December 2010 was £1.161m. As at 31 December 2014, The Board had 14 active members, 18 deferred members and 32 pensioners.

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 130 members of the Scheme out of a total membership of approximately 8,400 active members - 119 out of the 126 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:

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

For the year ended 31 December 2014

2 Staff pension schemes (continued)

- 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;
- 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 increase from 38.2% to 39.9% of pensionable stipends from 1 January 2015 (of which 14.1% is 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 £1.114m (2013: £1.136m) are equal to the contributions paid by the Board.

3 Net incoming / (outgoing) resources

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

		2014 £'000	2013 £'000
Charged:	Auditor's remuneration: - Audit - Other services Hire of office equipment Depreciation of other fixed assets Loss on disposal of tangible fixed assets	25 13 35 11 <u>76</u>	18 1 26 7 -
Credited:	Surplus on disposal of tangible fixed assets	<u>-</u>	<u>757</u>

4 Analysis of incoming resources

a Parish Contribution/Share

	Unrestricted funds £'000	Designated funds £'000	Restricted funds £'000	Endowment funds £'000	Total 2014 £'000	Total 2013 £'000
Parish contribution/share assessed for year	4,737	-	-	-	4,737	5,259
Less: shortfall in contributions	(196)	-	-	-	(196)	(583)
	<u>4,541</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,541</u>	<u>4,676</u>
Add: arrears received from prior years	174	-	-	-	174	86
	<u>4,715</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,715</u>	<u>4,762</u>
Less: rebates granted and other adjustments	(7)	-	-	-	(7)	(92)
	<u>4,708</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,708</u>	<u>4,670</u>

Leicester Diocesan Board of Finance

NOTES TO THE REPORT AND FINANCIAL STATEMENTS

For the year ended 31 December 2014

4

Analysis of incoming resources (continued)

At 31 December 2014 the total arrears outstanding, which had not been written off, amounted to £1,262,963 (2013: £1,240,830) of which £195,753 related to 2014. Full provision has been made against these arrears.

b Archbishops' Council

	Unrestricted funds £'000	Designated funds £'000	Restricted funds £'000	Endowment funds £'000	Total 2014 £'000	Total 2013 £'000
Selective allocations	-	-	1,390	-	1,390	1,390
Special payments	-	-	2	-	2	2
Pioneer Workers grant	-	-	43	-	43	-
Parish mission fund	-	-	130	-	130	130
Legal costs contribution	-	-	25	-	25	25
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
		-	1,590	-	1,590	1,547

c Donations, legacies and similar income

	Unrestricted funds £'000	Designated funds £'000	Restricted funds £'000	Endowment funds £'000	Total 2014 £'000	Total 2013 £'000
Grants received	142	2	80	-	224	207
Donations	13	-	-	-	13	-
Other income	17	2	-	-	19	-
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	172	4	80	-	256	207

d Income from activities for generating funds

	Unrestricted funds £'000	Designated funds £'000	Restricted funds £'000	Endowment funds £'000	Total 2014 £'000	Total 2013 £'000
Rental income from non-investment properties	204	-	-	-	204	167
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	204	-	-	-	204	167

e Investment income

	Unrestricted funds £'000	Designated funds £'000	Restricted funds £'000	Endowment funds £'000	Total 2014 £'000	Total 2013 £'000
Glebe rents	-	-	-	567	567	532
Listed securities	109	-	-	354	463	399
Unlisted securities	15	7	92	63	177	277
Bank and other interest	33	10	2	2	47	52
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	157	17	94	986	1,254	1,260

Leicester Diocesan Board of Finance

NOTES TO THE REPORT AND FINANCIAL STATEMENTS

For the year ended 31 December 2014

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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 2014 £'000	Total 2013 £'000
Parochial fees	318	-	-	-	318	369
Parish funding contributions	-	-	-	-	-	1
Contributions to Stipends	-	-	-	-	-	2
Other income	23	1	-	-	24	21
	341	1	-	-	342	393

g Other incoming resources

	Unrestricted funds £'000	Designated funds £'000	Restricted funds £'000	Endowment funds £'000	Total 2014 £'000	Total 2013 £'000
Other income	36	-	136	10	182	229
	36	-	136	10	182	229

5

Analysis of resources expended

a Cost of generating funds

	Unrestricted funds £'000	Designated funds £'000	Restricted funds £'000	Endowment funds £'000	Total 2014 £'000	Total 2013 £'000
Investment management fees	11	-	-	39	50	25
Glebe management costs	-	-	-	97	97	119
Support costs	221	-	-	-	221	173
	232	-	-	136	368	317

b Charitable expenditure

	Unrestricted funds £'000	Designated funds £'000	Restricted funds £'000	Endowment funds £'000	Total 2014 £'000	Total 2013 £'000
(i) Archbishops' council						
National church	167	-	-	-	167	123
Training for ministry	165	-	-	-	165	163
Retired clergy housing	50	-	-	-	50	50
	382	-	-	-	382	336

	Unrestricted funds £'000	Designated funds £'000	Restricted funds £'000	Endowment funds £'000	Total 2014 £'000	Total 2013 £'000
(ii) Other grants and similar items						
Note						
Grants to Parishes & other Diocesan bodies	429	-	393	-	822	811
Grants to Ordinands	75	-	-	-	75	75
Other grants	81	2	10	-	93	116
	585	2	403	-	990	1,002

Leicester Diocesan Board of Finance

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For the year ended 31 December 2014

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Analysis of resources expended (continued)

	Unrestricted funds £'000	Designated funds £'000	Restricted funds £'000	Endowment funds £'000	Total 2014 £'000	Total 2013 £'000
(iii) Resourcing of Ministry in Parishes						
Clergy costs	4,235	-	39	-	4,274	4,329
Clergy housing	853	-	15	-	868	1,006
Other costs	329	-	8	-	337	305
Support costs	387	-	-	-	387	289
	5,804	-	62	-	5,866	5,929
(iv) Support of Ministry in Parishes						
Clergy costs	166	-	-	-	166	176
Ministry, social responsibility & partnerships	75	16	74	-	165	177
Parish funding	78	-	-	-	78	79
Other parish support	378	-	11	-	389	383
Support costs	290	-	-	-	290	395
	987	16	85	-	1,088	1,210
c Governance costs						
Synodical costs	3	-	-	-	3	2
Statutory costs & similar	68	-	-	-	68	62
Support costs	207	-	-	-	207	106
	278	-	-	-	278	170
d Loan provisions						
Amounts provided during the year (See note 14)	55	-	-	-	55	4,055

Leicester Diocesan Board of Finance

NOTES TO THE REPORT AND FINANCIAL STATEMENTS

For the year ended 31 December 2014

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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 2014 £'000	Total 2013 £'000
Cost of generating funds	147	-	221	368	317
Charitable expenditure:					
Archbishops' council	-	382	-	382	336
Other grants & similar	-	990	-	990	1,002
Resourcing of ministry in parishes	5,479	-	387	5,866	5,929
Support of ministry in parishes	798	-	290	1,088	1,210
Governance costs	71	-	207	278	170
	6,495	1,372	1,105	8,972	8,964

ii) Analysis of support costs

	2014 £'000	2013 £'000
Staff costs	555	511
Depreciation	11	7
Property costs	125	121
Legal & Professional costs	167	129
Other costs	247	195
	1,105	963

7

Analysis of grants

	£'000	2014 £'000	2013 £'000
To other Diocesan and related bodies			
Diocesan Board of Education	32	79	
University Chaplaincies	146	157	
Leicester Cathedral Capital / Subvention	205	354	
Curates' Trichy trip	8	-	
Church Urban Fund Projects	-	3	
Grants from Growth Fund	329	124	
Wigston PCC – Grant from sale of land	-	15	
Scalford PCC	-	51	
Youth worker contribution	26	-	
Capital fund grants	49	6	
Grants to External Bodies	27	22	
		822	811
To individuals for Ministry			
Grants to Ordinands	75	75	75
Other Grants			
St Philip's Centre	23	18	
Ecumenical Support	8	7	
Grants to retired clergy and widows	3	12	
CME Grants	16	15	
Holy Land trip	(2)	20	
Richard III project	8	-	
Other grants	37	44	
		93	116
Total grants	990		1,002

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

For the year ended 31 December 2014

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 (2013: 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 (2013: none) received travel expenses and other sundry expenses (2013: £nil) 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 125 (2013: 133).

	2014 £'000	2013 £'000
Gross clergy cost charged:		
Stipends	3,163	3,243
Social security costs	253	263
Pension contributions	<u>1,114</u>	<u>1,136</u>
	<u>4,530</u>	<u>4,642</u>
Less: Non Parochial Stipends and associated costs	(255)	(293)
	<u>4,275</u>	<u>4,349</u>

10 Average staff numbers and total remuneration

The average number of staff employed during the year was 30 (2013: 33).

Cost of staff employed during the year amounted to:

	2014 £'000	2013 £'000
Salaries	788	764
Social security costs	69	62
Pension contributions	<u>214</u>	<u>154</u>
	<u>1,071</u>	<u>980</u>

One employee received remuneration in the band £60,000 - £70,000 during the year (2013: 1). Contributions in the year to the defined contribution scheme for this employee amounted to £6,787 (2013: £6,365).

The total cost of salaries, social security and pension contributions, for those individuals with Diocesan employment contracts, amounted to £1,207,206 (2013: £1,127,175). £135,767 (2013: £146,520) has been recharged to other charities including £111,762 (2013: £124,583) to the Diocese of Coventry as noted below.

The Board has entered into joint working arrangements with the Diocese of Coventry. During 2014 an average of 5 staff (2013: 6 staff) came under these arrangements all of whom were employed by LDBF. The Diocese of Coventry contributed between 50% and 91% 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 2014

11 Lease Commitments

The company has rental commitments under operating leases in respect of certain items of machinery and equipment.

The minimum future annual rentals payable in respect of these leases are as follows:

Leases which expire	2014 £'000	2013 £'000
- within one year	-	-
- within 2-5 years	12	12
	12	12

12 Tangible fixed assets

	Parsonage Houses £'000	DBF properties £'000	Office equipment £'000	Total £'000
Cost				
At 1 January 2014	20,848	8,278	416	29,542
Additions	211	259	15	485
Disposals	-	(720)	-	(720)
Transfers	(669)	669	-	-
At 31 December 2014	20,390	8,486	431	29,307
Depreciation				
At 1 January 2014	-	-	408	408
Charge for the year	-	-	11	11
At 31 December 2014	-	-	419	419
Net book value				
At 31 December 2014	20,390	8,486	12	28,888
At 31 December 2013	20,848	8,278	8	29,134

Cost at 31 December 2014 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 2014 such expenditure on the properties charged to revenue amounted to £298,784 (2013: £365,014).

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

For the year ended 31 December 2014

13 Fixed asset investments

	Glebe properties £'000	Listed £'000	Unlisted £'000	Other £'000	Total £'000
Market value at 1 January 2014	22,888	10,657	5,677	50	39,272
Additions at cost	-	7,056	4,405	-	11,461
Disposals at carrying value	(370)	(4,695)	(5,654)	-	(10,719)
Net gains/(losses) on revaluation	2,296	(170)	129	-	2,255
Market value at 31 December 2014	24,814	12,848	4,557	50	42,269
Historical cost at 31 December 2014	Not available	11,760	4,424	13	16,197

Unlisted investments consist of £4.529m held at an investment fund managed by Cordea Savills, and £28k held at investment funds administered by CCLA Investment Management Limited.

The valuation of investments at 31 December 2014 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 2014.

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 2014.

	As at 31 December 2014		
	Cost £'000	Market value £'000	%
Cordea Savills – The Charities Property Fund	4,400	4,529	26.0%

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

For the year ended 31 December 2014

14 Debtors

	2014 £'000	2013 £'000
Amounts falling due within one year		
Parish contribution/share	487	423
Loans	340	348
Other debtors	532	712
Prepayments and accrued income	242	175
	<u>1,601</u>	<u>1,658</u>
Amounts falling due after more than one year		
Loans	827	1,070
	<u>2,428</u>	<u>2,728</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	-	607	-	-
Provision on Launde Abbey loan	-	(607)	-	-
Loans to parishes	<u>190</u>	<u>249</u>	<u>249</u>	<u>439</u>
Total unsecured loans	<u>190</u>	<u>249</u>	<u>249</u>	<u>439</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	-	3,976	-	-
Provision on SMCP loan	-	(3,403)	573	573
	<u>150</u>	<u>578</u>	<u>578</u>	<u>728</u>
Total loans outstanding	<u>340</u>	<u>827</u>	<u>827</u>	<u>1,167</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 fully provided for.

For the year ended 31 December 2014

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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 £606,615 (which includes accrued interest). £51,433 of the loan, which has been full provided for in these accounts, relates to the payment of legal fees during 2014 (£40,278) and 2014 loan interest (£11,155). There is no interest payable on this portion of the loan. The balance of £566,337 will be repaid 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. The total loan is fully provided for. Leicester Diocese is the custodian trustee of Launde Abbey which is the Diocesan retreat house.

Loans to Parishes

Loans to Parishes continue to be provided where necessary.

During the year an interest free loan of £10,000 was given to St John's Church, Donisthorpe for the costs of a planning application. This loan was repaid during 2015.

In addition, a loan was made to St. Thomas', South Wigston for £22,000.

The largest outstanding balance is with Burbage PCC for £104,000.

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 £21,237 interest charged during the year which was added to the loan balance. The total loan balance at the year end was £3,976,500. There are provisions totalling £3,403,089 on the loan balance after a further £3,457 provision was made during 2014. The provisions are 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 2014 of £573,411).

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 (SMH), 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. As SMH was valued at £4.25m at 31 December 2011, LDBF will be entitled to 77.41% of any future disposal proceeds.

The property was valued by Andrew Granger & Co LLP at £3.8m as at 31 December 2014.

On 31 March 2015 the net assets and operations of St Martins Cathedral Properties Limited were transferred to Leicester Diocesan Board of Finance Limited. At that time all related loans were discharged, including associated asset charges.

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

For the year ended 31 December 2014

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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), The Diocese of Leicester Academies Trust (DLAT), the University Chaplaincies at the three universities in the Diocese of Leicester, Leicester Cathedral Chapter (LCC), St Martins Cathedral Properties Limited (SMCP), Launde Abbey Trustees (LAT), and Coventry Diocesan Board of Finance (CDBF). Details of grants made to these bodies are given in notes 5 and 7 of the financial statements.

The outstanding loan balance (including accrued interest) to SMCP as at 31 December 2014 totalled £3,976,500. Provisions totalling £3,403,089 have been made against the total loan balance.

During 2014, LDBF recharged SMCP £275,957 (2013: £225,690), of which £266,848 (2013: £218,535) were salaries. Conversely, SMCP recharged LDBF £238,552 (2013: £160,849) of which £124,554 (2013: £122,847) was a service charge.

During 2014, LDBF recharged LCC £74,263 (2013: £77,207), of which £32,909 (2013: £53,334) were salaries or a stipend. In addition, LDBF sold the former Church House properties to LCC for a gross consideration of £650,000.

During 2014, LDBF recharged LDBE £71,759 (2013: £176,224), of which £47,358 (2013: £152,771) were salaries or consultancy costs.

During 2014, LDBF recharged DLAT £204,978 (2013: nil), of which £199,837 (2013: nil) were salaries or consultancy costs.

During 2014, LDBF recharged LAT £16,810 (2013: £4), of which £16,806 (2013: nil) were salaries or consultancy costs. Conversely, LAT recharged LDBF £32,643 (2013: £32,447) of which £5,638 (2013: nil) were salaries.

During 2014, LDBF recharged CDBF £218,789 (2013: £139,355), of which £122,178 (2013: £127,261) were salaries or consultancy costs. Conversely, CDBF recharged LDBF £38,797 (2013: £24,741).

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

	2014 £'000	2013 £'000
Amounts receivable / (payable) by the Board		
Leicester Diocesan Board of Education	(16)	174
Leicester Cathedral Chapter	27	64
St Martins Cathedral Properties Limited - Loan	3,976	4,205
St Martins Cathedral Properties Limited - Other recharges	88	61
Diocese of Leicester Academies Trust	122	-
Coventry Diocesan Board of Finance	11	20

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Creditors: amounts falling due within one year

	2014 £'000	2013 £'000
Trade creditors	197	82
Taxation and social security	6	54
Other creditors	278	258
Accruals	80	97
Deferred income	32	32
	<hr/> <hr/> <hr/> <hr/> <hr/>	<hr/> <hr/> <hr/> <hr/> <hr/>
	593	523

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

For the year ended 31 December 2014

17 Creditors: amounts falling due after more than one year

	2014 £'000	2013 £'000
Loans		
Value-linked re; 51, Laurel Road, Blaby, Leicester LE8 4DL	<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 2014, the estimated value of the property was £130,184 which itself is a 15% discount to the Nationwide House Price Index. The amount repayable to the Church Commissioners based on the discounted valuation would be £123,332.

18 Analysis of transfers between funds

	Unrestricted funds £'000	Designated funds £'000	Restricted funds £'000	Endowment funds £'000	Total 2014 £'000
Church Commissioners' Restricted Fund income used to fund payments of stipends	1,460	-	(1,460)	-	-
Glebe income used to fund payment of stipends	480	-	-	(480)	-
Diocesan Stipends Capital Fund income used to fund payment of stipends	419	-	-	(419)	-
Endowment income used to fund payment of stipends	83	9	(92)	-	-
Property transfers & transactions	669	-	(211)	(458)	-
Church House Transfer	(720)	-	-	720	-
Other transfers	(39)	-	-	39	-
	<u>2,352</u>	<u>9</u>	<u>(1,763)</u>	<u>(598)</u>	<u>-</u>

Church Commissioners' Restricted Fund income - Within Restricted Funds there is £1.46m of income received from The Archbishops' Council to fund the payment of stipends from unrestricted funds.

Glebe income - Glebe income is rental income from endowment properties. The income is used to fund the payment of 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.

Church House Transfer - LDDBF sold Church House to Leicester Cathedral Chapter. The book cost of £720,000 was transferred from unrestricted funds to endowment funds.

Property transfers & transactions – This relates to two properties transferred into unrestricted funds previously designated as Parsonages.

Leicester Diocesan Board of Finance

NOTES TO THE REPORT AND FINANCIAL STATEMENTS

For the year ended 31 December 2014

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Statement of funds

	Balance at 1 Jan 2014 £'000	Income £'000	Expenditure £'000	Transfers £'000	Other recognised gains £'000	Balance at 31 Dec 2014 £'000
Unrestricted funds						
General fund	9,158	5,618	(8,399)	2,352	63	8,792
Total unrestricted funds	9,158	5,618	(8,399)	2,352	63	8,792
Designated funds						
Retired clergy fund	120	5	(14)	9	4	124
Church extension fund	519	10	-	-	-	529
Workplace Chaplaincy	2	-	-	-	-	2
Archdeacon's discretionary	76	7	(4)	-	3	82
Diocesan CUF fund	11	-	-	-	-	11
Total designated funds	728	22	(18)	9	7	748
Total all unrestricted funds	9,886	5,640	(8,417)	2,361	70	9,540
Restricted funds						
Pastoral accounts	1,034	136	(63)	(206)	-	901
CCs restricted income	-	1,460	-	(1,460)	-	-
Endowment income	89	94	(4)	(91)	-	88
Growth fund	743	131	(366)	-	-	508
Capital fund	336	-	(49)	(6)	-	281
Bishop Jeune ordinands	1	-	-	-	-	1
Former Archdeacon's fund	35	75	(62)	-	-	48
Alan Everitt Memorial fund	4	-	(2)	-	-	2
CofE Stipend Trust Reserve	-	4	(4)	-	-	-
Total restricted funds	2,242	1,900	(550)	(1,763)	-	1,829
Endowment funds						
<i>Expendable:</i>						
Parsonage houses	20,848	-	-	(458)	-	20,390
<i>Permanent:</i>						
Stipends Glebe	37,772	996	(136)	(140)	2,332	40,824
Other endowment capital	1,501	-	-	-	26	1,527
Total endowment funds	60,121	996	(136)	(598)	2,358	62,741
Total funds	72,249	8,536	(9,103)	-	2,428	74,110

Fund accounting

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

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

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

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

For the year ended 31 December 2014

19 Statement of funds (continued)

Designated Funds

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

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

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

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

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

Restricted Funds

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

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

In 2007 these funds were released to the Diocese but had to be ring-fenced for the same reason. £286,530 including accumulated interest was received by the Diocese, a small amount of which was immediately expendable but the remainder placed in a separate fund in relation to one parish. At 31 December 2014 this fund stood at £313,274 (2013 - £313,268) and is included in the Pastoral Fund balance.

Restricted Income from the Church Commissioners is received from them to support Stipends and Clergy Pension Costs. Income 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.

The Capital Fund was set up in 2013 to support churches in the Diocese with grants for capital projects.

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.

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

For the year ended 31 December 2014

19 Statement of funds (continued)

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.

The CofE Stipend Trust Reserve provides discretionary grants to Ordinands.

Endowment Funds

Parsonage Houses

This fund 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

This fund represents 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 these funds are for the augmentation of stipends.

20 Analysis of net assets between funds

	General fund £'000	Designated funds £'000	Restricted funds £'000	Endowment funds £'000	Total 2014 £'000
Fund balances at 31 December 2014 are represented by:					
Tangible fixed assets	8,498	-	-	20,390	28,888
Investments	2,628	176	-	39,465	42,269
Net current assets	(2,298)	572	1,829	2,886	2,989
Long term liabilities	(36)	-	-	-	(36)
Total net assets	8,792	748	1,829	62,741	74,110

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

	2014 £'000	2013 £'000
Reconciliation of changes in resources to net cash outflow from operating activities		
Net outgoing resources before realised and unrealised gains & losses	(567)	(3,789)
Depreciation	11	7
Loss / (surplus) on disposal of tangible fixed assets	76	(757)
Decrease in debtors	300	3,584
Increase / (Decrease) in creditors due within 1 year	70	(198)
Net cash outflow from operating activities	(110)	(1,153)

22 Post Balance Sheet Events

On 31 March 2015, the net assets and operations of St Martins Cathedral Properties Limited were transferred to Leicester Diocesan Board of Finance. At that time, all related loans were discharged, including associated asset charges. The objects of the operation are unchanged and governance ultimately falls within the remit of the Board of Trustees of Leicester Diocesan Board of Finance. A sub-group, chaired by Mr Jonathan Kerry, maintains supervision of the day to day operations.

Leicester Diocesan Board of Finance

MANAGEMENT FINANCIAL STATEMENTS

For the year ended 31 December 2014

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

	2014 £'000	2013 £'000
Deficit per management accounts	(567)	(4,546)
Realised surplus on sale of tangible fixed assets	-	757
Net outgoing resources	(567)	(3,789)
Gains on investment assets:		
Realised	173	99
Unrealised	<u>2,255</u>	<u>4,632</u>
	2,428	4,731
Net movement in funds per statement of financial activities (see page 19 of the financial statements)	<u>1,861</u>	<u>942</u>

Reconciliation of net outgoing resources per statement of financial activities to operational activity income

	2014 £'000	2013 £'000
Net outgoing resources per statement of financial activities	(567)	(3,789)
Add back loss / deduct surplus on sale of tangible fixed assets	76	(757)
Add back loan provisions	<u>55</u>	<u>4,055</u>
	(436)	(491)
Add back other non operational activity spend		
Cathedral reordering	175	324
Restricted fund net spend	<u>273</u>	<u>98</u>
Designated fund net income	(4)	(6)
Endowment fund net (income) / spend	<u>(2)</u>	<u>5</u>
	442	421
Net incoming resources / (outgoings) from operational activities	<u>6</u>	<u>(70)</u>

This page does not form part of the statutory financial statements which are the subject of the independent auditor's report on pages 17 and 18 of the financial statements.

Leicester Diocesan Board of Finance

MANAGEMENT FINANCIAL STATEMENTS

For the year ended 31 December 2014

Income and expenditure account for the year ending 31 December 2014

	Unrestricted funds £'000	Designated funds £'000	Restricted funds £'000	Endowment funds £'000	Total 2014 £'000
Parish Contribution					
Parish Contribution	4,708	-	-	-	4,708
 Archbishops' Council					
Ministry (Stipend) Support for low Income Dioceses	1,390	-	-	-	1,390
Grant from Church Commissioners - PMF	-	-	130	-	130
Grant from Church Commissioners - Legal Fees	25	-	-	-	25
Grant from Church Commissioners – Pioneer Development Workers	43	-	-	-	43
Guaranteed Annuities	2	-	-	-	2
	1,460	-	130	-	1,590
 Donations, Legacies and similar Income					
External Grants	17	2	80	-	99
Other Donations	30	2	-	-	32
EIG Donation	125	-	-	-	125
	172	4	80	-	256
 Activities for Generating Funds					
Rents	204	-	-	-	204
 Investment Income					
D.S.F. Capital Income – Restricted to Stipend Expenditure	419	-	-	-	419
Other Stipend Trust Income	88	-	-	-	88
Glebe Income (gross income)	577	-	-	-	577
Loan Interest	32	-	-	-	32
Investment Income	125	17	1	6	149
	1,241	17	1	6	1,265

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Leicester Diocesan Board of Finance

MANAGEMENT FINANCIAL STATEMENTS

For the year ended 31 December 2014

	Unrestricted funds £'000	Designated funds £'000	Restricted funds £'000	Endowment funds £'000	Total 2014 £'000
Income from Operating Activities					
Assigned Fees	318	-	-	-	318
Other Local Income	-	1	-	-	1
Course Fees (incl. CCD)	18	-	-	-	18
Advertising Income	5	-	-	-	5
Publications Sales Income	-	-	-	-	-
Parish Funding Income	-	-	-	-	-
	341	1	-	-	342
Other Incoming Resources					
DBF Accounting Charge	12	-	-	-	12
Sale of Redundant Church	-	-	135	-	135
Sundry Income	24	-	-	-	24
	36	-	135	-	171
Total Incoming Resources	8,162	22	346	6	8,536
Expenditure					
Archbishops' Council Costs	385	-	-	-	385
Grants and Similar Items	585	2	384	4	975
Property Costs	780	-	10	-	790
	1,750	2	394	4	2,150
Salaries and Overheads					
Stipends	4,404	-	39	-	4,443
Salaries (Incl. NI and Pension)	1,083	-	30	5	1,118
	5,487	-	69	5	5,561
Books & Publications	28	-	-	-	28
Software Support	5	-	-	-	5
Consultative Support	86	-	11	-	97
Training Courses and Conferences	74	-	2	-	76
Recruitment costs	23	-	-	-	23
Email / Internet	16	-	-	-	16
Repairs and Maintenance Contracts	16	-	-	-	16
Minor Equipment Purchases	21	-	3	-	24
External Hospitality & Catering	18	3	1	-	22
Internal Hospitality & Catering	17	-	-	-	17
Fares	8	-	3	-	11
Mileage	36	-	5	-	41
Parking	10	-	1	-	11
Accommodation	14	2	-	-	16
Subsistence	-	-	3	-	3
Photocopying Costs	8	-	-	-	8
Property Service Charge/Rental	125	-	-	-	125
Equipment Rental & Leases	35	-	-	-	35
Postage	23	-	-	-	23
Carried forward	563	5	29	-	597

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Leicester Diocesan Board of Finance

MANAGEMENT FINANCIAL STATEMENTS

For the year ended 31 December 2014

	Unrestricted funds £'000	Designated funds £'000	Restricted funds £'000	Endowment funds £'000	Total 2014 £'000
Expenditure (contd.)					
Brought forward	563	5	29	-	597
Printing	23	-	-	-	23
Room Hire	39	-	-	-	39
Stationery	23	-	2	-	25
Sundry Costs	14	11	-	-	25
Loan provisions – Launde Abbey & SMCP	55	-	-	-	55
Telephone – Calls & Line Rental	38	-	1	-	39
Telephone – Mobile	5	-	-	-	5
Visiting Speakers	2	-	-	-	2
Insurances	30	-	12	7	49
Audit Fees	38	-	-	-	38
Legal & Professional Fees	41	-	24	52	117
Website Costs – Leicester Diocese	4	-	-	-	4
Bank Charges	-	-	-	-	-
Depreciation	11	-	-	-	11
	886	16	68	59	1,029
Other Costs					
Stipend Housing Allowances	54	-	15	-	69
Interregna Costs	19	-	-	-	19
Faculty Fees	18	-	-	-	18
First Appointment / Resettlement Grants	60	-	-	-	60
Removal Costs	32	-	-	-	32
Diocesan Contribution re Asst. Bishop	15	-	-	-	15
Other Costs inc. Clergy CRB Costs	6	-	-	-	6
Bishops' Expenses	4	-	-	-	4
Registrars Fees	55	-	-	-	55
Chancellor Retainer & Expenses	7	-	-	-	7
Clergy Insurances	2	-	-	-	2
Loss on sale of Church House	76	-	-	-	76
	348	-	15	-	363
Total resources expended	8,471	18	546	68	9,103
(Deficit) / Surplus for the year	(309)	4	(200)	(62)	(567)

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