



Diocese of Liverpool

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**Liverpool Diocesan Board of Finance**

# **REPORT AND ACCOUNTS**

**For the year ended 31 December 2017**

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*Registered Charity Number 249740*

*Registered Company Number 18301*



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## CHAIRMAN'S REPORT

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### Chairman's Report

I am pleased to introduce the Report of the Trustees and the Financial Accounts for the Liverpool Diocesan Board of Finance (LDBF) for the year ending 31 December 2017.

I would like to pay tribute to the work of Mike Eastwood and his team at St James' House for their efforts during 2017. During the year we set out a clear strategy in support of our vision for a bigger church to make a bigger difference so that we see more people knowing Jesus and more justice in the world. In 2018 and beyond we will be working towards growth within a strategic framework based on five key numbers. These are summarised here and also in the Trustees' Report on pages 9-10:

We are asking all disciples in the Diocese of Liverpool to:

*1: Bring one friend to church*

- Bring one person each year into the worshipping and serving life of the church

*10: Do ten things*

- 10 acts of service or points of connection that change the world for the better

We are asking church leaders to work towards:

*100: New congregations*

- Plant 100 new congregations which draw new people into the worshipping and serving life of the church (10 years)

*1,000: New leaders*

- Identify and nurture 1,000 new leaders in the worshipping and serving life of the church (5 years)

*10,000: Disciples*

- Encourage 10,000 people to sign up to the Rule of Life (3 years)

We continue to work on the financial strategy that will support the delivery of the five numbers set out above and in 2017 we considered all aspects of St James' House service expenditure. Work on the output of that review continues in 2018 and will be followed by an ongoing process to ensure full alignment between resources and the above strategic objectives.

Our work in bringing balance to our income and expenditure as well as movements on our balance sheet continues. We set a small deficit budget of £15,000 in 2017 and fell short of that due to negative variance in three strands of revenue: Parish Share (£89,000), Funeral and Wedding Fees (£78,000), Investment Income (£38,000); and two areas of expenditure: Missional Leadership (£58,000) and Clergy Moves (£25,000). St James' House Services and Clergy Housing both met budget in 2017. The management accounts deficit for the year was £293,000. These losses are tempered by positive changes to our balance sheet through beneficial property sales and investment gains with a net increase in funds of £104,000 reported in the Statement of Financial Activities on page 20.

I'd like to thank all members of the DBF who gave their support in 2017 and look forward to working with them in the coming period.

**David Greensmith**

24<sup>th</sup> May 2018

## **TRUSTEES' ANNUAL REPORT AND DIRECTORS' REPORT INCORPORATING STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2017**

### **I. REFERENCE AND ADMINISTRATIVE DETAILS**

#### **Legal structure**

Liverpool Diocesan Board of Finance is a multi-faceted structure. It is:

- ◆ A registered charity (no. 249740)
- ◆ A company limited by guarantee (no. 18301)
- ◆ A Board of Finance established under the Diocesan Boards of Finance Measure 1925
- ◆ A trust corporation.

Its registered office is St James' House, 20 St James Road, Liverpool LI 7BY.

The governing body of the diocese is the Diocesan Synod whose members are also members of the Diocesan Board of Finance. Although the work of the Finance Committee is the sole responsibility of those elected to serve on it, all its business is conducted under the authority of the Diocesan Bishop who presides over all the affairs of the diocese.

#### **Trustees**

The financial executive of the Diocesan Synod is the Finance Committee. The members of the Finance Committee are the directors of the company and trustees of the charity. Through a combination of elected, ex officio and co-opted posts our constitution enables us to achieve an appropriate balance between clergy and lay people.

Elections to the Finance Committee take place every three years. There were elections in November 2015 for the current Finance Committee which runs from 1 January 2016 to 31 December 2018. The trustees who served in 2017 were:

David Greensmith, Chair (ex-officio)

David Burgess, Deputy Chair (elected)

The Right Reverend Richard Blackburn, Bishop of Warrington (ex-officio) \*\* see below

The Venerable Ricky Panter, Archdeacon of Liverpool (ex-officio) – until 31 May 2017 \*\*\* see below

The Venerable Mike McGurk (ex officio) – from 10 September 2017

The Venerable Pete Spiers, Archdeacon of Knowsley & Sefton (ex officio)

The Venerable Roger Preece, Archdeacon of Warrington & St Helens (ex officio)

The Venerable Jennifer McKenzie, Archdeacon of Wigan & West Lancashire (ex officio)

Rev Hannah Lewis (elected)

Rev Crispin Pailing (elected)

Rev Mark Stanford (elected)

Angela Matthewson (elected)

Peter Owen (elected)

Michael Pitts (elected)

Philip Stott (elected)

Andrew Wilcockson (elected)

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\*\* Bishop Richard retired in April 2018. We want to put on record our gratitude for his years of outstanding ministry in the Diocese of Liverpool both as Bishop of Warrington and, at various points, Acting Diocesan Bishop. He has been the ablest of bishops and the very best of colleagues.

\*\*\* Ricky Panter retired at the end of May 2017 after over thirty years in ministry in the Diocese, including fifteen years' as Archdeacon of Liverpool. We are grateful to Ricky for the immense contribution he has made to Diocesan life and we thank him for his great service over so many years.

### **Senior staff**

The Chief Officer for the charity is the Diocesan Secretary, Mike Eastwood. The senior management team, to whom day to day management of the charity is delegated by the trustees, are:

Mike Eastwood, Diocesan Secretary

Stuart Haynes, Assistant Diocesan Secretary & Director of Communications

Simon Chesters, Director of Vocations

Matt Elliott, Director of Finance

Linda Jones, Director of Mission

Ellen Loudon, Director of Social Justice

Richard Peers, Director of Education

Steve Pierce, Director of Learning & Stewardship

Gordon Ronald, Director of Estates

Sharon Townson, Director of HR

We would like to put on record our gratitude to Alan Gayner, our Clergy Housing Manager, who retired at the end of 2017 after almost 20 years of terrific service. We owe Alan a huge debt of gratitude.

### **Bankers and professional advisers**

#### **Auditors**

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

#### **Bankers**

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

#### **Investment managers**

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

#### **Diocesan Registrar**

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

#### **Solicitors**

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

## **2. STRUCTURE, GOVERNANCE AND MANAGEMENT**

### **Constitution and objects**

The structure governing the work of the charity is complex reflecting the idiosyncrasies of the Church of England. On the one hand the charity is fairly straightforwardly registered as a charity and a company with appropriate memorandum and articles of association (last modified in March 2010). On the other hand there are a number of inter-connected relationships and influences directly impacting on the work of the charity (see below).

### **Trustees**

The Finance Committee is the trustee board. It has a mixture of ex-officio, elected and co-opted members. Elections take place every three years at the first meeting of the new diocesan synod (itself elected every three years). The trustees have the power to co-opt members according to their assessment of possible imbalances or skills gaps among the elected and co-opted members. Given the relatively large number of elected and ex-officio trustees the general approach has been to keep co-options to a minimum.

All trustees receive an induction pack and the first meeting of each triennium is largely given over to induction briefings and discussions. Training opportunities are offered, especially around investment issues.

### **Organisational structure and decision-making**

The Finance Committee is the financial executive of the Diocesan Synod and is required to comply with certain directions given to it by that Synod. It holds the budgets and accounts for all committees of the DBF and all activities undertaken by DBF staff and officers. It also needs to work very closely with Bishop's Council as Diocesan Synod made Bishop's Council responsible for the delivery of the diocesan strategy. This requires an understanding of the aims and aspirations of those bodies and a desire to see them fulfilled alongside a deep regard for the need for good and appropriate governance of the charity. In recent years there hasn't been a particular conflict between these bodies, nor is one anticipated; however, the potential is always there.

The Finance Committee functions as the Parsonages Board of the diocese for purposes of parsonages legislation, although it delegates the oversight of DBF housing management to the Clergy Housing Committee. It has subcommittees dealing with audit, remuneration of DBF staff, and the management of the DBF property and investments.

The Diocesan Board of Education is integrated into the Diocesan Board of Finance both legally and practically. This helps organisational cohesiveness and inter-departmental working.

Trustees are fully aware of their responsibilities under charity law. Within this the day-to-day running of the charity is delegated to senior staff. However, trustees and senior staff are clear that all decisions on policy that may create significant financial or other risk to the company or which affect material issues of principle must be taken by trustees and not staff.

### **Networks and key relationships**

The charity has a multiplicity of relationships. The main ones are with:

- ◆ Diocesan Synod as the Board of Finance and governing body of the diocese
- ◆ Bishop's Council as the executive arm of Diocesan Synod
- ◆ The Bishop's Core Group, where decisions are taken about the deployment of clergy
- ◆ Other diocesan committees, especially the Diocesan Mission & Pastoral Committee, Lifelong Learning Committee and Board of Education

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- ◆ Deanery Synods and Deanery Mission & Pastoral Committees, where local mission plans are decided and their pastoral implications worked through
- ◆ Parishes within the diocese with whom we are intimately connected both in supporting local mission and ministry and in financing the Diocesan Board of Finance
- ◆ Church schools in the diocese to whom we offer support and guidance over a range of appointment, curriculum, governance and building matters
- ◆ Liverpool Cathedral, on whose campus we are now located and with whom there is now an established pattern of close collaborative working
- ◆ Other dioceses, especially in the North West of England, with whom we have close collaborations and provide services, especially to schools
- ◆ Providers of pre-ordination and Reader training, namely the residential theological colleges, All Saints Centre for Mission & Ministry and St Mellitus in the North West
- ◆ The national church institutions (Archbishops' Council, Church Commissioners and the Pensions Board) from whom we receive significant funding, policy directives and legal consents to transactions.
- ◆ Other Christian denominations with and through whom we work on matters of workplace chaplaincy, child safeguarding and ecumenical relations notably through Churches Together in the Merseyside Region and Mission in the Economy
- ◆ Interfaith bodies, such as Merseyside Council of Faiths and Liverpool Community Spirit, as part of our cross community work to promote good interfaith relations
- ◆ Key infrastructural bodies on Greater Merseyside (notably volunteer centres and councils for voluntary service) on which we represent ecumenical partners and lead on provision in rural areas. We have also been actively involved in ChangeUp, the pan Merseyside body, where we represent Churches Together in the Merseyside Region and feed back issues from faith networks to other members, notably councils for voluntary service
- ◆ Liverpool Diocesan Council for Social Aid, professionally advised by Church & Society, whose key roles are running Adelaide House Women's Bail Hostel and working on penal affairs and social inclusion
- ◆ Church Urban Fund with whom we have established Together Liverpool as a joint venture and, more recently, the Church Credit Champions Network

In 2017 the Diocese established the Liverpool Diocesan Schools Trust as multi-academy trust as part of its on-going engagement with the academisation agenda. This sits alongside the Liverpool Diocesan Educational Trust which was established in 2012 to enhance links with church school academies. DBE Services Ltd continued trading, as did All Saints Centre for Mission & Ministry. DBE Services Ltd is an inter-diocesan company for the dioceses of Liverpool, Blackburn, Carlisle, Chester, Manchester and York, providing property and other services to schools. All Saints Centre for Mission & Ministry is an inter-diocesan company for the dioceses of Liverpool, Manchester and Chester established to provide local training for clergy and readers. We have an established partnership with St Mellitus (see section 4 below) and a joint venture with the Church Urban Fund entitled Together Liverpool which seeks to support and resource parishes as they seek to serve their wider community. In 2014 Together Liverpool also established the Church Credit Champions Network to help combat the systemic personal financial problems impacting on individuals and communities.

The single most important relationship we have continues to be with the clergy and lay people within the churches in our diocese whose ministry is the heartbeat of the diocese. We currently have around 215 serving parish and cathedral-based stipendiary clergy, around 60 non stipendiary and ordained local clergy, c. 300 readers and over 100 active retired clergy. We also now have over 30 Local Missional Leaders, a number we expect to grow significantly in the coming years. We



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have c. 20 clergy serving full-time as chaplains in schools, hospitals, universities and prisons plus others serving in a part-time capacity. We also have an active committed church membership of c. 50,000.

### **Public benefit**

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

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

More information on these benefits follows throughout this report.

### **3. OBJECTIVES AND ACTIVITIES**

The principal object of the charity is to further the interests of the Church of England, mainly, but not exclusively, in the area covered by the Diocese of Liverpool. The strategic thrust of the current work is laid out in our strategic plan entitled *Growing in Christ*, enhanced by the publication of *Fit for Mission* in March 2015 and then the rolling out of our more recent strategy based around 5 key numbers (see "Achievements & performance" below). Our aims can be summarised as follows:

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

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

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

The Finance Committee is working towards the following organisational outcomes:

1. A sustainable financial resource to support agreed mission and ministry in the Diocese of Liverpool
2. A talented and high performing team at St James' House serving the mission and ministries of the parishes and bishops and delivering on the aspirations of the diocesan Growth Agenda
3. A well-run charity which meets the highest standards in governance, management and operational efficiency.

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Our main activities can be summarised as:

- ◆ The development and implementation of mission and church growth strategies
- ◆ The provision of advisory services to bishops, parishes, schools, chaplaincies, fresh expressions and church bodies (mainly through employed staff)
- ◆ The support, training, payment and housing of clergy
- ◆ The support and training of lay people
- ◆ The management and development of staff members
- ◆ Contributing to the national work of the Church of England

For more detail on individual activities see section 4 (I), "Achievements and performance". For information on our strategic thinking into the future please see section 4 (III), "Future plans".

### **Grant-making policy**

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

***Mission in the Economy*** – £35,000 to support mission and chaplaincy in the world of work.

We also help parishes in the most deprived areas of the diocese and gave £2,751 in Designated Priority Area grants.

### **Volunteers**

The diocese continues, quite rightly, to be dependent on the huge number of people involved in church activities both locally and at diocesan level. Surveys suggest that faith communities in general and Anglican churches in particular are major contributors to their community through an enormous number of voluntary activities. This is one of the surest signs that our faith makes a difference to our lives and our outlook; we ignore and neglect this at our absolute peril.

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

Within all of this the DBF greatly values the considerable time given by all the committee members across the diocese in pursuit of the diocese's mission and growth agenda.

## **4. STRATEGIC REPORT**

### **I. ACHIEVEMENTS AND PERFORMANCE**

By definition much of our work continues year on year. In 2017 we tried to sharpen the focus of our work more sharply on the following basis:

***We are asking God for a bigger church to make bigger difference so that we see more people knowing Jesus and more justice in the world***

This strategy boils down to 5 numbers:

- 2 for all us as disciples/followers of Jesus

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- 3 for people in leadership roles in the church.

**Disciples – all of us**

*1: Bring one friend to church*

- Bring one person each year into the worshipping and serving life of the church

*10: Do ten things*

- 10 acts of service or points of connection that change the world for the better

**Leaders – some of us**

*100: New congregations*

- Plant 100 new congregations which draw new people into the worshipping and serving life of the church (10 years)

*1,000: New leaders*

- Identify and nurture 1,000 new leaders in the worshipping and serving life of the church (5 years)

*10,000: Disciples*

- Encourage 10,000 people to sign up to the Rule of Life (3 years)

We are determinedly looking to turn around the historical gradual decline in church attendance in the diocese. In recent years the decline has flattened out and there have been some signs of growth. However, we are working hard to turn these signs into widespread and sustained growth, year on year.

We continue to engage constructively in the national church's Renewal & Reform programme, not least in our on-going participation in a Strategic Learning Community and through the implementation of the recommendations of the 2016 peer review (including taking a zero-based approach to our budgeting process).

We continue to press ahead on both mission and financial health. Our flagship Transforming Wigan project continues under the leadership of Rev Tim Montgomery and supported with a £900,000 grant from the Church Commissioners' Spending Task Group. Our recently established Joshua Centre for Pioneer Ministry, in collaboration with the Cathedral, also began its work under the leadership of Canon Richard White and Dan Rogers having received a £1 million grant to multiply congregations across the diocese. In December 2017 we were also notified that we were to be awarded a grant of £1.9 million over five years to establish resources churches in St Helens, Warrington and Widnes; this work will start in earnest in 2018.

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

In 2017 we undertook a major stakeholder survey. The results and consequent actions will be processed in 2018, with a strong commitment both to a 'you said/we did' response as well as establishing mechanisms for on-going stakeholder engagement.

We continue to increase the number of licensed ministers available for deployment. Following the implementation of our vocations strategy we have record numbers of people offering for ordination and are ahead of our trajectory to increase our stipendiary numbers by 50% (the national church target). Our constructive engagement with both the All Saints

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Centre for Mission & Ministry and St Mellitus in the North West have been key to this, as has the establishment of our Directions course.

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

Our Parish Share collection rate remains high, although there was a fall from the previous height of 100% in 2016. Our Reversing the Payment Trend strategy as well as Transforming Wigan (a significant component of the 2016 100% cash collection rate was Parish Share arrears being cleared in Wigan) remain key. However, there were moves to introduce a new Parish Share system (Option 2) which is more aligned to the church that we need to become (Option 2 was agreed at the March 2018 Diocesan Synod, to be introduced in 2020).

Parish Share remains the single biggest area of concern for the Diocesan Board of Finance and as reported previously, there are signs of clear financial strain. Parish Share is becoming a higher percentage of the regular giving received from church members, leaving less money available to parishes for local mission purposes. This was one of the drivers behind the move to Option 2.

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

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

Levels of church attendance remain a concern, despite the improvement noted above. The average age of our congregations is significantly higher than the average age of the general population. We now track and publish attendance on a parish by parish basis. It is a key focus of discussion at the newly constituted Archdeacon's Parish Review meetings. Indeed, we are re-working the Archdeacon's Parish Review to allow an even sharper focus on the issues of growth, leadership and discipleship.

We continue to maintain our 'market share' of children attending schools with c. 30,000 children in Church of England schools. Nearly 90% of our schools are currently rated good or outstanding by Ofsted, in line with our target. Our multi-academy trust is the fastest growing in the region and will be the basis for significant educational improvement strategies and resources across the diocese, as will our enhanced focus on Progress 8 trajectories.

### **Access and inclusion**

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

Our continued commitment to excellence in safeguarding practice and provision was recognised by the safeguarding review undertaken under the auspices of the national church in 2016. We have now substantively implemented the recommendations from their report. They found much to commend and nothing of major concern.

### **Information gathering**

We now have an excellent database of information that we use to publish annual diocesan and parish dashboards. Our stakeholder engagement will be a hugely significant source of information which we will consolidate and disseminate.

### **Asset management**

2017 was another good year for our equity investments, with UK and international markets remaining robust. Re-working our housing stock continues to have significant impact on our cash balances. In 2017 we achieved a number of operationally beneficial housing sales that contributed a net gain in these financial statements.

We continue to monitor closely our cash and broader reserve levels and think and plan on the basis of the medium rather than the short term investments. We have not deemed it necessary or advantageous to change our investment policies. In summary our CCLA investments achieved an unrealised gain of £345,738.

### *Property*

We hold a lot of property (valued at £46 million). Much of this in practice takes the form of notional assets; because we have a responsibility to house clergy we have little operational freedom around disposal or re-working of the individual assets. Rather, our primary responsibility is to ensure that clergy and their families feel safe and comfortable in their homes and that it provides a suitable base for mission and ministry.

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

2017 saw some changes in our property portfolio. Four properties were sold for a total value of £756,733. These were previously valued in the balance sheet at a total of £572,000 and so resulted in gains of £184,733. Three new build properties were completed in 2017 with costs incurred during the year totalling £301,203.

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

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

## **II. FINANCIAL REVIEW**

2017 was a poor year financially. We once again set a broadly breakeven budget (£15,000 deficit) with a 3% increase in total Parish Share, absolutely reflecting the increase in the cost of ministry in parishes and schools.

### **Performance against budget**

Each year we present a budget to Synod, which summarises our financial thinking and – once approved – sets the framework for our financial decision-making. Our management accounts loss was £293,000, a significant worsening of the £52,000 loss in 2016. Work on reviewing our financial strategy and 'zero-basing' our St James' House budget continues.

The main reasons for the deficit were:

#### Income

- Parish Share – a net shortfall of £89,000
- DBF Fees – a sharp fall in the receipt of funeral and wedding fees of £78,000

#### Expenditure

- Missional leadership – an overspend of £58,000
  - Investment income – a shortfall of £38,000
  - Clergy housing and moves – a net overspend of £25,000
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### **Annual accounts**

The Statement of Financial Activities on page 17 shows a significantly better position than the management accounts, namely a net increase in funds for the year of £104,146 (as against a net increase in funds in 2016 of £392,309). This is because in addition to the operating loss of £293,000 referred to above there were additional expenses, provisions, gains and revaluations as follows:

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

- ◆ £97,000 in property grants to parishes
- ◆ £67,000 maintaining redundant churches prior to disposal
- ◆ £202,000 in provisions and adjustments for bad debts (mainly parish share) and depreciation
- ◆ £140,000 of expenditure on schools
- ◆ £385,000 of expenditure relating to designated and restricted funds

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

- ◆ £532,000 in net increases in funds relating to defined benefit pension schemes
- ◆ £571,000 in investment gains
- ◆ £185,000 in gains on property sales

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

### **Reserves**

The reserves policy of the Finance Committee is formulated in line with recommendations of the Charity Commission of England and Wales. The basic policy statement is as follows:

*The DBF aims to maintain the equivalent of at least four months' operating expenditure in cash and equities in the General Fund. This excludes all designated funds, loans and loan guarantees. This policy is to be reviewed annually in the January Finance Committee meeting.*

Early in 2011 this policy was revised and we now aim to hold a minimum of three months' operating expenditure in cash and equities in the General Fund. Over the course of 2017 the value of investments remained above 4 months.

In the 2008 report we said:

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

Whilst market conditions remain volatile, investment values have largely recovered to pre-2008 levels. In 2017 we realised much of the investment gains achieved in recent years to rebalance our cash position and begin repaying loans to CCLA.

The unrestricted reserve stands at £5.95m (when Designated Funds of £85k are taken into account). £2.5m representing 3 months' operating expenditure, is retained as a general reserve to allow for any unexpected rises in expenditure or shortfall in income. The trustees believe that retaining reserves at a minimum of three months will cushion the diocese

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from short-term revenue problems and will enable them to meet their legal requirements in case of serious financial problems. Designated reserves of £85k and are to be used for the Warrington Mission Development Fund.

### **Investments**

The Memorandum of Association gives the trustees power to invest in any investment authorised by law in investment of trust funds. The trustees confirm that all investments have been acquired in accordance with their powers, and that they have followed the ethical investment policy used by the central Church of England bodies.

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

### **Grants received**

Our main source of income is Parish Share. We also receive an allocation from Archbishops' Council. These issues are discussed elsewhere in this report. We continue to be very grateful for the support of Marshall's Charity in the improvement of our housing stock and for the ongoing support of the Allchurches Trust.

## **III. FUTURE PLANS**

We continue to work under the basis of our new strategy and the 5 numbers. These express our overriding commitment to growth in leadership and discipleship. In 2018 we will be launching our flagship Rule of Life as the key driver behind our strategy of 10,000 disciples. We will also be refining our strategy to develop 1,000 new leaders and our next bid for Strategic Development Funding from the national church. Alongside this there will be key operational emphases on a re-worked Archdeacon's Parish Review, our on-going structural review in St James House and the embedding of core administrative processes.

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

In addition to the financial and other risks outlined below, there are various key areas of activity where the diocese could incur financial penalties, operational failings or reputational damage. The trustees undertake an annual risk analysis exercise. The Audit Committee is the lead body in this. The analysis continues to highlight a number of risks which could impact seriously on the charity's operation and development. These range from the impact of potential parish indebtedness through to ever increasing pressures on clergy pensions; from exposure to interest rate fluctuations on borrowings to liquidity risk, from the inability of key personnel to cope with the demands of change, through to initiative overload; from the threat of increased litigation to the failure to attract enough clergy to maintain ministry. The Finance Committee oversees the implementation of the recommendations arising out of this risk analysis. Liquidity risk is managed by ensuring sufficient liquidity to meet foreseeable needs, with an overdraft facility providing short-term flexibility and longer-term loans supporting asset acquisition.

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

The Board is Custodian Trustee for trust assets with a market value of £8.1m at 31 December 2017. Detailed Certificates of Holdings were sent to parishes and other managing trustees as at December 2017. Most of these trusts are held on behalf of parishes whose charitable purpose is the advancement of religion and therefore is parallel to those of the Diocese. The funds are held in separate investments from those of the DBF and there is a separate bank account from which payments are made. We also hold a number of parish properties as Custodian Trustee, but we are unable to obtain a current valuation of these properties due to the complexity and substantial costs involved.

The Board also holds funds for the Liverpool Diocesan Pensions Fund and a number of historic trusts under the practical management of the bishops and archdeacons which give financial support to clergy and their families in need in the Diocese of Liverpool.

Further funds are held on behalf of Church of England Schools in the Diocese for capital building projects. At the 31 December 2017, these funds had a market value of £1.8 m (2016 - £1.3m).

## **6. NOTES AND QUERIES**

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

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

These are now explained in notes 11 and 12 to the financial statements.

### **Related party transactions**

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

In 2008 a loan of £25k was issued to the All Saints Centre for Mission and Ministry, a related party, and a further loan of £25k was issued in 2009. As at 31 December 2017 £12.5k was due to the Diocese. This balance is included within the figure of £281,849 for parish and other concessionary loans at note 14.

### **Post Balance Sheet Events**

There are no significant events occurring between 31 December 2017 and the date of signing the report which have significantly affected the charity.

### **Fundraising**

There have been no significant fundraising activities at diocesan level in 2017.

### **Insurance**

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

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

The board is a company limited by guarantee (company number 18301) and trustees, as members, may derive no benefit, income or capital interest in the board's financial affairs, other than the reimbursement of out-of-pocket expenses. No expenses were paid to Trustees' during the year.

### **Taxation status**

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

### **Contingent liability**

There were no contingent liabilities on the Board at the end of the year.



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

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

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

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

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

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

## **8. DISCLOSURE OF INFORMATION TO AUDITORS**

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

By order of the Finance Committee

Mike Eastwood  
Diocesan Secretary  
24th May 2018

INDEPENDENT AUDITORS' REPORT

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INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF THE LIVERPOOL DIOCESAN BOARD OF FINANCE

**Opinion**

We have audited the accounts of Liverpool Diocesan Board of Finance (the 'charity') for the year ended 31 December 2017 which comprise the Statement of Financial Activities, the Balance Sheet, the Statement of Cash Flows and the notes to the accounts, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the accounts:

- give a true and fair view of the state of the charitable company's affairs as at 31 December 2017 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.

**Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the accounts section of our report. We are independent of the charity in accordance with the ethical requirements that are relevant to our audit of the accounts in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Conclusions relating to going concern**

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the trustees' use of the going concern basis of accounting in the preparation of the accounts is not appropriate; or
- the trustees have not disclosed in the accounts any identified material uncertainties that may cast significant doubt about the charity's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the accounts are authorised for issue.

**Other information**

The other information comprises the information included in the annual report, other than the accounts and our auditor's report thereon. The trustees are responsible for the other information. Our opinion on the accounts does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the accounts, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the accounts or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the accounts or a material

## INDEPENDENT AUDITORS' REPORT

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misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

### **Opinions on other matters prescribed by the Companies Act 2006**

In our opinion, based on the work undertaken in the course of our audit:

- the information given in the Trustees' Report, which includes the Directors' Report prepared for the purposes of company law, for the financial year for which the accounts are prepared is consistent with the accounts; and
- the Directors' Report included within the Trustees' Report has been prepared in accordance with applicable legal requirements.

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

In the light of the knowledge and understanding of the charitable company and its environment obtained in the course of the audit, we have not identified material misstatements in the Directors' Report included within the Trustees' Report.

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

- adequate and proper accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the accounts 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.

### **Responsibilities of trustees**

As explained more fully in the Statement of Trustees' Responsibilities, the trustees are responsible for the preparation of the accounts and for being satisfied that they give a true and fair view, and for such internal control as the trustees determine is necessary to enable the preparation of accounts that are free from material misstatement, whether due to fraud or error.

In preparing the accounts, the trustees are responsible for assessing the charity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the trustees either intend to liquidate the charitable company or to cease operations, or have no realistic alternative but to do so.

### **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these accounts. As part of an audit in accordance with ISAs (UK), the auditor exercises professional judgment and maintains professional scepticism throughout the audit.

INDEPENDENT AUDITORS' REPORT

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A further description of our responsibilities for the audit of the accounts is located on the Financial Reporting Council's website at: <http://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

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

Lesley Malkin BA FCA (Senior Statutory Auditor)  
for and on behalf of BWM  
Chartered Accountants  
Statutory Auditor  
2018

Castle Chambers  
43 Castle Street  
Liverpool  
L2 9SH

STATEMENT OF FINANCIAL ACTIVITIES

**STATEMENT OF FINANCIAL ACTIVITIES  
INCLUDING INCOME AND EXPENDITURE ACCOUNT  
FOR THE YEAR ENDING 31 DECEMBER 2017**

		Unrestricted Funds 2017 £	Restricted Funds 2017 £	Endowment Funds 2017 £	Total Funds 2017 £	Total Funds 2016 £
<b>Income from</b>						
Donations	2					
Parish Share		7,346,537	-	-	7,346,537	7,175,032
Archbishop's Council		1,691,535	344,549	-	2,036,084	2,044,279
Other Donations		848,086	117,825	-	965,911	1,040,120
Charitable Activities	3	495,549	25,259	-	520,808	425,622
Investments	4	551,152	12,736	-	563,888	527,349
Other	5	-	-	184,733	184,733	71,265
<b>Total income</b>		<b>10,932,859</b>	<b>500,369</b>	<b>184,733</b>	<b>11,617,961</b>	<b>11,283,667</b>
<b>Expenditure on</b>						
Raising funds	6	-	2,295	-	2,295	2,535
Charitable activities	7	10,824,895	857,642	231,530	11,914,067	11,098,253
Other	8	166,790	1,401	-	168,191	177,070
<b>Total expenditure</b>		<b>10,991,685</b>	<b>861,338</b>	<b>231,530</b>	<b>12,084,553</b>	<b>11,277,858</b>
Net income/(expenditure) before investment gains		(58,826)	(360,969)	(46,797)	(466,592)	5,809
Net gains on investments	12	570,738	-	-	570,738	386,500
Net income/(expenditure)	17	511,912	(360,969)	(46,797)	104,146	392,309
<b>Transfers between funds</b>	22	<b>(78,626)</b>	<b>78,626</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net movement in funds</b>		<b>433,286</b>	<b>(282,343)</b>	<b>(46,797)</b>	<b>104,146</b>	<b>392,309</b>
<b>Total funds brought forward</b>		<b>5,615,270</b>	<b>2,573,189</b>	<b>36,036,694</b>	<b>44,225,153</b>	<b>43,832,844</b>
<b>Total funds carried forward</b>		<b>6,048,556</b>	<b>2,290,846</b>	<b>35,989,897</b>	<b>44,329,299</b>	<b>44,225,153</b>

All activities derive from continuing activities. The notes on pages 21 to 39 form part of the financial statements

BALANCE SHEET

**LIVERPOOL DIOCESAN BOARD OF FINANCE**

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

**BALANCE SHEET  
AT 31 DECEMBER 2017**

	Notes	2017		2016	
		£	£	£	£
<b>Fixed Assets</b>					
Tangible Assets	11		41,860,138		42,131,976
Investments	12		8,440,397		9,029,659
Loans	13		-		50,000
			50,300,535		51,211,635
<b>Current Assets</b>					
Debtors: due within 1 year	14	805,406		857,806	
Debtors: due after 1 year		265,674		102,199	
Cash at bank and in hand		772,455		245,152	
		1,843,535		1,205,157	
<b>Creditors:</b>					
Amounts falling due within one year	15	(4,093,271)		(2,865,489)	
<b>Net current liabilities</b>					
			(2,249,736)		(1,660,332)
<b>Total assets less current liabilities</b>					
			48,050,799		49,551,303
<b>Creditors: amounts falling due after more than one year</b>					
Pension scheme liabilities	16		(3,635,000)		(4,162,000)
Other creditors			(86,500)		(1,164,150)
<b>Net Assets</b>					
			44,329,299		44,225,153
<b>Accumulated Funds</b>					
Endowment funds	22		35,989,897		36,036,694
Restricted funds			2,290,846		2,573,189
Unrestricted funds			6,048,556		5,615,270
<b>Total funds</b>					
			44,329,299		44,225,153

The financial statements on pages 18 to 39 were approved by the Finance Committee on 24th May 2018 and signed on its behalf by:

Mr David Greensmith  
Chairman

Mr David Burgess  
Vice Chairman

CASH FLOW STATEMENT

**STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 31 DECEMBER 2017**

	Note	2017		2016	
		£	£	£	£
<b>Cash flows from operating activities:</b>					
<b>Net cash (used in) provided by operating activities</b>	i		<u>(1,180,702)</u>		<u>(2,993,756)</u>
<b>Cash flows from investing activities:</b>					
Investment income		563,888		527,349	
Sale of tangible fixed assets		756,733		1,552,254	
Sale of fixed asset investments		1,160,000		-	
Purchase of tangible fixed assets		(320,678)		(1,217,594)	
Interest on bank loans and overdrafts		(17,225)		(11,638)	
			<u>2,142,718</u>		<u>850,371</u>
<b>Cashflows from financing activities:</b>					
Repayments of borrowings		<u>(300,000)</u>		<u>(30,000)</u>	
<b>Net cash used in financing activities</b>			<u>(300,000)</u>		<u>(30,000)</u>
<b>Net Change in cash and cash equivalents</b>			662,016		(2,173,385)
Cash and cash equivalents brought forward			<u>(63,011)</u>		<u>2,110,374</u>
<b>Cash and cash equivalents carried forward</b>			<u>599,005</u>		<u>(63,011)</u>

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

	2017	2016
	£	£
<b>Net income (expenditure) for the reporting period (as per the statement of financial activities)</b>	<b>(466,592)</b>	<b>5,809</b>
Depreciation	20,516	15,175
Investment income	(563,888)	(527,349)
Interest on bank loans and overdrafts	17,225	11,638
(Gains) / Losses on disposal of property	(184,733)	(71,265)
(Increase) decrease in debtors	(61,075)	(108,186)
(Decrease) Increase in creditors	57,845	(2,319,578)
<b>Net cash flow provided by (used in) operating activities</b>	<b><u>(1,180,702)</u></b>	<b><u>(2,993,756)</u></b>

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

	1 January 2017	Cash flow	Other non cash changes	31 December 2017
	£	£	£	£
Net Cash:-				
Cash at bank and in hand	245,152	527,303	-	772,455
Bank Overdrafts	(308,163)	134,713	-	(173,450)
	<u>(63,011)</u>	<u>662,016</u>	<u>-</u>	<u>599,005</u>

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2017**

**I. (a) Accounting policies**

The Liverpool Diocesan Board of Finance is company limited by guarantee registered in England no 18301 and a registered charity no 249740 and its registered office is at St James House, 20 St James Road, L1 7BY. The LDBF constitutes a public benefit entity as defined by FRS 102. These financial statements have been prepared in accordance with the Statement of Recommended Practice for Charities (SORP 2015), the Companies Act 2006 and applicable accounting standards (FRS102).

The presentation currency is pounds sterling and figures are shown to the nearest £. A summary of the more important accounting policies which have been consistently applied is set out below.

**(b) Income**

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

**(c) Expenditure**

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

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

**(d) Going concern**

At the time of approving the accounts, the trustees have a reasonable expectation that the charity has adequate resources to continue in operational existence for the foreseeable future. Thus the trustees continue to adopt the going concern basis of accounting in preparing the accounts.



NOTES TO THE ACCOUNTS

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**(e) Financial Instruments**

The charity has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the charity's balance sheet when the charity becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

**(f) Basic financial assets**

Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

**(g) Basic financial liabilities**

Basic financial liabilities, including creditors and bank loans are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of operations from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

**(h) Derecognition of financial liabilities**

Financial liabilities are derecognised when the charity's contractual obligations expire or are discharged or cancelled.

**(i) Critical accounting estimates and judgements**

In the application of the charity's accounting policies, the trustees are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

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

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

## NOTES TO THE ACCOUNTS

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

Investment properties are included in the balance sheet at their open market value and are not depreciated. Although this accounting policy is in accordance with the applicable accounting standard, FRS102, Accounting for investment properties, it is a departure from the general requirement of the Companies Act 2006 for all tangible assets to be depreciated. In the opinion of the trustees compliance with the accounting standard FRS102 is necessary for the financial statements to give a true and fair view of its financial position, performance and cashflow. Depreciation or amortisation is only one of many factors reflected in the annual valuation and the amount of this which might otherwise have been charged cannot be separately identified or quantified.

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

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

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

### **(k) Major Funds**

Funds held by the charity are either:

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

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

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

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

Details of the major funds held by the Board are given in note 22 to the Financial Statements.

### **(l) Stipends**

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

### **(m) Fixed assets**

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

Depreciation is not provided on buildings as any provision (annual or cumulative) would not be material due

## NOTES TO THE ACCOUNTS

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

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

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

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

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

**(o) Designated funds**

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

**(p) Reserves**

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

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

**(q) Value Linked Loans**

Value linked loans from the Church Commissioners that are administered by the DBF and the corresponding equivalent value of property to which they relate are all included in the Balance Sheet as an asset and a corresponding liability, in accordance with the recommendation of the Diocesan Accounts Guide. Such parish related loans outstanding at 31 December 2017 amounted to £50,000 (2016 - £50,000). Where the property is held in trust for Parish use, the asset is included as a Loan in note 13 to the accounts and where the property is held for Diocesan purposes it is included in DBF property in note 11 to these accounts.

**(r) Irrecoverable VAT**

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

**(s) Operating Leases**

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

NOTES TO THE ACCOUNTS

2. Donations and legacies

	Unrestricted Funds £	Restricted Funds £	Permanent Endowment £	Total Funds 2017 £	Total Funds 2016 £
General Parish Share Income	7,346,537	-	-	7,346,537	7,175,032
	7,346,537	-	-	7,346,537	7,175,032
For the year ended 31 December 2016	7,175,032	-	-	-	7,175,032

**Income from National Church Institutions**

Lowest Income Communities Funding	1,586,169	-	-	1,586,169	1,591,455
Parish Ministry Support Grant	-	-	-	-	220,980
Transitional Funding	65,000	-	-	65,000	-
Strategic Development Funding	-	280,690	-	280,690	201,767
Ordination Training Block Grant	-	63,859	-	63,859	-
Grant for Legal services	40,366	-	-	40,366	30,077
	1,691,535	344,549	-	2,036,084	2,044,279
For the year ended 31 December 2016	1,842,512	201,767	-	-	2,044,279

**Other Donations**

Discretionary Funds Grant	155,788	-	-	155,788	155,788
RITC, MOF and other projects	-	6,337	-	6,337	3,774
Marshalls Charity Grants for Parsonages	-	12,070	-	12,070	11,950
Partners in Mission Income	-	740	-	740	4,890
Church Growth	-	-	-	-	16,242
Stipends	80,909	-	-	80,909	33,444
DBE Services Ltd	70,957	-	-	70,957	74,436
Church & Society	-	98,678	-	98,678	114,316
Assigned Fees	540,432	-	-	540,432	625,280
	848,086	117,825	-	965,911	1,040,120
For the year ended 31 December 2016	905,190	134,930	-	-	1,040,120

NOTES TO THE ACCOUNTS

3. Charitable Activities

	Unrestricted Funds £	Restricted Funds £	Permanent Endowment £	Total Funds 2017 £	Total Funds 2016 £
Hospital Chaplaincy Income	6,000	-	-	6,000	12,000
Gift Aid Scheme	20,364	-	-	20,364	24,435
General DBF Income	179,164	-	-	179,164	113,588
Fellfield Income	6,540	-	-	6,540	4,324
Board of Education	145,860	-	-	145,860	187,545
Communications Office	31,574	-	-	31,574	21,493
Lifelong Learning	72,685	-	-	72,685	39,987
Clergy Housing Income	400	2,859	-	3,259	677
Church Inspection Fees	-	22,400	-	22,400	21,573
	495,549	25,259	-	520,808	425,622
For the year ended 31 December 2016	403,872	21,750	-	-	425,622

4. Investment Income

	Unrestricted Funds £	Restricted Funds £	Permanent Endowment £	Total Funds 2017 £	Total Funds 2016 £
DBF Investment Income	197,027	-	-	197,027	156,212
Church House Rental Income	81,000	-	-	81,000	81,000
Parsonages Rental Income	273,125	-	-	273,125	269,361
Glebe Rental Income	-	12,736	-	12,736	20,776
	551,152	12,736	-	563,888	527,349
For the year ended 31 December 2016	506,573	20,776	-	-	527,349

5. Other income

	Unrestricted Funds £	Restricted Funds £	Permanent Endowment £	Total Funds 2017 £	Total Funds 2016 £
Property Transactions	-	-	184,733	184,733	71,265
	-	-	184,733	184,733	71,265
For the year ended 31 December 2016	-	-	71,265	-	71,265

6. Raising Funds

	Unrestricted Funds £	Restricted Funds £	Permanent Endowment £	Total Funds 2017 £	Total Funds 2016 £
Glebe Rental Management Charges	-	2,295	-	2,295	2,535
	-	2,295	-	2,295	2,535
For the year ended 31 December 2016	-	2,535	-	-	2,535

NOTES TO THE ACCOUNTS

7. Charitable Activities

	Unrestricted Funds £	Restricted Funds £	Permanent Endowment £	Total Funds 2017 £	Total Funds 2016 £
<b>Archbishops' Council</b>	299,781	-	-	299,781	319,925
	299,781	-	-	299,781	319,925
For the year ended 31 December 2016	319,925	-	-	-	319,925

**Resourcing Mission and Ministry**

Parish Mission and Ministry:

Clergy stipends	4,291,562	-	231,530	4,523,092	4,561,475
Clergy Pension Costs	1,142,245	-	-	1,142,245	557,224
National insurance	377,446	-	-	377,446	360,186
Resettlement/removal grants etc	200,183	-	-	200,183	188,766
Lay Workers	78,766	-	-	78,766	101,607
Administration and other costs	188,740	-	-	188,740	99,774
Area Dean Grants	38,350	-	-	38,350	28,429
RITC, MOF and other projects	-	431,313	-	431,313	302,072
Clergy Housing	818,929	27,665	-	846,594	913,834
Deanery Mission and Growth Grants	533,801	-	-	533,801	396,173
Grants to Parishes from Property Sales	96,662	-	-	96,662	209,079
DBF Central Costs (25%)	121,632	-	-	121,632	115,435
St James' House Costs (15%)	22,282	-	-	22,282	21,358
	7,910,598	458,978	231,530	8,601,106	7,855,412
For the year ended 31 December 2016	7,533,906	334,975	(13,469)	-	7,855,412

NOTES TO THE ACCOUNTS

	<b>Unrestricted Funds £</b>	<b>Restricted Funds £</b>	<b>Permanent Endowment £</b>	<b>Total Funds 2017 £</b>	<b>Total Funds 2016 £</b>
<b>7. Charitable Activities (continued)</b>					
Support for Parish Mission and Ministry:					
Clergy Training	266,537	-	-	266,537	256,805
Lifelong Learning	370,242	-	-	370,242	344,734
Social Justice	68,755	98,738	-	167,433	146,512
Disability Discretionary	5,298	-	-	5,298	(6,172)
Church Growth & Ecumenism	108,709	-	-	108,709	144,062
Tearfund Project	-	-	-	-	144
Resources Department	121,687	-	-	121,687	120,479
Ordinands in Training	216,620	52,776	-	269,396	123,466
General Synod Members' Expenses	11,688	-	-	11,688	3,789
Church Inspections	-	21,703	-	21,703	22,490
Communications Office	162,243	-	-	162,243	138,398
Legal Fees	400	-	-	400	22,496
Pastoral Committee	-	18,537	-	18,537	16,814
Diocesan Synod	3,246	-	-	3,246	4,496
Safeguarding and Inclusion	104,869	-	-	104,869	105,567
Diocesan Advisory Council	37,751	-	-	37,751	37,170
Ecumenical Funding	53,068	-	-	53,068	36,034
DPA Parish Housing & DPA Grants	2,751	-	-	2,751	9,418
Additional Pension Costs	55,810	-	-	55,810	121,485
DBF Central Costs (60%)	291,914	-	-	291,914	277,043
St James' House Costs (80%)	118,836	-	-	118,836	113,907
Other	46,868	66,726	-	113,594	333,231
	<b>2,047,292</b>	<b>258,480</b>	<b>-</b>	<b>2,305,772</b>	<b>2,372,368</b>
For the year ended 31 December 2016	<b>1,934,612</b>	<b>437,756</b>	<b>-</b>	<b>-</b>	<b>2,372,368</b>
<b>Expenditure on Education</b>					
Support for church schools and parishes	567,224	-	-	567,224	510,235
Property Expenditure on Schools	-	140,184	-	140,184	40,313
	<b>567,224</b>	<b>140,184</b>	<b>-</b>	<b>707,408</b>	<b>550,548</b>
For the year ended 31 December 2016	<b>510,235</b>	<b>40,313</b>	<b>-</b>	<b>-</b>	<b>550,548</b>
Total Charitable Activities 2017	<b>10,824,895</b>	<b>857,642</b>	<b>231,530</b>	<b>11,914,067</b>	<b>11,098,253</b>
For the year ended 31 December 2016	<b>10,298,678</b>	<b>813,044</b>	<b>(13,469)</b>	<b>-</b>	<b>11,098,253</b>

NOTES TO THE ACCOUNTS

8. Other Resources Expended

	Unrestricted Funds £	Restricted Funds £	Permanent Endowment £	Total Funds 2017 £	Total Funds 2016 £
Governance:					
DBF Central Costs (15%)	72,978	-	-	72,978	69,261
Diocesan Registry	67,686	-	-	67,686	59,192
Audit and accounting fees	18,699	-	-	18,699	14,771
St James' House Costs (5%)	7,427	-	-	7,427	7,119
	<b>166,790</b>	<b>-</b>	<b>-</b>	<b>166,790</b>	<b>150,343</b>
For the year ended 31 December 2016	<b>150,343</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>150,343</b>
Other outgoing property resources:					
Pastoral Account	-	1,401	-	1,401	26,727
	<b>-</b>	<b>1,401</b>	<b>-</b>	<b>1,401</b>	<b>26,727</b>
For the year ended 31 December 2016	<b>-</b>	<b>26,727</b>	<b>-</b>	<b>-</b>	<b>26,727</b>
	<b>166,790</b>	<b>1,401</b>	<b>-</b>	<b>168,191</b>	<b>177,070</b>

9. Analysis of support costs

	Unrestricted Funds £	Restricted Funds £	Permanent Endowment £	Total Funds 2017 £	Total Funds 2016 £
Central administration	486,524	-	-	486,524	461,739
Diocesan Registry	67,686	-	-	67,686	59,192
St James' House	148,545	-	-	148,545	142,384
	<b>702,755</b>	<b>-</b>	<b>-</b>	<b>702,755</b>	<b>663,315</b>
For the year ended 31 December 2016	<b>663,315</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>663,315</b>

10. Staff Costs

	2017 £	2016 £
Employee costs during the year were as follows:		
Wages and salaries	1,542,151	1,497,551
National Insurance Contributions	150,338	139,411
Pension costs	347,616	364,284
	<b>2,040,105</b>	<b>2,001,246</b>
	2017 Number	2016 Number
The average number of persons employed during the year:		
Full time	43	36
Part time	25	30
	<b>68</b>	<b>66</b>

Included in the above are eight full time and two part time clergy and lay posts funded externally.



NOTES TO THE ACCOUNTS

Key management personnel are deemed to be those having the authority and responsibility, delegated to them by the trustees, for planning, directing and controlling the activities of the Liverpool Diocesan Board of Finance. At the end of 2017 these were:

Diocesan Secretary & Company Secretary	Mike Eastwood
Assistant Diocesan Secretary & Director of Communications	Stuart Haynes
Director of Vocations	Simon Chesters
Director of Finance	Matt Elliott
Director of Mission	Linda Jones
Director of Social Justice	Ellen Loudon
Director of Education	Richard Peers
Director of Learning & Stewardship	Steve Pierce
Director of Estates	Gordon Ronald
Director of HR	Sharon Townson

Total remuneration and pensions for these 10 employees amounted to £496,436 (2016: £482,106)

The number of employees whose emoluments exceeded £60,000 was:

	2017	2016
£60,001 - £70,000	2	1

**Trustees' emoluments**

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

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

Ven Jennifer Mckenzie  
 Ven Ricky Panter  
 Ven Roger Preece  
 Ven Pete Spiers  
 Ven Mike McGurk  
 Rev Crispin Pailing (elected)  
 Rev Mark Stanford (elected)  
 Rev Hannah Lewis (elected)

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

The LDBF paid an average of 180 (2016 - 198) stipendiary clergy as office holders holding parochial or diocesan appointments in the diocese, and the costs were as follows:

	2017 £	2016 £
Stipends	4,523,092	4,561,475
Pension costs	1,142,245	557,224
National Insurance Contributions	377,446	360,186
	6,042,783	5,478,885

## NOTES TO THE ACCOUNTS

**11. Tangible Fixed Assets**

	<b>DBF Property £</b>	<b>DBF Glebe £</b>	<b>DBF VLL Property £</b>	<b>Team Vicars Glebe £</b>	<b>Parsonages £</b>	<b>Fixtures &amp; Fittings £</b>	<b>Total Funds £</b>
<b>Deemed cost or historic cost</b>							
At 1 January 2017	679,320	3,532,491	168,090	3,694,000	34,041,161	282,980	42,398,042
Additions	-	-	-	-	301,203	19,475	320,678
Disposals	-	-	-	(224,000)	(348,000)	-	(572,000)
Transfers	249,520	(249,520)	-	-	-	-	-
At 31 December 2017	<b>928,840</b>	<b>3,282,971</b>	<b>168,090</b>	<b>3,470,000</b>	<b>33,994,364</b>	<b>302,455</b>	<b>42,146,720</b>
<b>Depreciation</b>							
At 1 January 2017	-	-	-	-	-	266,066	266,066
Charge for year	-	-	-	-	-	20,516	20,516
At 31 December 2017	-	-	-	-	-	<b>286,582</b>	<b>286,582</b>
<b>Net book value</b>							
At 31 December 2017	<b>928,840</b>	<b>3,282,971</b>	<b>168,090</b>	<b>3,470,000</b>	<b>33,994,364</b>	<b>15,873</b>	<b>41,860,138</b>
At 31 December 2016	679,320	3,532,491	168,090	3,694,000	34,041,161	16,914	42,131,976

All properties held as Tangible Fixed Assets are freehold.

**12. Fixed Asset Investments**

	<b>Investment Properties £</b>	<b>UK Unquoted Investments £</b>	<b>Total Funds 2017 £</b>	<b>Total Funds 2016 £</b>
<b>Unquoted</b>				
Market value at 1 January 2017	3,935,345	5,094,314	9,029,659	8,643,159
Disposals	-	(1,160,000)	(1,160,000)	-
Gains on Investment Assets	225,000	345,738	570,738	386,500
<b>Market value at 31 December 2017</b>	<b>4,160,345</b>	<b>4,280,052</b>	<b>8,440,397</b>	<b>9,029,659</b>

Investment properties were valued by Peter Kenny Property Management as at 31<sup>st</sup> December 2015. The Investment Property at Linnet Lane was revalued for insurance purpose in 2017. The trustees have considered the rebuild valuation against local market conditions and consider the rebuild valuation to be a close approximation of market value and have uplifted the investment asset value accordingly. The trustees have valued the investment properties at a current market value of £4,160,345 as at 31 December 2017.

NOTES TO THE ACCOUNTS

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

<b>Historical Cost of Investments</b>	2017	2016
	£	£
UK Unquoted Investment Property	3,566,507	4,424,069
	2,086,955	2,086,955
	<u>5,653,462</u>	<u>6,511,024</u>

<b>Unquoted Investments comprise</b>	2017	2016
	£	£
CBF Property Fund	813,021	1,041,823
CBF Investment Fund	2,529,992	2,831,357
CBF Global Equity Fund	935,648	1,219,674
CBF Deposit Fund	1,448	1,448
DBE Services Ltd	12	12
	<u>4,280,121</u>	<u>5,094,314</u>

In 2005 the diocese purchased 12 ordinary shares of £1 each (now a 1/6<sup>th</sup> shareholding) in DBE Services Ltd. DBE Services Ltd provides services for schools. In 2017 the Diocese's share of the surplus was £70,957 (see note 2).

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

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

	2017	2016
	£	£
Loans to Parishes:		
Value Linked Loans for Curates' properties	<u>-</u>	<u>50,000</u>

**14. Debtors**

	Unrestricted Funds	Restricted Funds	Permanent Endowment	Total Funds 2017	Total Funds 2016
	£	£	£	£	£
Amounts due from parishes	308,087	-	-	308,087	277,609
Sundry debtors	258,201	-	-	258,201	181,802
VLL Loans for Curates' properties	50,000	-	-	50,000	-
Parish and other concessionary loans	96,504	185,345	-	281,849	125,193
Prepayments	172,943	-	-	172,943	375,401
	<u>885,735</u>	<u>185,345</u>	<u>-</u>	<u>1,071,080</u>	<u>960,005</u>

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

	Total Funds 2017	Total Funds 2016
	£	£
Parish and other concessionary loans	<u>265,674</u>	<u>102,199</u>
	<u>265,674</u>	<u>102,199</u>

NOTES TO THE ACCOUNTS

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

	Unrestricted Funds £	Restricted Funds £	Permanent Endowment £	Total Funds 2017 £	Total Funds 2016 £
Bank overdraft	173,450			173,450	308,163
Loans from CCLA	700,000	-	-	700,000	-
Loans from Church Commissioners	77,650	-	-	77,650	-
Sundry creditors	1,796,501	-	-	1,796,501	1,326,814
Accruals	234,863	-	-	234,863	39,504
Deanery Mission and Growth Funds	504,807	-	-	504,807	494,191
Taxation and social security	-	-	-	-	47,817
Clergy Pension Deficit	-	606,000	-	606,000	611,000
Defined Benefit Pension Deficit	-	-	-	-	38,000
	<b>3,487,271</b>	<b>606,000</b>	<b>-</b>	<b>4,093,271</b>	<b>2,865,489</b>

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

	Unrestricted Funds £	Restricted Funds £	Permanent Endowment £	Total Funds 2017 £	Total Funds 2016 £
Loans from Church Commissioners	85,500	-	-	85,500	162,950
Loans from CCLA	-	-	-	-	1,000,000
Loans from CBF	-	1,000	-	1,000	1,200
Clergy Pension Deficit	-	3,635,000	-	3,635,000	4,162,000
	<b>85,500</b>	<b>3,636,000</b>	<b>-</b>	<b>3,721,500</b>	<b>5,326,150</b>

Loans from Church Commissioners are secured on value-linked loan properties, included in fixed assets and are repayable on the sale of the property. There is no fixed repayment date for these. The total interest paid during 2017 was £12,970 at a rate of 7.5%. Loans in respect of curates' properties total £50,000 (2016- £50,000) (see note 13). Loans from CCLA are repayable on a flexible basis within five years. Interest is payable at 0.55% above the daily declared CCLA CBF Deposit Fund interest rate.

**17. Net Incoming / (expenditure) for the year**

	2017 £	2016 £
This is stated after charging: -		
Auditors' remuneration		
Audit – BWMacfarlane	15,827	12,499
Non audit fees (tax compliance services)	390	-
Depreciation	20,516	15,175
VLL Loan Interest Paid	12,970	14,067
Operating Leases – Land & Buildings	75,000	75,000
Operating Leases – Plant and Equipment	8,024	8,024
Interest on bank loans and overdrafts	2,229	1,255
Interest on loans from CCLA	8,421	10,383

NOTES TO THE ACCOUNTS

**18. Guarantees**

The Board has given guarantees to Lloyds Bank for £117,196 (2016: £142,905) and Charitybank for £175,000 (2016 – nil) in respect of loans granted to parishes. These guarantees would crystallise in the event of a default. At the end of the year, capital commitments authorised but not yet contracted for were nil (2016 – nil). Commitments contracted for as at 31 December 2017 were nil (2016 - £91,000).

**19. Pensions**

**(a) Clergy Pensions**

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

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

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

A valuation of the Scheme is carried out once every three years. The most recent Scheme valuation completed was carried out at 31 December 2015. The 2015 valuation revealed a deficit of £236m, based on assets of £1,308m and a funding target of £1,544m, assessed using the following assumptions:

- An investment strategy of:
  - for investments backing liabilities for pensions in payment, an allocation to gilts of 33% from the valuation date until 31 December 2019 and thereafter increasing linearly to 70% by 31 December 2030; and
  - a 100% allocation to return-seeking assets for investments backing liabilities prior to retirement;
- Investment returns of 2.6% p.a. on gilts and 4.6% p.a. on return seeking assets;
- RPI inflation of 3.2% p.a. (and pension increases consistent with this);
- Increase in pensionable stipends of 3.2% p.a.;
- Mortality in accordance with 80% of the S2NMA and S2NFA tables, with allowance for improvements in mortality rates in line with the CMI 2015 core projections with a long term annual rate of improvement of 1.5%.

Following the 31 December 2015 valuation, a recovery plan was put in place until 31 December 2025 and the deficit repair contributions payable (as a percentage of pensionable stipends) are set out in the table below. Contributions since 2015 are shown for reference.

% of pensionable stipends	1 January 2015 to 31 December 2017	1 January 2018 to 31 December 2025
Deficit repair contributions	14.1%	11.9%

NOTES TO THE ACCOUNTS

As at December 2014 and December 2015, the deficit repair contributions payable under the recovery plan in force were 14.1% of pensionable stipends until December 2025.

For senior office holders, pensionable stipends are adjusted in the calculations by a multiple, as set out in the Scheme's rules.

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

	2017	2016
Balance sheet liability at 1 January	4,773,000	5,922,000
Deficit contribution paid	(606,000)	(611,000)
Interest cost (recognised in SoFA)	67,000	140,000
Remaining change to the balance sheet liability* (recognised in SoFA)	7,000	(678,000)
Balance sheet liability at 31 December	4,241,000	4,773,000

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

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

	December 2017	December 2016	December 2015
Discount rate	1.4% pa	1.5% pa	2.5% pa
Price inflation	3.0% pa	3.1% pa	2.4% pa
Increase to total pensionable payroll	1.5% pa	1.6% pa	0.9% pa

The legal structure of the scheme is such that if another employer fails, the employer could become responsible for paying a share of that employer's pension liabilities.

**(b) Staff Pensions**

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

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

**Defined Benefits Scheme**

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

For funding purposes, the DBS is divided into sub-pools in respect of each participating employer as well as a further sub-pool, known as the Life Risk Pool. The Life Risk Pool exists to share certain risks between

NOTES TO THE ACCOUNTS

employers, including those relating to mortality and post-retirement investment returns.

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

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

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

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

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

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

	2017	2016
Balance sheet liability at 1 January	38,000	148,000
Deficit contribution paid	-47,000	-113,000
Interest cost (recognised in SoFA)	0	1,000
Remaining change to the balance sheet liability*(recognised in SoFA)	9,000	2,000
Balance sheet liability at 31 December	0	38,000

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

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

	December 2017	December 2016	December 2015
Discount rate	0.00%	0.00%	1.30%

NOTES TO THE ACCOUNTS

The legal structure of the scheme is such that if another employer fails, the employer could become responsible for paying a share of that employer's pension liabilities.

The next valuation of the scheme is being carried out as at December 2016.

**20. Analysis of net assets by funds as at 31 December 2017**

	<b>Tangible Fixed Assets £</b>	<b>Loans/ Investments £</b>	<b>Net Current Liabilities £</b>	<b>Long-term Liabilities £</b>	<b>Total £</b>
Unrestricted funds	1,112,803	6,072,684	(1,051,431)	(85,500)	6,048,556
Restricted funds	5,712,514	634,987	(420,655)	(3,636,000)	2,290,846
Endowment funds	35,034,821	955,076	-	-	35,989,897
<b>Total</b>	<b>41,860,138</b>	<b>7,662,747</b>	<b>(1,472,086)</b>	<b>(3,721,500)</b>	<b>44,329,299</b>

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

**21. Lease Obligations**

At 31<sup>st</sup> December 2017, Liverpool DBF was committed to making the following payments under non-cancellable operating leases:

	<b>2017</b>		<b>2016</b>	
	<b>Land and Buildings £</b>	<b>Plant and Equipment £</b>	<b>Land and Buildings £</b>	<b>Plant and Equipment £</b>
Within 1 year	75,000	7,248	75,000	7,248
Within 2 to 5 years	300,000	16,308	300,000	23,556
After 5 years	75,000	-	75,000	-

**22. Accumulated funds**

The General fund is unrestricted. In 2010 £170,000 was designated to the Warrington Mission Development Fund from the sale proceeds of a former vicarage. As at 31 December 2017, total designated funds amounted to £84,984.

**Pastoral Account:** The Diocesan Pastoral Account represents the proceeds of redundant churches. These funds, held by the Diocesan Board of Finance, have not yet been applied to the purposes permitted by the Pastoral Measure 1983. The Pastoral Account can be used for the acquisition and development of parsonages and other clergy houses and the provision, restoration, improvement or repair of churches once the legal obligations for redundant church buildings vested in the Board for disposal have been met. When authorised, surplus funds may be transferred to the Stipends Fund Capital Account. When these funds have



## NOTES TO THE ACCOUNTS

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been used to purchase or improve property this has been charged to the Pastoral Account in the year of expenditure. Proceeds of sale have been credited as income in the year of receipt. Where the Board has used the funds to purchase or improve properties in its corporate capacity, these have been included as Fixed Assets in these financial statements.

**Diocesan Stipends Fund (DSF) Capital Account:** The Diocesan Stipends Fund Capital account was set up by the Endowments and Glebe Measure 1976 to provide income for clergy stipends. It represents the accumulated sale proceeds of Glebe property, sale proceeds of parsonage houses and surplus benefice endowments following pastoral reorganisation. The capital can be used for the purchase of Glebe or benefice property though the income can be utilised for stipend purposes. The DSF capital account is disclosed as an expendable endowment in these financial statements.

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

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

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

**Parsonage Building Expendable Endowment Fund:** The Parsonage Building Fund represents resources held for the provision of benefice houses in the diocese. It is represented by the collective value of benefice houses held on suspense by the Church Commissioners. Although benefice houses are vested in incumbents for the time being of the benefice concerned, the Board is obliged to maintain them to ensure that there are sufficient houses for the pastoral structure of the diocese and it receives the sale proceeds of benefice houses surplus to requirements into its Stipends Fund Capital Account or Pastoral Account. The major capital expenditure incurred by the Board is the purchase of new or replacement parsonage houses. If there is insufficient funding for the same held in the parsonage building fund, the balance comes from the Stipends Fund Capital Account or the Diocesan Pastoral Account. The Parsonage Building Fund has been included as an expendable endowment fund in these financial statements.

The Specific Restricted fund includes income and related expenditure for the following:

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

NOTES TO THE ACCOUNTS

22. Accumulated Funds (continued)

	General	Specific Restricted	DBF Property Fund	Pastoral Account	DBE Property Restricted	DSF Capital Expendable Endowment	Parsonage Building Expendable Endowment	Stipends & Ordinands Permanent Endowment	Total
	£	£	£	£	£	£	£	£	£
<b>Movement in Year:</b>									
Total Funds 2016	5,615,270	200,639	1,413,034	-	959,516	1,040,457	34,041,161	955,076	44,225,153
Incoming Resources	10,932,859	472,704	27,665	-	-	184,733	301,203	-	11,919,164
Outgoing Resources	(10,991,685)	(693,489)	(27,665)	-	(140,184)	(184,733)	(348,000)	-	(12,385,756)
Investment Asset									
Gains/losses	570,738	-	-	-	-	-	-	-	570,738
Revaluation of property									
Gains/losses	-	-	-	-	-	-	-	-	-
Transfers	(78,626)	20,146	58,480	-	-	-	-	-	-
Total Funds 2017	<b>6,048,556</b>	<b>-</b>	<b>1,471,514</b>	<b>-</b>	<b>819,332</b>	<b>1,040,457</b>	<b>33,994,364</b>	<b>955,076</b>	<b>44,329,299</b>
<b>Represented by:</b>									
<b>Tangible Fixed Assets:</b>	<b>1,112,803</b>	<b>-</b>	<b>5,712,514</b>	<b>-</b>	<b>-</b>	<b>1,040,457</b>	<b>33,994,364</b>	<b>-</b>	<b>41,860,138</b>
DBF Houses & Glebe	928,840	-	2,242,514	-	-	1,040,457	-	-	4,211,811
DBF Houses VLL	168,090	-	-	-	-	-	-	-	168,090
Parsonages & TV Glebe	-	-	3,470,000	-	-	-	33,994,364	-	37,464,364
Furniture & Fittings	15,873	-	-	-	-	-	-	-	15,873
<b>Investments:</b>	<b>6,072,684</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>634,987</b>	<b>-</b>	<b>-</b>	<b>955,076</b>	<b>7,662,747</b>
CCLA	1,912,327	-	-	-	634,987	-	-	955,076	3,502,390
Investment Property	4,160,345	-	-	-	-	-	-	-	4,160,345
DBE Services Ltd	12	-	-	-	-	-	-	-	12
<b>VLL to parishes</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net Current Assets:</b>	<b>(1,051,431)</b>	<b>-</b>	<b>(606,000)</b>	<b>-</b>	<b>185,345</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1,472,086)</b>
Debtors	885,735	-	-	-	185,345	-	-	-	1,071,080
Bank and Cash (net of overdraft)	599,005	-	-	-	-	-	-	-	599,005
Taxation & Social Security	-	-	-	-	-	-	-	-	-
Sundry Creditors & Accruals	(2,536,171)	-	(606,000)	-	-	-	-	-	(3,142,171)
<b>Liabilities:</b>	<b>(85,500)</b>	<b>-</b>	<b>(3,635,000)</b>	<b>-</b>	<b>(1,000)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(3,721,500)</b>
Loans From CCLA	-	-	-	-	-	-	-	-	-
Loans Church Comms	(85,500)	-	-	-	-	-	-	-	(85,500)
Loans from CBF	-	-	-	-	(1,000)	-	-	-	(1,000)
Clergy Pension Deficit	-	-	(3,635,000)	-	-	-	-	-	(3,635,000)
Defined Benefit Pension Deficit	-	-	-	-	-	-	-	-	-
	<b>6,048,556</b>	<b>-</b>	<b>1,471,514</b>	<b>-</b>	<b>819,332</b>	<b>1,040,457</b>	<b>33,994,364</b>	<b>955,076</b>	<b>44,329,299</b>
<b>Analysis of Reserves:</b>									
<b>General Funds</b>	<b>6,048,556</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>6,048,556</b>
<b>Restricted Funds</b>	<b>-</b>	<b>-</b>	<b>1,471,514</b>	<b>-</b>	<b>819,332</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,290,846</b>
<b>Endowment Funds</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,040,457</b>	<b>33,994,364</b>	<b>955,076</b>	<b>35,989,897</b>
	<b>6,048,556</b>	<b>-</b>	<b>1,471,514</b>	<b>-</b>	<b>819,332</b>	<b>1,040,457</b>	<b>33,994,364</b>	<b>955,076</b>	<b>44,329,299</b>