

# Lichfield Diocesan Board of Finance (Incorporated)

**Annual Report & Accounts  
for the 12 months ended  
31<sup>st</sup> December 2006**

## Contents

Chairman's report	2
Auditors' report	3
Trustees' Annual Report	
Summary Information about the Structures of the Church of England	5
Structure, Governance and Management	7
Reference and Administrative Details of the Board	18
Objectives and Activities	20
Achievements and Performance	22
Financial Review	31
Plans for the Future	40
Statement of financial activities	42
Balance sheet	44
Cash flow statement	45
Notes to the Accounts	
Accounting Policies	47
Income & Expenditure	53
Summary of Fund Movements	57
Remuneration and Employees	59
Tangible Assets	60
Investments	61
Debtors	62
Creditors	63
Summary of Assets per fund	64

## CHAIRMANS LETTER

As the five year financial strategy approved in 2002 comes an end, it is helpful to consider the Accounts for 2006 in the context of that strategy. The thrust of the strategy was to take strong action, including the losing of some 50 posts, and to address significant and rising annual deficits to enable Diocesan finances to be stabilised. The strategy called for future expenditure to be guided by the careful determination of priorities, including the future shape of ministry, and the avoidance of cuts in expenditure across the board. It also imposed an overall annual limit in the annual budget.

The parishes have responded quite magnificently to what was a daunting challenge. Such was the imbalance between income and expenditure that, in the event, cuts did have to be made across the board. As a result many parts of the Diocese were left in a somewhat bruised and debilitated state, and a number of parishes have depleted their reserves to pay their Share. In some areas there may be a need for some rehabilitation in preparation for the next move forward.

During the period the Diocese has also been affected by a number of issues that could not have been fully appreciated in 2002, including the complex issue involving the funding of the clergy pension scheme. On a positive note arrangements have been made with a number of parishes to help put their finances on a sounder footing, and a big move to paying Share regularly by direct debit or standing order. It is hoped that the discussions and actions that have been taken in this area will mean that massive Share arrears will become a thing of the past.

The Board's investment assets continue to be reviewed with the intention of optimising the level of income and the preservation of capital, and the investment returns achieved for 2006 have been gratifying. Last year we received some £1.7 million from the Archbishop's Council. The Board is extremely grateful for this support, particularly as Lichfield is one of the very few Dioceses to receive grants of this magnitude.

Diocesan finances are now at a stage where, although under some strain, income and expenditure are generally in balance. What is important is to move away from considering specific issues in isolation to the consideration of a comprehensive strategy based on the determination of interlocking priorities. If, as we start to look to the future, we can pick up the call in 2002 to build a sustainable strategy underpinned by determining clear priorities the pain of the past five years will have been worthwhile.

On behalf of the Board I would like to thank all Parish Clergy, Churchwardens, PCCs, and especially parishioners, for your tremendous response to the great challenge that faced us all in 2002. There is still work to be done, but if we continue to work together with similar commitment there can be real hope for growth in the Church of England in the Diocese of Lichfield in the years ahead.

Peter Sharpe  
Chairman

May, 2007

## Auditors' report

We have audited the financial statements of Lichfield Diocesan Board of Finance (Incorporated) for the year ended 31 December 2006, which comprise the Statement of Financial Activities, Summary of Income and Expenditure Account, the Balance Sheet, the Cash Flow Statement and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the charity's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the charity's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charity and the charity's members as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of trustees and auditors**

As described in the Statement of Trustees' Responsibilities the trustees (who are also the Directors of Lichfield Diocesan Board of Finance (Incorporated) for the purposes of company law) are responsible for the preparation of the Trustees' Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards. (United Kingdom Generally Accepted Accounting Practice).

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

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the (Companies Act 1985). We also report to you if, in our opinion, the Trustees' Annual Report is not consistent with the financial statements, if the charity has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding trustees' remuneration and transactions is not disclosed.

We read the Trustees Annual Report and consider the implications for our report if we become aware of any apparent misstatements within it.

### **Basis of audit opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the trustees in the preparation

of the financial statements, and of whether the accounting policies are appropriate to the charity's circumstances, consistently applied and adequately disclosed.

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

## **Opinion**

In our opinion the financial statements:

- *give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice of the state of the charity's affairs as at 31 December 2006, and of its incoming resources and application of resources, including its income and expenditure, in the year then ended; and*
- *have been properly prepared in accordance with the (Companies Act 1985)*

DAINS  
Chartered Accountants & Registered Auditors  
140 High Street  
Coleshill  
Birmingham B46 3BJ

June 2007

## **TRUSTEES' ANNUAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2006**

The trustees, who are also Directors for the purpose of company law, present their combined trustees' report and Directors' report, together with the audited financial statements, for the year ended 31 December 2006.

This report refers to the Diocese of Lichfield except for Section 1 and is set out as follows: -

1. Summary information about the structure of the Church of England
2. Structure, governance and management
3. Reference and administrative details of the Diocese of Lichfield
4. Objectives and activities
5. Achievements and Performance
6. Financial review
7. Plans for future periods

### **1. Structure of the Church of England**

#### **Summary Information**

The Church of England is organised as two provinces; each led by an archbishop (Canterbury for the Southern Province and York for the Northern). Each province comprises dioceses of which there are 43 in England. Lichfield Diocese is one of these and belongs to the Southern Province.

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

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

The Church of England is episcopally-led (there are 108 bishops including Diocesan Bishops and Assistant, Area and Suffragan Bishops). It is governed by General Synod as its legislative and deliberative body at national level, making decisions on matters of doctrine, the holding of church services and relations with other churches. General Synod passes measures, which, if accepted by Parliament, have effect of acts of Parliament. It is made up of three groups or houses of members; the House of Bishops, of Clergy and of Laity, and meets in London or York at least twice annually to consider legislation for the broader good of the Church.

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

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

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

The Church Commissioners manage the historic assets of the Church of England, spending most of the income on pensions for the clergy. The costs of Episcopal administration through the Diocesan, Area and Suffragan Bishops are met by the Church Commissioners.

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

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

### **The Cathedral**

Lichfield Cathedral is the mother church of the diocese and is legally constituted as a separate charity currently exempt from Charity Commission registration and supervision. Copies of the trustees' report and financial statements for the Cathedral may be obtained from the Office of the Dean and Chapter, The Close, Lichfield.

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

## 2. Structure, Governance and Management

### Company status

The Board was incorporated as a company on 14<sup>th</sup> May 1929 with company number 239561 in accordance with the Diocesan Boards of Finance Measure 1925. It is a company limited by guarantee not having a share capital and is registered as a charity with charity number 1107827.

It is governed by its Memorandum and Articles of Association as amended by Special Resolutions dated 28<sup>th</sup> April 1960, 6<sup>th</sup> February 1968, 18<sup>th</sup> June 2003 and 13<sup>th</sup> March 2004.

### Principal activities

The principal activity is to promote assist and advance the work of the Church of England in the Diocese of Lichfield and elsewhere, by acting as the financial executive of the Diocesan Synod. It oversees the resourcing of ministry within the Diocese and the financing of the work of the various diocesan bodies (constituted under ecclesiastical statute or established voluntarily by the Bishop and Diocesan Synod), which also have the object of advancing the aims of the Church of England in the Diocese and elsewhere.

There has been no change in those activities during the year.

### Organisation

The Board and the Diocesan Synod share a common membership. The Board's Directors also form the Bishop's Council, which acts as the Standing Committee of the Synod. Its membership is part ex-officio, part elected: elections are held every three years, the last occasion being in October 2006.

### Membership

Chairman	Mr P Sharpe
Deputy Chairman	The Revd Preb A Harper (to Oct 06) The Venerable J Hall (from Oct 06)

### Ex-Officio members

The Diocesan Bishop	The Rt Revd J Gledhill
The Bishop of Wolverhampton	The Rt Revd M Bourke (to 31 Dec 06)
The Bishop of Stafford	The Rt Revd G Mursell
The Bishop of Shrewsbury	The Rt Revd Dr A Smith
The Archdeacon of Lichfield	The Venerable C Liley
The Archdeacon of Walsall	The Venerable R Jackson
The Archdeacon of Salop	The Venerable J Hall (see Deputy Chair)
The Archdeacon of Stoke	The Venerable G Stone

General Synod representatives

The Venerable J Hall*	Mr D Beswick
The Revd P Farthing	Mr J Clark
The Revd M Gilbert	Mrs W Kinson
The Revd M Hobbs	Mrs J Monckton
The Revd M Ireland	Mr W Nicholls
The Revd R Moy	Mr C K Tan
	Mr J Wilson

\* Also ex-officio

**Elected members**

Each Deanery Synod elects 1 clergy and 1 lay member who are members of the Diocesan Synod. 1 additional clergy and 1 additional lay member (who need not be members of the Diocesan Synod) are elected from each of the 18 Deaneries, which have the largest electoral rolls.

**Lichfield Archdeaconry**

Lichfield	The Revd J Allan	Mrs A Cox
	The Revd R Bailey (to Oct 06)	Mr E Green (from Oct 06)
	The Revd R Bull (from Oct 06)	Mrs J Hope (from Oct 06)
Penkridge	The Revd M Jefferson	Mrs P Leake
	The Revd P Kelly (from Oct 06)	Mr C Miller (from Oct 06)
	The Revd P Lister (to Oct 06)	Mr N Rutter
	The Revd C Polhill (to Oct 06)	
	The Revd E Snowden	
Rugeley	The Revd D Baker	Mr M Cadwallader
	The Revd Preb A Harper	Mr R Davis
Tamworth		Mrs A Fletcher
		Mrs G Hodges (to Oct 06)
		Mrs G Taylor (from Oct 06)
	The Revd S C Davis	Mrs C J Brown
	The Revd L Farrington (from Oct 06)	Mrs J Francis
	The Revd N Hibbins	Mr G Joynson MBE (from Oct 06)
	The Revd J Leonardi (to Oct 06)	Mrs G Joynson
		Mr A Taylor (to Oct 06)
	The Revd D Thomas (to Oct 06)	Mr D Prichard
	The Revd A Barrett (to Oct 06)	Mr B Tipping
	The Revd I Cardinal	Mr C Westbrook (from Oct 06)
	The Revd D McDonough	
	The Revd I Murray	
	The Revd V Van Den Bergh (to Oct 06)	

**Salop Archdeaconry**

Edgmond/Shifnal	The Revd D Butterfield	Mr A Clarke (to Oct 06)
	The Revd Preb Dr D Chantrey	Mr D Beddows
	The Revd J Cowburn (to Oct 06)	Mr N Burn

<p>Lichfield Diocesan Board of Finance Annual Report &amp; Accounts for the year ended 31<sup>st</sup> December 2006</p>
--

Ellesmere	The Revd G Fowell (to Oct 06)	Mr A Charles (from Oct 06)
	The Revd E Ward (from Oct 06)	Mr M Osborn (to Oct 06)
	The Revd P Edge	Mr D Griffiths (from Oct 06) Mrs D Harrison (from Oct 06)
Hodnet	The Revd C Beech (from Oct 06)	Mr R W Currell
	The Revd M Hayes (from Oct 06)	Mrs E Perkins (to Oct 06)
Oswestry	The Revd A Leighton (to Oct 06)	Mr K Woods (to Oct 06)
	The Revd P Darlington (from Oct 06)	Mr P Crosby (to Oct 06)
	The Revd S Mowat	Mr M Davie
	The Revd D North RD	Mrs I Gull (from Oct 06)
Shrewsbury	The Revd C Penn	Mrs J Kicman (to Oct 06)
	The Revd J Davies (to Oct 06)	Mrs R Friend
	The Revd R Goldenberg (from Oct 06)	Mrs J Jones (from Oct 06)
	The Revd Preb K Roberts	Mrs G Leah (from Oct 06)
	The Revd R Spencer	Mrs V Lawson (to Oct 06)
	The Revd M Thomas (to Oct 06)	Mrs M Marston Mr L Smith
Telford	The Revd P Lawley	Mr D Broome
	The Revd Preb M E Potter (to Oct 06)	Mrs R Chaplin
	The Revd V Sweet RD	Mrs J Cook Mrs V Fletcher
Wem & Whitchurch	The Revd D Baldwin	Mrs J Baldwin
	The Revd A Ridley RD (to Oct 06)	Mr C Corbet (from Oct 06) Mrs E Hodge (to Oct 06) Mr J Roberts
Wrockwardine	The Revd P Cawthorne (to Oct 06)	Mrs M Bleach
	The Revd C Deakin (from Oct 06)	Mr A Osbourne
	The Revd G Goodwin	

### Stoke Archdeaconry

Alstonefield	The Revd A Burton RD	
	The Revd D Nicol (from Oct 06)	
	The Revd C Scargill (to Oct 06)	
Cheadle	The Revd J Foulds (to Oct 06)	Mr P Bowran
	The Revd J Humphreys	Mrs J Price
	The Revd Preb L Price (from Oct 06)	Miss B Stubbs
	The Revd M Turner (to Oct 06)	
Eccleshall	The Revd A Hetherington	Mrs N Eyre-Walker (from Oct 06)
	The Revd Preb M Walker (to Oct 06)	Mr C Jones (from Oct 06)
	The Revd J Graham (from Oct 06)	Mr D Lawton (to Oct 06) Mrs M Winfield
Leek	The Revd P Beckett (to Oct 06)	Mr M Davies (from Oct 06)
	The Revd M Leigh	Mr K Oliver Mrs J Pearson (to Oct 06) Mr S Slatcher Mr D Wright

Lichfield Diocesan Board of Finance Annual Report & Accounts for the year ended 31 <sup>st</sup> December 2006
---

Newcastle	The Revd S Ansell The Revd J Eades The Revd G Gardiner RD The Revd C Lack (to Oct 06)	Prof W Fuller Mr C Gill (from Oct 06) Miss R Lobban Mrs J Locke (from Oct 06) Mr R A Tribbeck
Stafford	The Revd E Evans The Revd Preb P Jeffries (to Oct 06) The Revd J Sterling (to Oct 06)	Mrs M Austen Mr B Kidson (to Oct 06) Mrs B Metcalf Mr M Moss
Stoke North	The Revd A Buik The Revd R Clark (from Oct 06) The Revd R Grigson (to Oct 06) The Revd S Pratt (from Oct 06) The Revd J Waters The Revd B L Williams (to Oct 06)	Mr D Cotton (to Oct 06) Mrs D Roughton (from Oct 06) Capt T Rourke (from Oct 06) Miss B Warburton (to Oct 06)
Stoke	The Revd D Cameron The Revd Dr D Heywood (to Oct 06) The Revd D Lingwood (from Oct 06)	Mr G Baynham Mr S Rushton
Stone	The Revd B Brewer RD The Revd P Dakin The Revd W Smith (to Oct 06)	Mr I Forster Dr P Graetz Mr C Steed (to Oct 06) Mr B Fletcher (to Oct 06)
Tutbury	The Revd G Crowe (to Oct 06) The Revd N Irons (from Oct 06) The Revd I Whitehead The Revd A Wood RD	Mrs S Clegg (to Oct 06) Mrs M Fitchett Mrs N Lloyd Mrs C Webster Mr J Wedd (from Oct 06)
Uttoxeter	The Revd V Evans RD The Revd D Stone The Revd E Whittaker	Mrs J Gent Mr D Sargeant Mrs J Ward

### Walsall Archdeaconry

Trysull	The Revd P Brown The Revd D Newsome The Revd Preb F Williams RD (to Oct 06)	Mrs P Allen Mrs L Liffen (from Oct 06) Mr R Pithers (to Oct 06)
Walsall	The Revd S Bickersteth (from Oct 06) The Revd R Cornfield (to Oct 06) The Revd J Hill (from Oct 06) The Revd E Jordan (to Oct 06) The Revd S Kirby (from Oct 06) The Revd K Lowther (from Oct 06) The Revd C Ramsay (from Oct 06) The Revd M Rutter (from Oct 06)	Mr B Powell (to Oct 06) Mr C Randles Mrs S Tilt (from Oct 06) Mr P Arnold (to Oct 06) Mr T Bunn Mrs D Carter (from Oct 06) Mr G Eardley (from Oct 06) Mr S Harrison (to Oct 06) Dr K Masters (from Oct 06) Mr C D Partridge (to Oct 06) Mr D Perkins Mrs E Rawling

<p>Lichfield Diocesan Board of Finance Annual Report &amp; Accounts for the year ended 31<sup>st</sup> December 2006</p>
--

Wednesbury	<p>The Revd R Inglesby The Revd D Marsh The Revd K Palmer The Revd N Perkinson (from Oct 06) The Revd G Warren (to Oct 06)</p>	<p>Mr E Bellingham Mrs A Dent Mrs P Marsh</p>
West Bromwich	<p>The Revd D Hart The Revd P Sellick The Revd M Smallman</p>	<p>Mrs H Bloxham Mrs W Boyko (to Oct 06) Mrs C Pegler (from Oct 06)</p>
Wolverhampton	<p>The Revd G Bennett The Revd R Carter The Revd P Cardwell (to Oct 06) The Revd R Espin-Bradley The Revd D Frith (from Oct 06) The Revd P Hawkins (from Oct 06) The Revd K Johnson (to Oct 06) The Revd S Mansfield (from Oct 06) The Revd Preb O Smith (to Oct 06)</p>	<p>Mr D Bennett Mr J Broadhurst (to Oct 06) Mrs M Nicholls (from Oct 06) Mr J Sturgeon (from Oct 06) Mr E Wedge (from Oct 06) Mr S Weston (from Oct 06)</p>

### Nominated members

The Revd I Williams (Chair of Diocesan Pastoral Committee) (to Oct 06)  
 Mr M Natrass (Chair of Lay Assessors) (to Oct 06)  
 Mr D Harman (Chair of BBC)  
 Mrs R Walker (Mothers' Union nominee) (to Oct 06)  
 Mr M Davis (Leek Deanery) (to Oct 06)  
 Mr J R L Hill (Chief Accountant)  
 Miss S Booth (to Oct 06)  
 Mr G L E Locke (to Oct 06)  
 Mrs J Pearson (Mothers' Union nominee) (from Oct 06)

## Decision Making Structure

Diocesan Synod has delegated the following functions to the Board of Directors/Trustees (Bishop's Council) : -

- Planning the business of Synod including preparation of agendas and papers
- Initiation of proposals for action by the Diocesan Synod and provision of policy advice
- Transacting the business of the Diocesan Synod when not in session
- Management of the funds and property of the Diocese
- Preparation of annual estimates of expenditure through the Budget
- Advising on action needed to raise income necessary to finance expenditure
- Oversight of expenditure by bodies in receipt of Diocesan Synod's funds against estimates of expenditure approved by Diocesan Synod
- Advising Diocesan Synod of the financial aspects of its policy and on any other matters referred to it
- Appointing members of committees or nominating members for election of committees, subject to the directions of Diocesan Synod
- Carrying out any other functions delegated by Diocesan Synod

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

## Bishop's Council

The members of the Bishop's Council are the Board of Trustees. Bishop's Council consists of 12 ex officio members, including the Diocesan and 3 Area Bishops and the four Archdeacons, 8 clergy elected by the house of clergy from among their members and 12 lay persons elected by the members of the house of laity representing deaneries, 1 co opted member and a maximum of 3 members nominated by the Diocesan Bishop.

## Committee Structure

*Finance and Central Services Committee:* - oversees the Day to day financial activity which receives regular reports on Parish Share receipts, liquidity, staffing levels and both capital and revenue expenditure. The Committee also oversees the Budget process and assists in submitting the Diocesan Budget and Annual Financial Statements to the Board of Directors (Trustees).

The following are sub committees of the Finance and Central Services Committee: -

*Benefice Buildings Committee (Statutory)*, which is responsible for determining policy and making major decisions concerning the management of parsonage houses in each benefice, including setting the policy for repairing and maintaining all parsonage team vicarages and houses owned by the Board. It also makes recommendations to the Investment Advisory Working Group (see below) concerning the purchase and disposal of all houses owned by the Board.

*Glebe Committee (Statutory)*, which is responsible for determining policy and making decisions concerning the management of Glebe Land. It also makes recommendations to the Investment Advisory Working Group concerning the investment of land and annual returns of such investments for the benefit of the diocesan Stipends Fund of the Diocese.

*Investment Advisory Working Group*, which is responsible for overseeing all the Investments and Assets of the Board in order to ensure that the reserves of the Board act efficiently and to the best benefit of the Diocese, both in the short term and medium to long term.

*Lay Assessors Committee*, which is responsible for the oversight of the Parish Share formula. This includes making recommendations the management of arrears and continued management of the current Parish Share formula.

*Church Buildings Committee*, which is responsible for the management of loans to parishes required to either maintain or improve both Church Buildings and Halls.

*Risk Management Committee*, which is responsible for identifying and monitoring risk to the organisation.

*Pay and Conditions Committee*, which is responsible for looking at the working conditions & remuneration of Lay Staff and Central Sector Ministry.

In addition there are other Statutory Committees that report directly to Diocesan Synod: -

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

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

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

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

In addition there are two other Committees, which consider the applications for Grants from the respective funds as follows: -

*Faith in the City Action Committee*, which is responsible for the management of Grants from the Lichfield Church Urban Fund and for forwarding applications to the National Church Urban Fund. The Committee report annually to the Trustees of the Fund – the Bishop’s Council. Grants are awarded to Urban Parishes towards projects aimed on sustaining growth and furthering the work of the church.

*Growth Fund Committee*, which is responsible for the distribution of grants from the Diocesan Bishop’s Mission Fund. Grants are awarded to parishes to assist with growth in the Parish or Area of Work and encourage new and/or Fresh Expressions of Faith.

### **Appointment of Trustees (Directors)**

Trustees (and therefore Directors) are appointed by election every three years, with the exception of the ex-officio members. The last election was in October 2006.

Trustees were given induction training at the first meeting of the new triennium and receive on going training as appropriate. Some senior staff have job titles incorporating the title “Director”, but they are not Directors of the Company for the purpose of company law.

### **Statement of Directors’ Responsibilities**

Company law requires the Directors to prepare financial statements for each financial year, which give a true and fair view of the state of affairs of the company and of the surplus or deficit of the company for that period. In preparing those financial statements, the Directors are required to:-

- Select suitable accounting policies and then apply them consistently.
- Make judgements and estimates that are reasonable and prudent.
- State whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements.
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue.

The Directors are responsible for keeping proper accounting records which disclose, with reasonable accuracy at any time, the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors may derive no benefit, income or capital interest from the company's affairs other than the reimbursement of out of pocket expenses. Some clergy who are ex-officio or elected members are paid a stipend funded by the Board and provided with housing at the expense of the Board in their capacity as diocesan clergy.

### **Related Parties**

The Board has to comply with Measures passed by General Synod of the Church of England and is required to make certain annual payments to the Archbishops' Council towards the running costs of the National Church. The stipends of the Diocesan and Area Bishops are borne by the Church Commissioners and are therefore not included in these Financial Statements.

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

The Diocese is required by Measure to be custodian trustee in relation to PCC Property and certain endowment Trust funds but the Board has no controls over PCC's, which are independent charities. The Diocese has a separate Company called the Lichfield Diocesan Trust that operates as custodian trustee in these circumstances. The administration costs of the Diocesan Trust are borne by the Board and these administration costs are shown in the financial statements. However the accounts of PCCs and deaneries do not form part of these financial statements.

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

### **Subsidiary undertakings**

The Board has no trading or other charitable subsidiary companies as at the year-end, nor were there any plans so to undertake.

### **Connected charities**

The Directors and Trustees of the Board consider the following to be connected charities: -

Lichfield Diocesan Board of Education – a registered charitable company, which has responsibility for 207 Church schools across the diocese, provides pastoral and professional support to all its schools and has a particular commitment to enhancing the quality of provision for religious education,

collective worship and spiritual, moral, social and cultural development of all pupils. The Board of Education also helps to promote this work through a Trading Subsidiary that operates a Service Level Agreement. Only the grant paid to the Board of Education is enclosed within these financial statements.

Lichfield Diocesan Trust – a registered charitable company that acts as Custodian Trustee on behalf of the Diocese as stated above. Only the grant given to the trust to cover Administration costs is included in the financial statements. The Diocesan Trust also operates a central Gift Aid Department to assist parishes in reclaiming Gift Aid. Again only the costs of administering the scheme and commission received is enclosed in these financial statements.

Another connected charity with which the Board co-operates in pursuit of its charitable activities is: -

Mercian Trust – a separate registered charitable company, with a trading subsidiary called Mercian Trust Trading. The purpose of the company is:  
*“to provide access to human and financial advice and resources to help the Parishes of the Diocese of Lichfield and the people of the communities they serve to develop projects which will provide facilities to address the issues of exclusion, isolation and exploitation of people from all walks of life who are oppressed by poverty, regardless of colour, race or creed.”*

Although the Board has no financial investment in the company it provides certain Senior Staff to act as Trustees and Directors of the company.

## Pension Scheme

The Church of England Pensions Board administers pension arrangements for the Clergy and Lay Staff. The schemes operated are non-contributory pension schemes and the financial statements show the contributions made in the year for the individuals concerned.

1. **Church of England Funded Pensions Scheme:** - The Lichfield DBF participates in this scheme, available for clergy and licensed lay workers. Currently the Diocese has 318 members in the scheme out of a total membership of approximately 10,000 active members.

The Church of England Funded Pensions Scheme is a defined scheme but the Lichfield DBF is unable to identify its share of the underlying assets and liabilities – each person in the scheme pays a common contribution rate. The latest valuation of the Scheme was carried out as at 31 December 2003. This revealed a shortfall of £91m, with assets of £196m and a funding target of £387m, assessed using the following assumptions:

- Investment return 6.8%pa
- Increase in pensionable stipends 3.8% pa
- Pension increases 3.8% pa

For schemes such as the Church of England Pensions Scheme, paragraph 9(b) of FRS 17 requires the Board to account for pension costs on the basis of

contributions actually payable to the Scheme in that year. Following the results of the valuation, the Board's contribution rate increased from 29.5% to 33.8% of pensionable stipends with effect from 1<sup>st</sup> April 2005.

Following a subsequent informal review of the Scheme's funding position, the Board's contribution rate increased again to 39.8% of pensionable stipends with effect from 1<sup>st</sup> January 2007 as an interim measure, pending the results of the next formal valuation of the Scheme as at 31<sup>st</sup> December 2006.

**2. Church of England Defined Benefits Scheme (DBS):-** The Board participates in the DBS, for the lay staff and is part of the Church Workers Pension Fund.

The Board is unable to identify its share of the underlying assets and liabilities as each employer is exposed to actuarial risks associated with the current and former employers of other entities participating in the DBS. A valuation of the Fund was carried out as at 31<sup>st</sup> December 2004 and the Board's contribution rate was revised to 29.66% with effect from 1<sup>st</sup> January 2006. At 31 December 2006 the Board had 41 active members and 29 deferred pension members in the Fund.

### **Risk Management**

In order to identify the major risks to which the Board is exposed a full risk assessment review has been carried out under the headings of Governance & Management, Operations, Financial, Environmental/External Factors and Compliance with Law & Regulation. A detailed risk register has been compiled and a total of 97 potential risks assessed as to the likelihood of their happening and the potential impact on the Board were they do so. Existing and new control systems have been identified to limit these risks and these have been documented in the risk register. The Directors have approved this document and are able to confirm that they are satisfied that adequate control actions and monitoring processes are in place to mitigate the charity's exposure to major risks.

The Risk Management Committee review the risk register periodically and report to the Directors and Trustees annually whether it is satisfied with its findings and makes recommendations as to areas for further work in subsequent years.

### **Auditors**

The Auditors, Messrs. Dains, will retire at the Annual General Meeting and offer themselves for re-appointment. A resolution to reappoint Dains as auditors to the company and to authorise the Trustees to fix their remuneration will be proposed at the Annual General Meeting.

By Order of the Board

David R Taylor  
Diocesan Secretary

Peter Sharpe MBE  
Chairman

### 3. Reference and Administrative Details of the Board

In accordance with the Companies Act 1985 and the Statement of Recommended Practice: Accounting and Reporting by Charities issued in March 2005 (SORP 2005), the trustees (for the purpose of charity law) and Directors (for the purpose of company law) during the year and as at the date of signing follow: -

<b>President:</b>	The Bishop of Lichfield
<b>Chair</b>	Mr P Sharpe (Chairman)
<b>Vice Chair</b>	The Revd Preb A Harper (to Oct 2006) The Archdeacon of Salop (from Oct 2006)
<b>Ex – Officio</b>	The Bishop of Shrewsbury The Bishop of Stafford The Bishop of Wolverhampton The Dean of Lichfield The Archdeacon of Lichfield The Archdeacon of Stoke-upon-Trent The Archdeacon of Walsall Mr R Bruce (to Jul 06) Mr R Kirby (to Jul 06) Mrs E Townsend
<b>Elected</b>	The Revd Preb K Roberts RD (to Nov 06) The Revd A Barrett (to Nov 06) The Revd D Butterfield RD The Revd D Frith (from Nov 06) The Revd Preb G Gardiner (from Nov 06) The Revd R Goldenberg (from Nov 06) The Revd S Kirby (from Nov 06) The Revd E Snowden (from Nov 06)  Mr D Beswick (from Nov 06) Miss S Booth (to Nov 06) Mr P Bowran Mr T Bunn Mrs D Carter (from Nov 06) Mr J Clark Mr C Corbet (from Nov 06) Mr R Currell Mr G Joynson MBE (from Nov 06) Mrs W Kinson Mr G Locke (to Nov 06) Mrs M Marston (to Nov 06) Mrs J Monckton (to Nov 06)

Mr W Nicholls (from Nov 06)  
Mr D Perkins  
Mrs J Price  
Mr L Smith (to Nov 06)  
Mr J Wilson

**Nominated by the Bishop** Mrs J Beedon

### Principal Officers & Advisers

Company Secretary Mr D R Taylor M.A. M.Phil. LL.M (Canon Law) MIMgt.  
Chief Accountant Mr J R L Hill FCMA

**Registered office:** St Mary's House The Close Lichfield Staffs WS13 7LD  
**Auditors:** Dains 140 High Street Coleshill Birmingham B46 3BJ  
**Bankers:** Lloyds Bank PLC 22 Conduit Street Lichfield Staffs WS13 6JS  
**Legal advisers:** Manby, Steward Bowdler, 1 St Leonard's Close Bridgnorth  
Shropshire WV16 4EL  
**Investment Advisers:** CCLA Investment Management Ltd 80 Cheapside  
London EC2V 6DZ  
EFG Harris Allday, 33 Great Charles Street,  
Birmingham.  
**Surveyors:** Wood Goldstraw & Yorath Churchill House Regent  
Street Hanley Stoke-on-Trent ST1 3RH  
**Insurers:** Ecclesiastical Insurance Group Beaufort House  
Brunswick Road Gloucester GL1 1JZ

## 4. Objectives and Activities

The Lichfield DBF aims to promote, facilitate and assist with the work and purposes of the Church of England for the advancement of the Christian faith in the Diocese of Lichfield and elsewhere.

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

The key activities over the last twelve months included supporting Mission and Ministry across the Diocese in all the parishes, both encouraging growth and introducing fresh expressions of faith, assisting with individual and clusters of Mission Action Plans to enable the growth of the future church.

The support of Mission and Ministry within parishes included all clergy training, housing, stipends, pension and all other expenditure supporting parish-based ministry. In addition the Board also continued to support the Central Church by making its required contribution in full to the National Church Institutions.

In order for the Diocese to maintain a sound financial structure a new financial strategy was introduced in October 2002 to take into consideration the decline in Parish Share receipts the Diocese was facing in the preceding years.

### Parish Share

The largest source of diocesan income is from parishes in the Diocese. An individual parish contribution (or 'Parish Share') is calculated by means of a formula, which considers (amongst other things) the size of congregation and the relative wealth of the area. The principle of the Parish Share is not necessarily related to whether or not a parish has a full-time Incumbent but rather to the overall mission of the Church of England in the geographical area covered by the Diocese. This enables the Church to maintain a presence and to offer Christian ministry in those areas which would otherwise not be able to support such work.

Over the last few years, particularly because of its liability to fund pensions, the National Church has transferred over £80m of costs to dioceses and thus to parishes. These costs have been mainly in the form of Employers' National Insurance and clergy pension costs for post-1998 liabilities. Although the Board has endeavoured to spread the full impact of such costs over a period of years, it is clear that some parishes are finding it difficult to pay their Parish Share in full. Outstanding amounts due from parishes grew significantly between 1997 and 2002 to a level of £2.5m.

The consequences of a shortfall in Parish Share receipts and the uneven pattern of payments throughout the year have a direct impact on the finances of the Board, particularly its cash flow. Consistent payment and receipt trends

are essential if the scale of Diocesan activity in the parishes is not to be further reduced from its present level.

In light of this a new Financial Strategy, approved by Synod and introduced in October 2002, was designed to ensure the Diocese operated at an affordable and sustainable level. It was agreed to implement a new strategy for five years to run from 2003 to 2007, where the Parish Share increase would not exceed 4% in any one year. It was hoped that actual receipts from the parishes would increase by 5% per annum, thus closing the gap between the amount requested and the amount received significantly each year with a planned break even or 100% collection during the course of 2007.

However, as the strategy did not assume a break-even or 100% collection rate for a further five years, it was anticipated that Parish Share Arrears would peak at £3.2m in 2006.

As part of the overall Diocesan Strategy, entitled "Going for Growth" a change to the Parish Share formula has been suggested. More details of this are given under Future Developments on page 40.

### **Statutory Functions**

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

## 5. Achievements and Performance

### Plans and Achievements in 2006

#### During 2006 the Board of Finance planned to: -

- Ensure the final stage and full implementation of Aspiration 2 in respect of Clergy stipends
- Maintain the average Parish Share receipts from 2003 at a minimum of 5%
- Retain the Budget request of Parish Share from parishes at 4% until 2007 (inc)
- Collect 96% of the current year Parish Share requested by January 2007
- Introduce an alternative method of collecting the Parish Share
- Ensure Unrestricted Expenditure did not exceed £13,592,097
- Use £331,932 from reserves to enable the Board to implement future budgets against an agreed percentage of Parish Share receipts (96%)
- Reduce Stipend numbers by six to 331
- Take eight new curates in 2006
- Increase Investment Income and Growth above the rate of inflation
- Increase the Restricted Reserves by £5m to assist in generating income to meet future Pension costs from 2007 onwards, through the sale of surplus housing.

#### During the year the Board has: -

- Increased clergy stipends by 5.4% to fully implement Aspiration 2 (to increase the stipends from a differential of 1.05 to 1.10 of the National Minimum stipend)
- Increased Unrestricted Reserves from £1.03m to £2.018m
- Increase Free Reserves to £1.785m equivalent to 2 months Family Purse.
- Introduced a bid system for the Parish Share on a trial basis. It was hoped for a maximum of four deaneries would experiment in 2007, at present two may well trial the new system in 2008.
- Taken on 7 new curates, and reduced the overall stipend posts by six throughout the year
- Seen a total return of 12.41% in its Investments - see Investment Performance
- Raised by the end of the year £1.16m towards the £5m target increase in restricted funds.

### Operational performance

By the end of January 2007, the diocese had received 96.55% of the requested Parish Share in the year and has met all of its financial obligations to continue resourcing diocesan needs as these arise, including support of the

Ministry, provision of well-maintained houses for clergy, meeting national church responsibilities, and enriching and facilitating many other aspects of church life throughout the diocese of Lichfield, such as retreats and cultural and spiritual gatherings.

In respect of the overall Parish Share receipts and the aim to average an increase of 5% over the five years from 2003 to 2007, by the end of 2006, the average increase in receipts stood at 7.77%.

In spite of increasing costs, in particular pensions, it has managed to maintain the rate of increase in Parish Share in 2006 and in 2007 at 4%, without reducing the number of budgeted stipendiary posts beyond those anticipated in the financial strategy.

### Reserves Policy

When forming the reserves policy, the Board has to take into consideration that the Reserves serve fundamentally two purposes. Firstly the level of reserves retained generates income that helps with additional income throughout the year, thus releasing some of the burden on the parishes. Secondly, there needs to be sufficient reserves available to assist with the erratic cashflow that is experienced throughout the year.

The Board has considerable responsibilities including the remuneration of over 300 parochial stipendiary clergy, the upkeep of over 400 houses and the employment of over 50 full or part time staff.

The Board has identified in its risk management review that it is heavily reliant on Parish Share contributions and suspects that parishes may find it increasingly difficult to maintain the required level of payment. It was therefore important that the DBF adopted a reserve policy that takes cash flow into consideration.

Approximately 75% of the income available for day-to-day activities is financed from the Parish Share, and only 5% from Investment Income. In the early months of recent years receipt of Parish Share has fallen up to two months in arrears, although last year this improved significantly to one month in arrears. As the Board is not an organisation that can raise additional funds at short notice, it was decided that a free reserves policy of the equivalent to two months Parish Share (i.e. £1.786m) be adopted with immediate effect. The Free Reserves are represented as follows:-

Investments	£ 40,010
Current Assets	£2,509,966
Less current liabilities	<u>(£764,323)</u>
Free Reserves	£1,785,653

It is anticipated that this level of reserve will be maintained and possibly slightly increased by ensuring future budgets represent breakeven scenarios, and increasing income received through investments etc from Designated funds.

For many years the Board has operated well below this level of reserve. However the recent financial strategy and an excellent response from the parishes in ensuring a higher percentage of Parish Share is paid in the year, has enabled the Board to start moving forward on a more sustainable footing. In addition to the unrestricted free reserve, the majority of other funds under the Board's control come under the *Restricted* category and as such do not form part of the Board's *free* reserves. However there are two Restricted funds that support annual income for day to day activities namely:-

#### *Pastoral Fund (Restricted Fund)*

Under the Pastoral Measure 1983 section 78(3) dioceses are allowed to use this fund for the repair of parsonage houses and for the payment of clergy stipends. It is the Board's policy to apply the fund as follows:

- a) invest liquid assets with the income from which will support the Parish Share;
- b) expend £0.4m from 2005-7 to support the provisional shortfall in the Parish Share;
- c) retain the balance to cover expenditure for other liabilities of the Pastoral Fund such as redundant churches' costs and the purchase of new houses for clergy as well as covering any shortfall on the Ashworth/Lowe Stipends Fund.

#### *Diocesan Stipends Fund (Restricted)*

In accordance with the Diocesan Stipends Fund Measure 1953, as amended by Section 9, 35(1) and (2), 47 (4) and schedule 8 of the Endowments and Glebe Measure 1976, and various other later measures, the reserves in the Diocesan Stipends Fund (or Stipends Capital) must be retained with the income made available towards meeting the cost of the Clergy Stipends in the year. Therefore the income generated assists with reducing the burden on the parishes through the amount required in Parish Share.

This fund is also used for purchasing Curates Houses and Team Vicarages, and it receives the proceeds of sales of any Glebe Land.

In order to try to increase the income available to the Board and meet the increasing financial liability the Board is facing through pension increases and recent stipend increases, it has been agreed that an additional £5m would be raised by 2007 through the sale of excess housing stock. As at the end of 2006, a total of £1.163m had been raised.

## Designated Funds

Apart from the *Unrestricted* fund, the other funds considered as part of the Board's reserves are the *Designated* Funds. These are reserves that have been "ring fenced" for specific purposes, although the Directors of the Board have discretion at any time to transfer the reserves back to the Unrestricted Category.

However these Designated Funds have on the whole originated either from specific events or are part of historical financial policies to protect and further the work of the Board. In accordance with the Accounting Regulations the Board is required to express the purposes of each of the Designated funds and these are as follows: -:

### 1. *Ashworth/Lowe Stipends Fund (Designated Fund)*

This fund arose from two legacies left to the Board for general purposes and a stipends reserve fund created originally to hold sufficient funds in cash or 'near cash' to cover the cost of 6 months' clergy stipends, National Insurance and pensions. In light of the new Free Reserves Policy, it was deemed that the current valuation of both this fund and the Fothergill Bequest (see below) of 4.8 months would be sufficient. This is a change in policy and it is hoped through revaluations of Investments this level of reserve will be maintained and any surplus funds may be transferred to Free Reserves to assist in maintaining the new two month Family Purse requested policy. In addition to providing the Board with a contingency fund this fund also produces an appropriate level of investment to generate a required amount of income to assist with the Diocesan Budget income.

As these funds are all in Investments the Board recognises the risk of the valuation falling in any one particular year, and it is therefore important that the Pastoral Fund Reserve is retained with a high level of accessible reserves.

### 2. *Chairman's Fund*

This small fund assists in giving annual grants to Clergy and their family towards the cost of holidays. The Diocesan Bishop Discretionary Account and an Annual grant from the Queen Victoria Clergy Fund support the fund.

### 3. *Pension Provisions Fund*

This fund arose from the surpluses of previous years, predominantly in 1994, and was created to help with the absorption of the clergy pension costs over a period of time, thus reducing the burden on parishes. It was agreed in March 2005 that the income generated from the balance of the reserves be made available to the Diocesan Bishop's Growth Fund.

*4. DBF Designated Houses Fund.*

The fund is represented by property purchased from Unrestricted Funds, including providing housing for Deserted Clergy Spouses. There are twelve properties in this class, of which the fund has less than 50% interest in seven properties, four of which are majority owned by the Church Commissioners via an Equity Sharing Loan. Details of the Loan Agreements are shown under Accounting Policies Section 2b on page 50.

*5. ABC Parish Mission (Church without Walls)*

This fund represents the funds placed towards the Church Without Walls project in the Stoke and Newcastle Deaneries. The money originates from the initial Mission Fund Grant in 2001 and 2002 from the Archbishops' Council and represents the balance from the one third agreed to be offset to support Mission Projects. The Directors agreed to fully finance the stipend of the post for up to five years.

*6. Swanwick Conferences*

The fund originates from surpluses from previous Swanwick Conferences to help and support future bi-annual conferences. The next conference is in 2007.

*7. Diocesan Bishop's Growth Fund*

It was agreed in October 2004 to set aside £456,635 from the 2005 Budget to enable up to £1m capital to be raised so as to generate additional income which could be used through grants to support Growth and Mission work throughout the diocese. The fund is also supported by income from other Designated funds (pensions provision) and some restricted funds, including Parish Mission Fund Grants from the National Church.

*8. Vacancy in See Fund*

The fund represents a contingency against potential future costs.

*9. Lambeth Conference*

The fund represents a contingency against the Conference costs. The next conference is scheduled for 2008.

*10. Fothergill Bequest*

In 2005, the Board was in receipt of the residual estate of the late A P Fothergill. In accordance with the terms of his will, the income and capital may be utilised by the Board as the Directors think fit. The funds have been designated so that the capital reserve is used towards the current policy of

having 4.8 months costs in reserves (see 1 – Ashworth/Lowe) and the income is used to finance the day to day activities of the Board.

### **Investment Powers**

The Board is granted power to invest in suitable investments under its Memorandum of Association. As a charity, the Trustees have a duty of care to take such advice as is appropriate before investments are undertaken. This advice is sought from the Central Board of Finance (CBF) in London and Harris Allday, Stockbrokers in Birmingham who provide a free Nominee service. The Investment Advisory Working Group considers the advice and the assets available at their discretion and then makes recommendations to the Finance and Central Services Committee.

### **Investment Policy**

The Board's investment policies are based on two key policies: -

- Ethical Investment – this includes ensuring that investments are held in companies which have high standards of corporate governance and act in a responsible way towards stakeholders.
- Long-term responsibilities – the trustees are aware of their long-term responsibilities in respect of the Restricted and Unrestricted reserves and as a result follow a prudent approach to investment decisions.

Investment policy for long term funds is aimed primarily at generating a sustainable income with due regard to the need for the preservation of capital value and the possible need to realise investments to meet operational needs.

The Glebe Land Investments are held for the purpose of raising income to achieve the maximum contribution possible to clergy stipends on an ongoing basis.

Unrestricted and Restricted fund investments are invested to balance income, liquidity and the maintenance of capital.

In summary, the Board's overall policy is to maximise income while preserving the real value of its funds. As a member of the Christian Ethical Investment Group the Board adheres to the principle of seeking not only good financial returns but also high ethical standards from companies which use its money.

It is the Board's policy to hold the majority of its investments in CBF investments, to provide a diverse portfolio. During 2005 the Investment Advisory Working Group's recommendation, subsequently approved by the Directors, was to rebalance the Board's investments between the CBF Investment Fund (60%), Property Fund (15%), UK Equity Fund (15%) and a balance in cash (10%).

The CBF's own ethical policy (which the Board endorses and follows) includes the following:

*“We aim to invest in companies that:*

- \* will develop their business in the interests of shareholders;*
- \* demonstrate responsible employment practices;*
- \* are conscientious concerning issues of corporate governance, the environment and human rights;*
- \* are sensitive to the community in which they operate.”*

The CBF avoids investing in any company a major part of whose business is gambling, or the production of armaments, tobacco or alcohol products, nor does it invest in any company that promotes pornography. To avoid identification with any political viewpoint, the CBF does not invest in companies which publish newspapers.

Proportion of investments (excluding Land) at 31 December was as follows:-

	CBF Inv Fund	Property Fund	Equities	Fixed Interest
2006	62.59%	24.97%	12.44%	0%
2005	63.47%	24.64%	11.89%	0%

Proportion of Investments per fund at 31 December 2006 was:-

	CBF Inv Fund	Property Fund	Equities	Fixed Interest
Unrestricted	-	-	100%	-
Ashworth	74%	12%	14%	-
Fothergill	60%	27%	13%	-
Trust reserve	67%	-	33%	-
Stipend Cap	23%	75%	2%	-
Clergy widows	100%	-	-	-
Pastoral	71%	20%	9%	-
Loan Fund	66%	17%	17%	-
Laugher	-	-	100%	-
Bridgebuilders	90%	10%	-	-
Int Dec Sch	100%	-	-	-
Endowment	100%	-	-	-
Land Sales	53%	34%	13%	-

## Investment Performance

### Overall Performance

Investments are held in both Glebe Land and through Investments on the Stock Market. The total value of investments (excluding short term cash deposits) was £17.72m (£15.24m in 2005). The total income return for the year was 3.29% (2005:3.27%), and the total return on investments for the year was 12.41% (2005:13.91%).

### Glebe Land

Included in the Board's Investments are £4.048m of Glebe Land, which is represented by a mixture of predominantly Agricultural, some Farm Holdings and some small pieces held under Grazing Licenses. Gross rents received against this land in the year were £139,707 (2005: £166,843) an income yield of 3.45% (2005: 4.12%). This compares with the benchmark yield of 3.0% for such long-term investment assets.

The total return for the year was 4.51% (2005:12.65%). At present, as the Glebe Land is not revalued annually, there is no benchmark for the Total Return in the year on such investments. The variations in returns reported represent the number and value of transactions in sale of Glebe Land and the realised gains or losses in the year.

### Equities, Gilts and Common Fund Investments

Investments in Equities, Gilts and Common Investment Funds (Central Board of Finance) were valued at £13.67m at 31 December 2006 (2005: £11.19m) – an increase of approx. 22.17% over the year.

The unrealised gain in value of investments during the year amounted to £1.421m, an increase of 11.6% on the portfolio. Dividends receivable amounted to £431,818 (2005: £332,384) – a yield of around 3.29%, which is in line with the current benchmark of 3.25%.

The total return on investment securities for the year was 15.31% (2005: 14.46%). This is set against a desired benchmark of an average of 8% over a sustained period of time – minimum of 5 years.

Due to the significant change in the investment structure over the last two years, although a five-year performance is available, it is of little relevance compared to the current portfolio and policies.

The performance per specific fund is as follows: -

	YIELD	YIELD	TOTAL RETURN	TOTAL RETURN
	2006	2005	2006	2005
	%	%	%	%
Ashworth	3.68	4.09	15.80	18.84
Fothergill	3.38	0.86	13.95	3.20
Trust	2.76	3.20	13.61	23.24
Stipend Capital	4.39	3.70	18.69	12.55
Clergy Widows	3.34	4.51	13.75	19.52
Pastoral	3.60	1.90	15.24	9.56
Loan Fund	3.51	0.91	14.95	3.82
Bridgebuilders	3.03	4.59	10.91	11.88
Interior Dec Scheme	3.33	3.70	13.75	19.27
Endowment	3.33	3.70	13.75	19.27
Glebe Land Sales	2.99	N/A	13.73	N/A

The Return (Capital Appreciation) per investment type during the year was as follows:-

	CBF Inv	CBF Property	CBF Equity	Nominees Various equities	Total
2006	9.97%	14.82%	12.21%	14.40%	11.57%
2005	11.69%	9.19%	5.78%	12.08%	10.81%

Whilst the average yield per fund over the last twelve months per fund was :-

	CBF Inv	CBF Property	CBF Equity	Nominees Various equities	Total
2006	3.00%	4.05%	2.86%	3.74%	3.29%
2005	3.18%	4.68%	2.98%	3.20%	3.27%

## 6. FINANCIAL REVIEW

### Overall financial position

The accounts have been prepared under the accruals concept of accounting rules. This means that income and expenditure attributable to the period have been included even though they may not have been received or paid at the Balance Sheet date.

Income before revaluation adjustments totalled £15.643m (2005:14.558m) and expenditure amounted to £15.482m (2005: £15.251m).

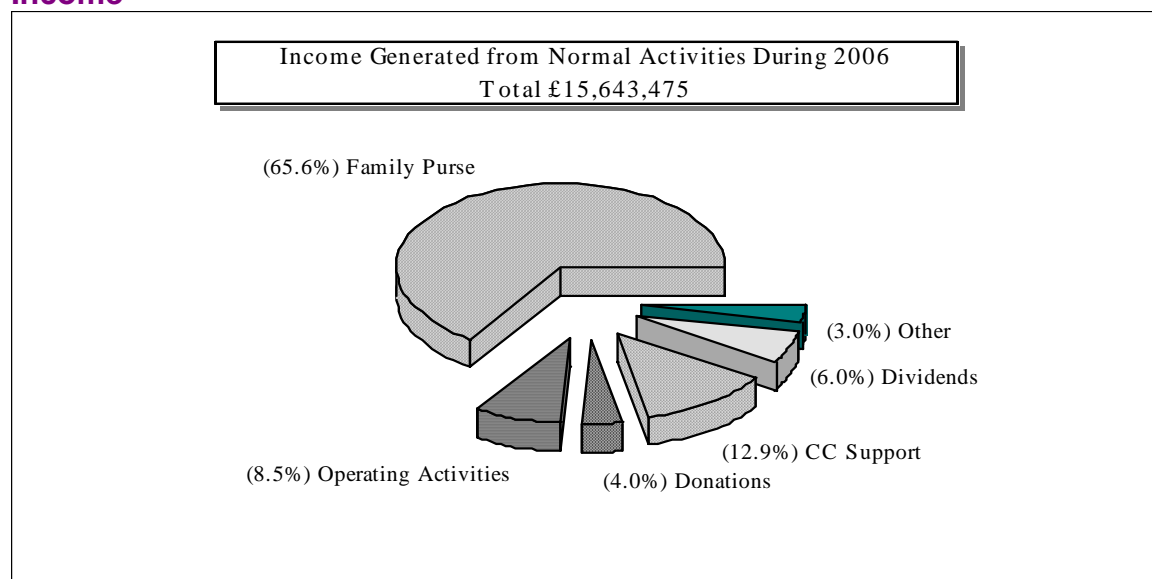
The Statement of Financial Activities (SOFA) for the year shows net incoming resources of £161,217 (2005: deficit £692,692), before net gains and losses on the realised and unrealised gains, and losses on tangible assets, including revaluations.

After the revaluation adjustment, and the realised gains on sale of tangible assets, the net movement in funds amounted to £3,062m (2005: £2.101m). During the year the total fund balances increased from £59.299m to £62,361m.

There was a net overall cash inflow of £1.154m (2005: cash outflow of £2.877m)

	£
Net resources expended on normal operations	161.217
Gain on Disposal of Tangible Fixed Assets	1,480,344
Gain on revaluation of investments	<u>1,420,767</u>
Net movement in funds	<u>3,062,628</u>

### Income



## Voluntary Income

### 1. Parish Share

The Parish Share represents the principal source of Income for the diocese. In 2006, a total of £10,301,931 was requested from the parishes in comparison to £9,905,716 in 2005. By 31 December 2006, a total of £9,659,945 had been received, providing a collection rate of 93.77%. This compares to 93.60% collection in 2005.

By 31 January 2007 the collection rate increased to 96.55% compared to 96.47% last year.

The receipts by Deanery compared to assessment are shown in the table below: -

Arrears	Units Assessed	2006 Parish Share Assessment £'000	Previous Years' Arrears £	2006 Parish Share Arrears £	Total Arrears at 31/12/06 £	Total Arrears at 31/12/05 £
---------	----------------	---------------------------------------	------------------------------	--------------------------------	--------------------------------	--------------------------------

#### Lichfield Archdeaconry

Lichfield	26	718.8	35,258	8,688	43,946	46,379
Penkridge	13	403.7	0	5,390	5,390	5,443
Rugeley	13	473.0	0	22,412	22,412	29,242
Tamworth	13	283.3	20,250	33,368	53,617	47,234
Total	65	1,878.8	55,508	69,857	125,365	128,298

#### Salop Archdeaconry

Edgmond & Shifnal	24	394.9	0	26,359	26,359	22,891
Ellesmere	14	146.9	0	4,905	4,905	4,306
Hodnet	18	205.0	0	11,576	11,576	9,352
Oswestry	18	288.6	0	1,292	1,292	5,550
Shrewsbury	19	564.1	0	22,742	22,742	17,732
Telford	11	305.9	17,591	1,945	19,536	32,123
Wem & Whitchurch	19	239.4	0	23,945	23,945	6,175
Wrockwardine	12	84.0	0	1,667	1,667	851
Total	135	2,228.8	17,591	94,431	112,022	98,980

Lichfield Diocesan Board of Finance  
Annual Report & Accounts for the year ended 31<sup>st</sup> December 2006

**Stoke  
Archdeaconry**

	Units	2006	Previous	2006	Total	Total
	Assessed	Parish Share	Years'	Parish Share	Arrears at	Arrears at
		Assessment	Arrears	Arrears	31/12/06	31/12/05
		£'000	£	£	£	£
Alstonfield	15	81.9	17,967	2,011	19,978	24,067
Cheadle	13	275.6	11,395	13,395	24,790	22,833
Eccleshall	16	268.4	0	11,917	11,917	6,757
Leek	14	463.0	21,135	8,217	29,352	52,120
Newcastle-Under-Lyme	20	565.0	49,302	31,021	80,323	172,937
Stafford	24	444.4	24,181	34,036	58,217	92,084
Stoke North	12	269.3	36,543	10,568	47,111	92,771
Stoke-on-Trent	15	460.0	78,645	118,988	197,633	224,496
Stone	9	235.3	35,729	8,785	44,514	69,905
Tutbury	18	328.9	52,561	37,656	90,217	90,798
Uttoxeter	16	214.4	2,915	13,672	16,587	6,511
Total	172	3,606.2	330,373	290,266	620,639	759,174

**Walsall  
Archdeaconry**

Trysull	13	656.4	3,260	48,563	54,441	48,563
Walsall	19	853.0	63,872	65,118	141,265	140,774
Wednesbury	11	250.7	14,276	19,411	36,036	24,398
West Bromwich	9	171.0	2,561	15,582	18,656	19,901
Wolverhampton	23	657.0	70,083	32,931	91,086	187,716
Total	75	2,588.1	154,052	181,605	341,484	379,365
Grand Total	447	10,301.9	557,524	641,986	1,199,510	1,365,817

## 2. Income from the Archbishops' Council

Support from the National Church still forms a significant part of the Board's income at 12.9% (2005: 12.7%). Lichfield is one of only a few dioceses, which receive support exceeding £1m and only one of three that receive in excess of £1.5m. The Board is aware that many dioceses no longer receive any support at all and is most grateful therefore for the help it receives.

	£
Stipend Allocations	1,781,520
Parish Mission Funding	<u>212,900</u>
Total Received from National Church in support	1,994,420

## Other Voluntary Income

In accordance with the new SORP, this is a new category that includes donations and legacies from both internal funds and third parties. In the year these fell from the restated figure of £683,563 to £623,449.

	£
Stipends	233,001
Training for the Ministry	32,329
Diocesan General Activities	12,827
Outreach (towards mission abroad)	27,039
Housing	10,441
Chairman's Fund (help for needy clergy)	7,741
Church Without Walls (Fresh Expressions project in Stoke Area)	41,190
Fothergill Bequest	45,000
Church Urban Fund (help for projects in high priority areas)	116,038
Clergy Widows & Orphans Fund	950
Bishop's Lent Appeal (for local and international projects)	63,226
Bishop's Ordination Fund (help for ordinands in training)	17,307
2001 Parish Mission Programme (Springboard & Harvestime initiatives in parishes)	160
Diocesan Growth/Mission Fund	<u>16,200</u>
	623,449

There were a number of significant individual donations, which are acknowledged with gratitude:

	£
Stanley Trust (towards clergy costs in West Bromwich)	97,581
USPG (towards Overseas Mission)	26,863
Ecclesiastical Insurance Group (EIG)	128,020
West Bromwich Building Society (Church Urban Fund)	110,000

In addition the Board is extremely grateful to Mr Robbins and the Diocesan Bishop who have supported the work of the Board and Growth Fund with regular monthly donations, and also Messrs Hawkins and Fletcher who have likewise supported the work of the Board with individual donations throughout the course of the year.

## **Income from Activities for Generating Funds**

This section includes income generated from ordinary activities operated by the Board. It includes rent received from vacant parsonages and glebe (Curates Houses and Team Vicarages), plus commission received for operating a central Gift Aid Scheme.

The renting out of vacant houses allows the diocese to benefit from additional income whilst the property concerned is not required for a short period of time, through interregnum or pastoral reorganisation, and it also has the additional benefit of protecting the asset from vandalism and general deterioration from being vacant for a lengthy period of time.

The Diocesan Gift Aid Scheme enables parishes to reclaim tax efficient giving via the Diocese as opposed to dealing with the HMRC (formerly Inland Revenue) direct. The Scheme charges a 5% commission on tax reclaimed to assist on covering the costs of running the scheme. In the last twelve months a total of £1,003,977 has been reclaimed and distributed back to parishes compared to £972,728 in the previous year.

During the year a total of £294,352 was generated in the year compared to £295,958 in 2005. Details are shown in Note 5 to the Financial Statements.

## **Investment Income**

Over the last year, the Diocese generated £925,008 through dividends, interest received and Glebe Land rents. This was slightly down on 2005 when £929,450 was generated.

Dividends on investments rose considerably from £332,384 in 2005 to £431,818 due to a more active investment policy. This was partly responsible for the decline in interest earned in the year to £316,939 from £393,997 in 2005. The rents received from Glebe Land also decreased from £166,844 in 2005 to £139,707 in 2006. Part of this decline was due to an accounting adjustment for over-providing for the accrued income in the 2005 accounts. The majority of the decline, however, was due to less rent being received from the agents throughout the year.

Detail is given in note 6 to the financial statements.

## **Incoming Resources from Charitable Activities**

This section includes the income generated through Statutory Fees and other income that is received from activities undertaken by the Board over the last twelve months.

Over the last year, the total income generated fell slightly to £1,322,832 from the restated figure of £1,345,711 in 2005.

This decline occurred despite a remarkable increase in Statutory Fees assigned to the Diocese from £877,483 in 2005 to £976,267. Chaplaincy

Income remained consistent around £90,000, however income from the Church Commissioners towards Guaranteed Annuities fell from £231,033 in 2005 to £108,380.

During 2005 the Church Commissioners passed a resolution to introduce the cessation of Guaranteed Annuities. Under this policy the majority of clergy agreed to relinquish their Annuity under the Endowment and Glebe Measure. This did not mean a reduction in their stipend: it was compensated for by an increase in contribution from the diocese through their stipend funds. The savings made by the Church Commissioners allowed them to increase the Stipend Allocation to receiving Dioceses – see note 2.

This policy also meant that all new appointments from July 2005 did not receive any Guaranteed Annuities. The receipt by the Diocese of £108,380 was represented by certain clergy who retained their Annuity towards their stipend plus other contributions from Pension funds and historical funds towards certain appointments. It is envisaged this amount will fall gradually over the forthcoming years as the annuities decline.

Miscellaneous Income under this section is represented by Sales and other income generated by various activities, such as conferences and courses. Over the last twelve months this increased from £120,824 in 2005 to £131,472 in 2006.

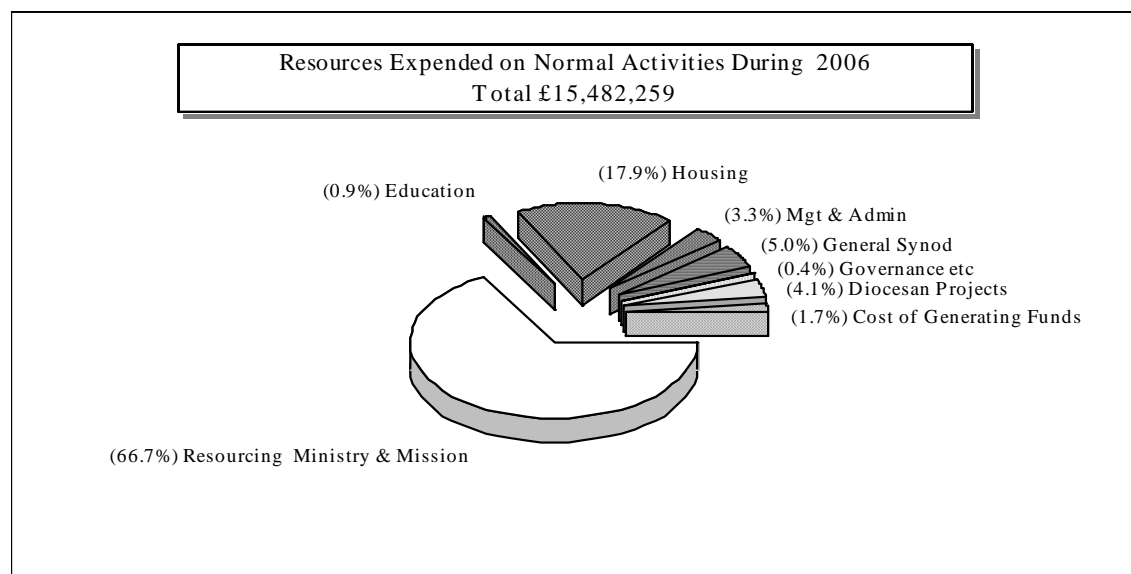
### **Other Incoming Resources**

This remaining section deals with funds that have been introduced in the year. During the year £301,564 was received compared to £21,220 in 2005. The reason for the increase was due to the transfer of funds from the Diocesan Trust through the winding up of small trusts. This amounted to £180,481; the majority of the funds were restricted through the Trust Reserve, totalling £168,651.

In addition two properties were sold in the year where the Board had a vested interest or Equity Sharing Agreement. This resulted in £47,639 being added to Unrestricted Reserves and £73,444 to the Pastoral Fund.

## Expenditure

Total resources expended in the year were £15,482,259 (2005: £15,250,713)



These are analysed as required by SORP under the three broad headings:

- Cost of Generating Funds
- Charitable Activities
  - Includes : Contributions to Archbishops' Council
  - Resourcing Ministry and Mission
- Governance Costs

### *Cost of Generating Funds*

Unlike many organisations in the charity sector the Board spends only a nominal amount in this area (less than 2%). The work of the Parish Funding Unit, the costs of which form the main part of this heading, involves enabling parishes to become financially viable by establishing good practice in budgeting, and carrying out financial reviews as well as identifying sources of funding for parish capital projects.

Also included are the cost of the central Diocesan Gift Aid Scheme and other small costs incurred to generate funds for the Restricted Fund, such as the Lent Appeal and Ordination Fund.

In addition, Investment Management Costs are shown under this section. Although the Board uses a nominees account with stockbrokers in Birmingham, this work does not incur any management costs. Any administration costs incurred in buying or selling investments is added to the cost of the Investment. The same applies to funds held with the CCLA.

However Agents Commission and associated costs in renting or leasing out vacant houses and Glebe Land is included. In the year the diocese incurred expenditure of £86,255 in 2006 compared to £109,616 in 2005.

## Charitable Activities

### 1. Contributions to Archbishops' Council

In the year the Diocese made a contribution of £776,417 (2005: £701,219) towards the Budget of General Synod. This cost includes a contribution of £283,236 towards training future clergy and £303,166 towards National Church Responsibilities.

### 2. Expenditure on resourcing Ministry and Mission

The majority of the Board's expenditure is in this particular area. In total £13,614,725 was expended in 2006 compared to £13,525,042 in 2005.

The costs are separated between direct costs – parochial ministry, and support costs including Management and Administration.

Details are given under Note 12 to the Financial Statements. Other expenses under Parish Ministry (£249,809: (2005: £236,654)) include the following: -

	£
Extra Parishes expenses	52,432
Sequestration Costs	26,198
Training Ordinands	95,443
Stipend Grants towards Projects or Contribution to shared posts	56,054
Rural Dean/Team Rector Expenses	14,672

### Expenditure on Diocesan Projects

Included under this section are grants paid to parishes to assist with local projects and also grants given to organisations supported by the diocesan Bishop through the Annual Lent Appeal.

Over the last twelve months £470,121 was awarded in grants from the Diocesan Growth Fund. This Fund was set up in October 2004, partly funded by interest from the Designated Fund and a grant from the Archbishops' Council for Mission Initiative Projects. Although £470,121 was awarded in 2006, this includes £344,784 deferred creditors – grants awarded in 2006 that will be paid out in later years. Grants are accounted for in the year they are awarded in accordance with the required accounting regulations.

Grants awarded from the Lichfield Church Urban Fund, £88,910 are for projects in Urban Priority areas.

Grants from the Bridgebuilders fund are represented by grants of £10,000 to each of Bentilee S Stephen and Wolverhampton S Johns.

The Diocesan Bishop's Lent Appeal awarded grants of £57,000 in 2006 compared to £40,000 in 2005. The grants awarded were £9,000 to Shrewsbury, Stoke & North Staffs and Wolverhampton YMCA and £15,000 each to Church Missionary Society and USPG.

The Board made no Political Grants or Donations in 2006.

### Governance Costs

In accordance with the new reporting regulations, more emphasis is being placed on measuring the costs of Governance to charities. Included within this particular section are such costs, as Auditors fees, General Synod Representation as well as the costs of preparing and attending meetings. In the year the total expenditure on such costs was £53,706 compared to £52,670 in 2005.

## 7. Plans for the Future

With the provision for a shortfall in Income now embedded within the Diocesan Budget, the trustees will continue to set annual budgets on a break-even basis - subject to building up free reserves to the target level and seeking to hold down parish share increases in order to encourage parishes to devote more funds to local mission activity.

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

2007 is the final year of the current financial strategy, and work will be undertaken over the next twelve months to formulate a new strategy to take effect from 2008.

In addition there is concern over the financial liabilities that will be placed on the Board through the Clergy Pension Scheme. Some contingency planning has already been done to try to offset some of the costs, although the final figure will not be known until July 2007 at which stage any shortfall or over provision will be identified.

As part of the 2002 Financial Strategy there are a number of planned cuts in Stipendiary numbers still to be made: these amount to 5 posts in 2007, 3 in 2008 and 1 in 2009.

The Diocese will continue with its *Going for Growth* Strategy, and this will include introducing new Fresh Expressions of Church across the diocese and also church planting. As a result of this many parishes are taking on additional responsibilities, with support from the Diocesan Mission Fund, in employing youth, children's and family workers within their parish or group of parishes.

As an alternative to the current Parish Share formula, a new system has been suggested whereby parishes would propose to the Diocese the amount they are willing to contribute to central Diocesan Funds within a twelve-month period. Two deaneries have to date volunteered to undertake the suggestion on a trial basis in 2008, although procedures and systems are not yet finalised should this experiment produce a shortfall in Parish Share requested from the deaneries concerned. This process should be agreed by the middle of 2007.

With regards to Investments, Glebe Land is in the process of being categorised and a review of all such land is ongoing. It is hoped this exercise will be completed during the course of 2007. As far as the sale of surplus houses is concerned, the Investment Advisory Working Group remain confident that the target of £5m will be reached by the end of the forthcoming year.

In October 2006, the Diocesan Bishop addressed Synod with his vision for the future. He told Synod that he wanted to encourage ideas and strategic thinking from within the parishes.

He highlighted the need for maintaining, and if possible increasing, stipendiary clergy numbers. This has been partly delivered through the generosity of the Guildford Diocese, which has agreed to sponsor an additional curate in Lichfield Diocese over the forthcoming three years. In order to match this generosity the Board has also agreed to take on an additional curate so the intake for 2007 will be eleven curates as opposed to the budget of nine and the original allocation from the National Church of twelve.

Continuing with his emphasis on growth the Bishop expressed his encouragement and desire to continue to grow the number of Lay Ministers, Readers and Ordinands, and said he wished to adopt the Archbishop of Canterbury's aspiration that 25% of new Ordinands and new Readers should be under 30. He also wanted to see Youth Officers in each of the three Episcopal Areas.

The Bishop also expressed a desire for the Diocese to become less reliant on third party funding, especially from the Central Church, as any fluctuation in the Stipends Allocation from London could be detrimental to the strategy of growth and have an adverse effect on clergy numbers in the future. Although he appreciated that Aspiration 3 as regards clergy stipends was simply unaffordable for the time being, he said he would like to see a longer-term policy of increasing clergy stipends to more realistic levels.

Finally, in respect of Overseas Mission, he requested that the Diocese should answer the call of our link dioceses in South East Asia to send qualified people to teach English and help in the exciting church planting that is being witnessed in the Diocese of Lichfield.

**STATEMENT OF FINANCIAL ACTIVITIES FOR THE YEAR ENDED 31 DECEMBER 2006**

		Unrestricted Funds		Restricted funds	Endowment funds	Total Funds	Total funds 2005 (restated)
		General	Designated				
<b>INCOMING RESOURCES</b>							
Incoming Resources from Generated Funds							
Voluntary Income							
Parish Contributions	2	10,181,850	-	-		10,181,850	9,432,094
Archbishops' Council	3	1,781,520	-	212,900		1,994,420	1,844,024
Other	4	305,973	97,230	220,245		623,449	683,563
Activities for Generating funds	5	294,352	-	-		294,352	295,958
Investment Income	6	224,869	167,999	532,141		925,008	929,450
						-	
Incoming resources from Charitable Activities							
Statutory fees, Chaplaincy & Other	7	1,288,653	33,488	691		1,322,832	1,345,712
Grants for Regeneration			-	-		-	
Diocesan Retreat House							
Other Incoming Resources	8	59,469	-	242,095		301,564	27,220
<b>Total Incoming Resources</b>		14,136,687	298,717	1,208,071	-	15,643,475	14,558,021
Resources Expended							
Costs of Generating Funds							
Cost of Generating Voluntary Income	9	163,418	-	9,694		173,112	161,145
Investment Management Costs	10	84,339	-	1,916		86,255	109,616
Charitable Activities							
Contributions to Archbishops' Council	11	776,417	-	-		776,417	701,219
Resourcing Ministry & Mission	12	12,398,473	68,075	1,148,178		13,614,725	13,525,042
Education	13	131,657	-	-		131,657	132,012
Diocesan projects	14		-	639,181		639,181	565,520
Governance Costs	15	46,747	-	6,959		53,707	52,670
Other Resources expended	16	-	-	7,204		7,204	3,489
<b>Total resources expended</b>		13,601,051	68,075	1,813,132	-	15,482,259	15,250,713
Net incoming resources before transfers		535,636	230,641	(605,061)	-	161,217	(692,692)
		<b>Unrestricted</b>	<b>Restricted</b>	<b>Endowment</b>	<b>Total Funds</b>	<b>Total funds</b>	

<p>Lichfield Diocesan Board of Finance Annual Report &amp; Accounts for the year ended 31<sup>st</sup> December 2006</p>
--

	Funds				2005 (restated)	
	General	Designated	funds	funds		
Gross Transfers between funds	18	485,490	54,437	(539,927)	-	
Net Incoming resources before other recognised gains and losses		1,021,126	285,079	(1,144,988)	-	161,217 (692,692)
Other recognised gains (losses)						
Gains on revaluations of fixed assets for charity's own use		3,370	418,528	965,882	32,987	1,420,768 1,091,861
Gain/(Loss) on Sale of Fixed Assets		(9,875)				(9,875) (77,909)
Gain in Investment Assets			9,879	55,571		65,450 381,395
Gain on Sale of Property			3,388	1,421,381		1,424,769 1,398,201
Actuarial loss on defined benefit pension scheme			-	-		-
Net Movements in funds	20	1,014,621	716,874	1,297,846	32,987	3,062,328 2,100,856
Reconciliation of funds						
Total funds 01 January		1,003,067	4,430,760	53,548,014	316,716	59,298,557 57,197,701
Total Funds at 31 December		2,017,688	5,147,634	54,845,860	349,703	62,360,886 59,298,557

**BALANCE SHEET**

**BALANCE SHEET AS AT 31 DECEMBER 2006**

		2006	2005
Tangible Assets	23	37,410,162	37,611,890
Investments	24	17,716,494	15,242,528
		<u>55,126,656</u>	<u>52,854,418</u>
Current Assets			
Work in Progress		59,958	150,265
Debtors	25	1,607,564	1,555,770
Investments	26	250,000	-
Cash at Bank and in hand		7,093,834	5,957,186
		<u>9,011,355</u>	<u>7,663,221</u>
Creditors: amounts falling due within one year	27	1,341,191	956,357
Bank Overdraft			17,501
		<u>1,341,191</u>	<u>973,858</u>
Net current assets		<u>7,670,164</u>	<u>6,689,363</u>
Debtors falling due in more than One Year	25	715,813	866,992
Total Assets less Current Liabilities		<u>63,512,633</u>	<u>60,410,773</u>
Creditors falling after more than one year	27	1,151,748	1,112,215
Net assets excluding pensions liability		<u>62,360,886</u>	<u>59,298,558</u>
Defined benefit pension scheme liability		-	-
Net Assets after pensions liability		<u>62,360,886</u>	<u>59,298,558</u>
The funds of the Charity			
Endowments	28	349,703	316,716
Restricted	28	54,845,860	53,548,014
Unrestricted			
General	28	2,017,688	1,003,067
Designated	28	5,147,634	4,430,760
Total funds		<u>62,360,886</u>	<u>59,298,557</u>

**CASHFLOW STATEMENT**

<p>Lichfield Diocesan Board of Finance Annual Report &amp; Accounts for the year ended 31<sup>st</sup> December 2006</p>
--

	<b>2006</b>	<b>2005</b>
Net Incoming Resources before transfers	161,217	(692,918)
Profit on sale of Tangible Assets	1,414,894	1,686,650
Profit on sale of Investments	65,450	36,091
	<u>1,641,561</u>	<u>1,029,823</u>
Normal Trading Profit		
Net Incoming Resources from Normal Operating Activities	1,641,561	1,029,823
Depreciation	721,071	707,353
Net Gain on sale of Tangible Assets	(1,414,894)	(1,686,650)
Net Gain on sale of Investments	(65,450)	(36,091)
Interest and dividends receivable	(785,301)	(1,133,036)
Interest Payable	40,761	45,042
(Increase)/Decrease in stock and Work in Progress	90,307	(1,277)
(Increase)/Decrease in Debtors	(24,366)	673,307
Increase/(Decrease) in Creditors	543,593	163,963
	<u>747,282</u>	<u>(237,566)</u>
<b>Net Cashflow from operating activities</b>		
<b>Returns on Investments and servicing of finance</b>		
Interest and dividends received	785,301	1,133,036
Interest Paid	(40,761)	(45,042)
	<u>744,540</u>	<u>1,087,994</u>
<b>Capital expenditure and financial investment</b>		
Expenditure on tangible fixed assets	(1,803,481)	(3,153,156)
Sale of tangible fixed assets	2,699,032	2,670,319
Purchase of Investments	(1,492,608)	(2,980,879)
Sale of Investments	254,859	103,428
Movement in Loans (Advanced and repaid)	123,751	(210,103)
	<u>(218,447)</u>	<u>(3,570,391)</u>
<b>Net cash inflow/(outflow) before financing</b>	<u>1,273,376</u>	<u>(2,719,963)</u>
<b>Financing</b>		
Loans Repaid	(119,227)	(157,382)
	<u>(119,227)</u>	<u>(157,382)</u>
<b>Increase/(Decrease) in cash</b>	<b>1,154,149</b>	<b>(2,877,345)</b>

#### ANALYSIS OF CHANGES IN NET DEBT

<p>Lichfield Diocesan Board of Finance Annual Report &amp; Accounts for the year ended 31<sup>st</sup> December 2006</p>
--

	As at 01 January 2006	Cashflow	As at 01 January 2006
Cash at Bank	5,939,685	1,154,149	7,093,834
Debt			
Loans from Central Board of Finance	0		0
Loans from Church Commissioners	979,058	(119,227)	859,832
Other Loans			
	<u>979,058</u>	<u>0 (119,227)</u>	<u>0 859,832</u>
Net debt	<u>6,918,743</u>	<u>1,034,922</u>	<u>7,953,665</u>

**Reconciliation of net cashflow to movement in net debt**

	<b>2006</b>
Decrease in cash during the year	1,154,149
Cashflow from decrease in debt and financing	(119,227)
	<u>1,034,922</u>
Net debt as at 01 January 2006	6,918,743
Net debt as at 31 December 2006	<u>7,953,665</u>

**1. Accounting policies**

(a) *Accounting Convention*

The Accounts are prepared under the historical cost convention, and in accordance with Statements of Standard Accounting Practice (SSAP) and Financial Reporting Standards (FRS).

(b) *Presentation of Financial Statements*

The Financial Statements for 2006 have been prepared with particular reference to FRS 5 (Reporting the Substance of Transactions), SORP 2005 (Accounting for Charities) and in accordance where applicable with the new Charities Act 2006.

***FRS 5 - Reporting the Substance of Transactions***

FRS 5 states that "Assets are, broadly, rights or other access to economic benefits controlled by an entity..." and that "...where a transaction results in an item that meets the definition of an asset..., that item should be recognised in the balance sheet..."

In summary, FRS is saying that, whereas previously transactions might have been omitted from the financial statements because there was no legal requirement or other requirement to include them, the FRS demands that the substance of the transactions must now be considered and where appropriate must be included. If the substance (i.e. the economic reality) of the transactions is such that benefits will result to the entity controlling the transactions, the transactions must be included in the financial statements of the controlling entity. The effect that this has on the Board's balance sheet is summarised as follows:

- Benefice houses, not in the Trust, are to be shown in the balance sheet. If the cost or market value is not known, a reasonable valuation must be used. The Board has used the lower Council Tax banding valuation for each property where the cost is not known.
- Assets held by the Church Commissioners on behalf of the Board are to be shown on the balance sheet. These include the Pastoral Fund, Stipends Capital Account and the Building Fund.
- Other funds controlled by the Board, which include the Diocesan Loan Fund, the Church Urban Fund, Interior Decorations Scheme and other small funds, are to be shown on the balance sheet.
- Redundant Churches vested in the Board were included in the Balance Sheet for the first time in 1998.
- Glebe Land was also included in the Balance Sheet for the first time in 1998. In accordance with the new Accounting Regulations, these assets have been moved to be classed as Investments as opposed to Tangible Fixed Assets. The alteration has also been made in the comparative figures.

***SORP 2005 - Accounting for Charities***

Whereas FRS 5 is an accounting "requirement" which the Board must adhere to, by contrast SORP is a statement of "recommended practice"

and although now with legislative status, it consequently does not need necessarily to be adhered to, in order to maintain a true and fair view of the Board's activities over the last twelve months. Indeed, if a SORP conflicts with the Companies' Acts or FRS requirements, the latter take precedence. However, under the latest Charities' Acts' accounting requirements it is deemed advisable to follow, as far as is practicably possible, the layouts as outlined in SORP 2005. If the SORP is not to be followed, this has to be explained in a note to the accounts in accordance with FRS 18. These accounts are fully compliant with the SORP 2005.

SORP 2005 requires charity reserves to be analysed under specific headings viz.:

- Unrestricted Funds
- Designated Funds
- Restricted Funds
- Permanent Endowments

These funds are defined by the SORP as follows:

#### Unrestricted Funds

Unrestricted funds are expendable at the discretion of the trustees in furtherance of the objects of the charity.

#### Designated Funds

If part of an unrestricted fund is earmarked for a particular project it may be designated as a separate fund but the designation has an administrative purpose only and does not legally restrict the trustees' discretion to apply the fund.

#### Restricted Funds

Restricted funds are funds subject to specific trusts, declared by the donor(s) or with their authority, but still within the objects of the charity. Restricted funds may be restricted income funds, which are expendable at the discretion of the trustees in furtherance of some particular aspect(s) of the objects of the charity. Or they may be capital funds, where the assets are required to be invested, or retained for actual use, rather than expended.

#### Permanent Endowments

A capital fund where there is no power to convert the capital into income is known as a permanent endowment fund which must be held indefinitely. This concept of "permanence" does not however necessarily mean that the assets held in the endowment fund cannot be exchanged nor does it mean that they are incapable of depreciation or loss. The permanent endowment fund cannot, however, be used as if it were income, i.e. to make payments or grants to others. Where assets held in an endowment fund are exchanged, their place in the fund must be taken by the assets received in exchange. "Exchange" here may simply mean a change of investment, but it may also mean, for

example, the application of the proceeds of sale of endowment land and buildings in purchase or improvement of other property. The financial statements for 2005 and previous years have been prepared to reflect the SORP 2005 requirement. This has involved the designation of funds to an appropriate heading. The Income and Expenditure Account (now entitled "Statement of Financial Activities") has been prepared in accordance with the required layout.

(c) *Parish Share*

The Parish Share for the year ended 31 December 2006 is shown as the total Parish Share less specific provisions for doubtful debts for the current and prior years, in accordance with the accruals concept. The Management Accounts show the actual amount of Parish Share received in the year, irrespective of year of allocation, less specific amounts written off.

There has been a change in the accounting policy for the Provision for Doubtful Debts. It has been agreed that in future there will be no General Provision included in the accounts. All Provision will be made purely from Specific Arrears, and these will be any arrears outstanding as at 31 January following the year end, excluding any Parish Share due in the first month of the new year. This policy will take effect for all accounts after 31 December 2006, and thus has been applied in the following financial statements.

Prior to his change in policy, in 2005 the General Provision for Doubtful Debts was increased from 2.0% of the total Parish Share due in a year to 3.0%. This is felt to be a more realistic provision taking into account recent past performance. This General Provision is in addition to the Specific Provision which takes into consideration amounts outstanding from Parish Share due in 2004 and prior years.

(d) *Depreciation and Amortisation*

(i) Freehold Property

Financial Reporting Standard 15 (FRS15) states that tangible fixed assets do not need to be revalued unless the charity adopts a policy of revaluation. Where a revaluation policy is not adopted, however, the assets must be depreciated at rates appropriate to their economic life. Due to the expense involved in revaluing houses, it is the Board's policy to depreciate them based on their book values at 31 December 2000, or on their cost for those purchased after that date, over a period of 50 years.

(ii) Leasehold Property

The original cost of Leasehold Property is amortised over the period of the lease. The lease of St. Mary's House, Lichfield expires on 29 September, 2065. Capital improvements to leasehold property are depreciated over the remaining period to the next rent review. It is anticipated that further major refurbishment will be necessary to St. Mary's House by the end of the next rent review which is during September 2016.

(iii) Office Equipment

Office equipment is depreciated at 20% on a straight line basis, with no depreciation being provided in the year of purchase or disposal.

(e) *Investments*

Investments are re-valued annually and are shown in the Balance Sheet at Market Value. Any Unrealised Gains or Losses for the year are credited or debited to a Revaluation Reserve.

## 2. Property

(a) *General*

The Board takes a vigorous approach to the management of its housing stock. Where properties fall vacant for a short term period, every endeavour is made to find suitable third party tenants. This has the double benefit of providing rental income (£237,658 gross in 2006; £236,771 in 2005) which supplements the Parish Share and keeps vandalism to a minimum. In accordance with the current Diocesan Financial Strategy where houses are not likely to be required due to the reduction in stipendiary clergy numbers, they are sold and the proceeds invested to produce additional investment income to offset against the Parish Share, and also to fund the upgrade of the remaining housing stock.

(b) *Mortgages and charges on property*

A number of properties are currently funded by mortgage from the Church Commissioners at both fixed and variable rates of interest. The total capital outstanding at the year end was as follows:

<b>Property Type</b>	<b>Fixed</b>	<b>Variable</b>	<b>Total</b>	<b>2005</b>
	£	£	£	£
<b>Benefice Houses</b>	23,348	143,184	166,532	196,634
<b>Glebe Houses</b>	1,866	285,454	287,320	323,947
<b>Board Houses</b>	0	14,479	14,479	16,977
<b>Total</b>	25,214	443,117	468,331	537,558

New mortgages are at the variable rate which at the year end was 6.48% p.a. (the fixed rate is 5% p.a.). Eight properties (Board houses) are funded by Equity Sharing Loans (ESLs) from the Church Commissioners. Unlike

the mortgages above, capital is only repayable upon sale of the properties. Upon such sale, the proceeds will be remitted to the Church Commissioners in proportion to their 'equity stake' in the property. The amounts involved are as follows:

Number of Properties	Ch Commissioners' Proportion	Board Proportion	Amount	2005
			£	£
0 (0)	Less than 50%	More than 50%	0	0
3 (4)	51% - 99%	1% - 50%	286,706	358,343
4 (4)	100%	Nil	197,000	197,000
<b>Total</b>			483,706	555,343
<b>Total Equity Sharing Loan Funding of the above</b>			341,500	391,500

During 2006 annual interest on ESLs varied between 5.51% - 6.48%.

(c) *Property Reserve*

The Property Reserve represents the cost of property in the beneficial ownership of the Board, the funding for which came from Restricted Reserves. Upon any subsequent disposal of these properties, the proceeds would be expected to revert to the original source of funding.

(d) *Endowment & Glebe Measure 1976 Houses*

The houses subject to this Measure are acquired with the approval of the Church Commissioners. Following the implementation of FRS 5, it has been necessary to incorporate property which has been in the ownership of the Board for a considerable number of years but for which no "cost" value is known. These properties have been included at what is considered a "reasonable" value, viz. the lower value of the appropriate Council Tax band.

(e) *Benefice Property Fund*

Again, due to the implementation of FRS 5, Benefice properties have been included in the Balance Sheet (1994 was the first year of their inclusion). These properties have been included at cost or the lower value of the appropriate Council Tax band.

(f) *Glebe Land Capital Fund*

Glebe Land of almost 2,100 acres was included on the Balance Sheet for the first time in 1998 using an average agricultural land valuation. 2,017 acres remain at the balance sheet date. It is accepted that there are likely to be certain holdings with development potential but until such time that they are considered for disposal when the market value will be professionally ascertained, the more prudent agricultural value will be used.

(g) *Redundant Church Property Fund*

The Redundant Church Property Fund which represents redundant churches vested in the Board was also included in the Balance sheet for the first time in 1998. The properties (shown below) have been professionally valued and included in the accounts at two-thirds of that value. The Board is responsible for the maintenance of these properties and are borne by the Pastoral Fund.

Oswestry St David  
Hanley St John  
Lichfield St Mary

Pipe Ridware  
Tipton St Martin  
Wolverhampton St Chad  
Wolverhampton All Saints

## Notes to the Accounts

	Unrestricted Funds		Restricted funds	Endowment funds	Total Funds	Total funds 2005 (restated)
	General	Designated				
<b>2 Parish Contributions</b>						
Parish Share Contributions Requested	10,301,931				10,301,931	9,905,716
Less Parish Share written off not provided for	-50,702				-50,702	-102,521
Less Increase in Provision for Doubtful Debts	-69,379				-69,379	-371,101
	<u>10,181,850</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>10,181,850</u>	<u>9,432,094</u>
Provision for Doubtful Debts						
Total Parish Share Arrears as at 31 December 2006	1,199,510				1,199,510	1,365,817
Arrears received in January 2007	-305,285				-305,285	-285,956
Written off adjustment	-16,795				-16,795	-31,413
	<u>877,430</u>				<u>877,430</u>	<u>1,048,448</u>
Provision for Doubtful Debts as at 01 January 2006	1,048,448				1,048,448	943,335
Written off in the year	-240,397				-240,397	-265,987
	<u>808,051</u>				<u>808,051</u>	<u>677,347</u>
Increase in Provision for Doubtful Debts in the year	<u>69,379</u>				<u>69,379</u>	<u>371,101</u>
<b>3 Voluntary Income from Archbishops' Council</b>						
Selective Allocation	1,781,520				1,781,520	1,617,624
Parish Mission Fund			212,900		212,900	226,400
	<u>1,781,520</u>	<u>0</u>	<u>212,900</u>	<u>0</u>	<u>1,994,420</u>	<u>1,844,024</u>
<b>4 Other Voluntary Income</b>						
Ecclesiastical Group	128,020				128,020	116,380
Walter Stanley Trust	94,581		3,000		97,581	103,257
Donations	51,043	52,230	217,245		320,519	276,521
Training Income	32,329	0			32,329	32,405
Legacies	0	45,000			45,000	155,000
	<u>305,973</u>	<u>97,230</u>	<u>220,245</u>	<u>0</u>	<u>623,449</u>	<u>683,563</u>
<b>5 Income from Activities for Generating Funds</b>						
Gift Aid Commission	53,564	0	0	0	53,564	56,147
Rental Income from Parsonages	117,866	0	0	0	117,866	92,156
Rental Income from Glebe Houses/DBF	122,923	0	0	0	122,923	147,656
	<u>294,352</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>171,430</u>	<u>295,958</u>
<b>6 Investment Income</b>						
Dividends Receivable	10,999	130,289	290,530		431,818	332,384
Trust Income	36,543	0	0		36,543	36,225
Interest Receivable	37,620	37,709	241,610		316,939	393,997
Rents Receivable	139,707	0	0		139,707	166,844

<b>Lichfield Diocesan Board of Finance</b> <b>Annual Report &amp; Accounts for the year ended 31<sup>st</sup> December 2006</b>
--

	224,869	167,999	532,141	0	925,008	929,450
	<b>Unrestr'd funds General</b>	<b>Designated</b>	<b>Restricted</b>	<b>Endowment funds</b>	<b>Total Funds funds</b>	<b>Total funds 2005 (restated)</b>
<b>7 Incoming Resources from Charitable Activities</b>						
Statutory Fees	976,267				976,267	877,483
Chaplaincy Income	90,327				90,327	95,807
Church Commissioners	108,380				108,380	231,033
Income From Sequestration Accounts	16,385				16,385	20,565
Miscellaneous Income	97,294	33,488	691		131,472	120,824
	<b>1,288,653</b>	<b>33,488</b>	<b>691</b>	<b>0</b>	<b>1,322,832</b>	<b>1,345,712</b>
<b>8 Other Incoming Resources</b>						
Gain on Disposal of Property	47,639		73,444		121,083	21,053
Funds Introduced	11,830	0	168,651		180,481	6,167
	<b>59,469</b>	<b>0</b>	<b>242,095</b>	<b>0</b>	<b>301,564</b>	<b>27,220</b>
<b>9 Cost of Generating Voluntary Income</b>						
Fund Raising Expenditure	163,418		9,694		173,112	161,145
	<b>163,418</b>	<b>0</b>	<b>9,694</b>	<b>0</b>	<b>173,112</b>	<b>161,145</b>
<b>10 Investment Management Fees</b>						
Investment Management Fees	520				520	90
Agents Fees & Commissions	65,030				65,030	66,956
Associated Costs	18,789		1,916		20,705	42,569
	<b>84,339</b>	<b>0</b>	<b>1,916</b>	<b>0</b>	<b>86,255</b>	<b>109,616</b>
<b>11 Contributions to Archbishops' Council</b>						
Training for Ministry	283,236				283,236	263,277
National Church Responsibilities	303,166				303,166	293,427
Grants and Provisions	43,294				43,294	38,978
Mission Agency Pension Contributions	22,617				22,617	20,687
Retired Clergy Housing Costs (CHARM)	95,308				95,308	95,526
Pooling of Ordinand Candidates Costs	28,796				28,796	<b>-10,676</b>
	<b>776,417</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>776,417</b>	<b>701,219</b>
<b>12 Expenditure on resourcing Ministry and Mission</b>						
Parish Ministry:-						
Stipends & National Insurance	6,648,198	21,006			6,669,204	6,561,955
Pensions Contributions	1,831,835	6,060			1,837,895	1,819,601
Housing Costs	1,726,858	14,449	1,030,269		2,771,576	2,822,020
Removal, resettlement and other grants	152,109				152,109	130,144
Other expenses	249,809				249,809	236,654
	<b>10,608,809</b>	<b>41,515</b>	<b>1,030,269</b>	<b>0</b>	<b>11,680,593</b>	<b>11,570,374</b>

<p>Lichfield Diocesan Board of Finance Annual Report &amp; Accounts for the year ended 31<sup>st</sup> December 2006</p>
--

	Unrestr'd funds		Restricted	Endowment funds	Total Funds funds	Total funds 2005 (restated)
	General	Designated				
Support for Ministry	1,280,881	26,560	117,909		1,425,350	1,479,839
Management & Administration (inc Legal Retainers)	508,783				508,783	474,829
	<b>12,398,473</b>	<b>68,075</b>	<b>1,148,178</b>	<b>0</b>	<b>13,614,725</b>	<b>13,525,042</b>
<b>Housing Costs include:-</b>						
Depreciation in accordance with Accounting policies		12,808	854,259		867,067	889,332
Maintenance	1,064,667		168,080		1,232,747	1,267,361
Management of Housing Stock	81,680				81,680	80,564
Council Tax/Water Rates	580,511	1,642			582,153	576,660
Miscellaneous			7,930		7,930	8,102
	<b>1,726,858</b>	<b>14,449</b>	<b>1,030,269</b>	<b>0</b>	<b>2,771,576</b>	<b>2,822,020</b>
<b>Support for Ministry Includes:-</b>						
Central Sector Ministry	718,893				718,893	593,772
Diocesan Services to Parishes	235,795				235,795	231,970
Archdeacons, Bishop support costs	283,177				283,177	271,991
Miscellaneous	43,016	26,560	117,909		187,485	382,105
	<b>1,280,881</b>	<b>26,560</b>	<b>117,909</b>	<b>0</b>	<b>1,425,350</b>	<b>1,479,839</b>
<b>13 Expenditure on Education</b>						
Administration	131,657				131,657	132,012
Grants	0				0	
	<b>131,657</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>131,657</b>	<b>132,012</b>
<b>14 Expenditure on Diocesan Projects</b>						
Growth Fund Projects			470,121		470,121	321,126
Lichfield Church Urban Fund Supported Projects			88,910		88,910	203,354
Bridgebuilders			20,000		20,000	0
Diocesan Bishops Lent Appeal			57,000		57,000	40,000
Other			3,150		3,150	1,039
	<b>0</b>	<b>0</b>	<b>639,181</b>	<b>0</b>	<b>639,181</b>	<b>565,520</b>
<b>15 Governance Costs</b>						
Audit Fees	16,815				16,815	18,529
Professional fees for trustees	0				0	
Preparation of Statutory Returns	0				0	
Diocesan Synod Expenses	6,341				6,341	3,483
General Synod Representation	12,044				12,044	15,378
Other Committee Costs	11,547		6,959		18,506	15,280
	<b>46,747</b>	<b>0</b>	<b>6,959</b>	<b>0</b>	<b>53,707</b>	<b>52,670</b>

<p>Lichfield Diocesan Board of Finance Annual Report &amp; Accounts for the year ended 31<sup>st</sup> December 2006</p>
--

	Unrestr'd funds		Restricted	Endowment funds	Total Funds funds	Total funds 2005 (restated)
	General	Designated				
<b>16 Other Resources expended</b>						
Redundant Churches				7,204	7,204	3,489
	0	0	7,204	0	7,204	3,489
	13,601,051	68,075	1,813,132		15,482,259	15,250,713

**17 Analysis of Resources Expended including allocation of support costs**

	Activities Undertaken Directly	Grant Funding of Activities	Support Costs	Total
Costs of Generating Voluntary Income	173,112			173,112
Investment Management Costs	86,255	0	0	86,255
Contributions to Archbishops' Council	776,417	0	0	776,417
Resourcing Ministry & Mission	12,469,263	636,680	508,783	13,614,725
Education	131,657			131,657
Diocesan Projects	0	639,181		639,181
Governance Costs	36,892		16,815	53,707
Other Resources Expended	7,204			7,204
	13,680,800	1,275,861	525,598	15,482,259

Lichfield Diocesan Board of Finance Annual Report & Accounts for the year ended 31 <sup>st</sup> December 2006
---

	Unrestricted Funds	Restricted funds	Endowment funds	Total Funds
	General	Designated		

### 18 Analysis of transfers between funds

Investment Income transferred from Designated reserves	126,361	-126,361		0
Investment Income transferred from Restricted Reserves	283,784		-283,784	0
Mortgage Interest Repayments to Church Commissioners	-69,227	2,498	66,729	0
Miscellaneous Grants	-6,300	3,300	3,000	0
Investment Adjustment		-5,614	5,614	0
Legal cost adjustment in sale of property		-446	446	0
Budget Transfer from the Pastoral Fund	150,872	181,060	-331,932	
	485,490	54,437	(539,927)	0
				0

These Interfund transfers do not include the transfers between funds that both appear under the Restricted Fund heading, as they would produce a cost neutral outcome.

The major Interfund transfer derives from the sale of property between the property reserves and the Stipend Capital and Pastoral Fund.

The funds are only separated for internal accounting purposes to distinguish between cash holdings and property assets.

### 19 Net Incoming resources for the year

These are after charging:-

	2006	2005
	£	£
Auditors Remuneration	16,815	18,529
Depreciation of tangible fixed assets - owned by the Board	859,841	833,065
Depreciation of tangible fixed assets - leased by the Board	6,434	6,434
(Profit)/Loss on disposal of fixed assets	-1,480,344	-1,772,740
Unrealised Gains/(loss) on revaluation of Investments	-1,420,768	-1,091,861
Lease payments of buildings - St Mary's House	13,832	13,832
Gross Rental Income	-380,496	-403,615
	-2,384,685	-2,396,356

### 20 Summary of Fund Movements

	Balances at 01 January 2006	Incoming Resources	Outgoing Resources	Transfers	Gains and Losses	Balances at 01 January 2006
	£	£	£	£	£	£
<b>Unrestricted Funds</b>						
General	1,003,067	14,136,687	-13,601,051	485,490	-6,505	2,017,688
<b>Designated</b>						
Ashworth/Lowe	3,361,413	123,718	-375	-123,820	407,096	3,768,032
Chairman's Fund	265	7,992	-7,750	0	0	507
Pension/Surplus Provision	322,701	11,383	0	-11,383	0	322,701
DBF Designated Houses	83,459	0	-12,808	-1,447	3,388	72,592

Lichfield Diocesan Board of Finance  
Annual Report & Accounts for the year ended 31<sup>st</sup> December 2006

	Balances at 01 January 2006 £	Incoming Resources £	Outgoing Resources £	Transfers £	Gains and Losses £	Balances at 01 January 2006 £
Surplus 2006	0	0	0	181,060	0	181,060
ABC Mission Fund	24,324	45,329	-46,997	0	0	22,656
Swanwick	3,961	36,788	-145	0	0	40,603
Diocesan Growth Fund	466,390	21,136	0	10,641	0	498,166
Vacancy in See Contingency Fund	1,800	55	0	900	0	2,755
Lambeth Conference	7,200	222	0	2,400	0	9,822
Fothergill Bequest	159,246	52,094	0	-3,913	21,311	228,739
	<b>4,430,760</b>	<b>298,717</b>	<b>-68,075</b>	<b>54,437</b>	<b>431,795</b>	<b>5,147,634</b>
<b>Restricted Funds</b>						
Property Reserve	1,118,818	0	-33,220	446	-446	1,085,598
Trust Reserve	1,141,218	197,542	-4,588	-25,418	122,017	1,430,771
End & Glebe	8,425,394	0	-215,513	-844,189	888,951	8,254,643
Benefice	25,759,262	0	-600,938	266,772	532,876	25,957,972
Stipends Capital	4,533,902	104,257	-31,659	-1,295,882	262,671	3,573,288
Pastoral Fund	5,156,822	263,926	-185,428	-637,100	209,369	4,807,589
Diocesan Loan Fund	1,602,915	65,641	0	15,083	90,240	1,773,879
Church Urban Fund	273,279	128,462	-94,013	470	0	308,199
Clergy Widows & Orphans	547,973	19,637	-18,381	0	55,404	604,633
Interior decoration Scheme	63,824	13,938	-7,959	0	3,127	72,930
Airshelta	598	0	-598	0	0	0
Readers	1,085	49	-1,134	0	0	0
Lonsdale	0	151	0	-151	0	0
Church Mission	14,448	1,356	0	0	0	15,804
Eveson Bequest	458	11	0	-470	0	0
Lent Appeal	5,585	64,660	-62,916	0	0	7,330
Ordination	3,036	17,771	-16,702	0	0	4,105
Wolverhampton CBC	590	14	-605	0	0	0
Glebe Land	4,054,373	0	-1,916	-26,731	43,098	4,068,824
Redundant Property	524,737	6,286	-8,720	-6,286	0	516,017
Parish Mission Project	3,063	302	0	0	0	3,365
Borrett	1,000	0	-1,000	0	0	0
Laugher	12,927	462	0	-15,545	2,156	0
Farmers Appeal	342	0	-342	0	0	0
Stanley Trust	0	3,000	-3,000	0	0	0
Benefice Land	65,000	0	0	-65,000	0	0
Evangelism	2,950	336	-3,286	0	0	0
Telford Congregational Church	2,479	2,000	-2,400	0	0	2,079
Bridgebuilders	264,678	10,325	-21,311	0	16,431	270,122
Diocesan Growth Fund	-66,149	239,132	-470,231	11,660	0	-285,588
Albrighton	33,406	818	-27,273	0	0	6,952
Glebe Land Sales	0	67,995	0	2,082,414	216,941	2,367,350
	<b>53,548,014</b>	<b>1,208,071</b>	<b>-1,813,132</b>	<b>-539,927</b>	<b>2,442,834</b>	<b>54,845,860</b>
Endowment Fund	316,716	0	0	0	32,987	349,703
	<b>59,298,557</b>	<b>15,643,475</b>	<b>-15,482,259</b>	<b>0</b>	<b>2,901,112</b>	<b>62,360,886</b>

## 21 Directors Remuneration and expenses

No remuneration has been paid to any Director in their capacity as Directors.

During the year the Board made contributions to the Church Commissioners at the standard rate agreed by the Diocesan Synod towards the stipends, national insurance and pensions contributions of the licensed clergy who are Directors of the Board and provided houses, including the payment of council tax, water rates and maintenance costs, as part of the normal clergy remuneration. Directors were reimbursed for travel, subsistence and incidental costs incurred in undertaking their ministerial activities.

## 22 Employee Details

The average number of employees, based on full time equivalents, were as follows:-

	2006	2005
	No	No
Management & Administration	19	19
Archdeacons & Bishop' Support Staff	6	6
Central Sector Ministers/Advisers & Support Staff	26	26
	<hr/>	<hr/>
	50	50

The Staff Costs for the above were as follows:-

	£	£
Gross Salaries	943,804	856,004
NI		
Costs	79,603	69,274
Pension Contributions	260,881	206,765
	<hr/>	<hr/>
	1,284,288	1,132,043

The number of employees whose emoluments exceeded £50,000 were as follows:-

£50,000 -	<hr/>	<hr/>
£60,000	3	2

Parochial Stipendiary clergy are not employees of the Board of Finance and therefore their stipends, pensions and social security costs are not included in this note

Lichfield Diocesan Board of Finance Annual Report & Accounts for the year ended 31 <sup>st</sup> December 2006
---

## 23 Tangible Assets

	Parsonages Vicarages/ DBF	Glebe/ Team Leasehold Property	Leasehold Improve'ts	Office Equipment	Total	
<b>At cost or Valuation</b>						
At 01 January 2006	29,338,893	12,546,359	5,000	153,917	888,040	42,932,209
Additions in the year	1,114,876	597,200	0	0	91,405	1,803,481
Transfers in the Year	0	0	0	0	0	0
Disposal in the Year	-478,080	-772,960	0	0	-33,098	-1,284,138
Revaluation in the Year			0	0		
At 31 December 2006	29,975,690	12,370,599	5,000	153,917	946,347	43,451,552

### Accumulated Depreciation

At 01 January 2006	3,317,997	1,156,418	1,875	88,508	755,521	5,320,319
Charge for the year	578,178	236,024	0	6,434	45,639	866,275
Disposals	-41,406	-84,872	0	0	-18,926	-145,204
At 31 December 2006	3,854,769	1,307,570	1,875	94,942	782,234	6,041,390

Net Book Value at 31 December 2006	26,120,921	11,063,029	3,125	58,975	164,113	37,410,162
------------------------------------	------------	------------	-------	--------	---------	------------

Net Book Value at 01 January 2006	26,020,896	11,389,941	3,125	65,409	132,519	37,611,890
-----------------------------------	------------	------------	-------	--------	---------	------------

### Fixed Assets Reserve Movement

	Net Book Value 38,718	Additions	Net Disposals	Depre- ciation	Net Book Value 39,082
Unrestricted Reserves	193,921	91,405	-11,140	-50,768	223,418
Designated Reserves					
ABC Parish Mission project	1,494	0	0	-299	1,195
DBF Designated House Funds	501,131	0	-62,593	-9,967	428,571
	502,625	0	-62,593	-10,266	429,766
Restricted Reserves					
Property Reserves	1,553,898	0	-446	-33,220	1,520,232
Trust Reserves	201,890	0	0	-4,588	197,302
Endowment & Glebe Fund	8,749,342	597,199	-625,049	-179,529	8,541,963
Benefice Property Fund	26,020,897	1,114,876	-436,674	-578,178	26,120,921
Redundant Church Property Fund	383,680	0	0	-8,720	374,960
Lichfield Church Urban Fund	3,637	0	-3,031	-606	0
Telford Congregational Church	2,000	0	0	-400	1,600
	36,915,344	1,712,075	-1,065,200	-805,241	36,756,978
Totals	37,611,890	1,803,480	-1,138,933	-866,275	37,410,162

<p>Lichfield Diocesan Board of Finance Annual Report &amp; Accounts for the year ended 31<sup>st</sup> December 2006</p>
--

24 Investments

	Agricultural Land	Residential Property	Commercial Property	Listed Investmen t	Total
At 01 January 2006	4,053,551	0	0	11,188,977	15,242,527
Additions	0	0	0	1,242,608	1,242,608
Disposals	-5,772	0	0	-183,637	-189,409
Revaluations	0	0	0	1,420,768	1,420,768
At 31 December 2006	4,047,779	0	0	13,668,715	17,716,494
Cost as at 31 December 2006	4,047,779			8,638,907	12,686,685
Cost as at 31 December 2005	4,053,551			7,494,049	11,547,600

Investment By Fund	At 01 Jan 06	Additions	Disposals	Rev'tions	At 31 Dec 06
<b>Unrestricted Funds</b>	0	36,640	0	3,370	40,010
<b>Designated Funds:-</b>					
Ashworth/Lowe	3,320,635	79,432	(42,788)	397,217	3,754,496
Fothergill	156,578	45,000		21,311	222,889
	3,477,213	124,432	(42,788)	418,528	3,977,385
<b>Restricted Reserves</b>					
Trust Reserve	942,013	271,576	(88,892)	108,172	1,232,870
Stipends Capital	3,105,691	750,000		479,612	4,335,303
Stipends Capital - Glebe Land	4,053,551		(5,772)	0	4,047,779
Clergy Widows and Orphans	531,943			55,404	587,347
Pastoral Fund	1,798,021			209,369	2,007,390
Diocesan Loan Fund	771,775	1,985		90,240	864,001
Laugher Bequest	12,927			2,156	15,083
Bridgebuilders	202,651	57,974	(51,957)	17,803	226,472
Interior Decoration Fund	30,026			3,127	33,153
	11,448,598	1,081,536	(146,621)	965,882	13,349,396
<b>Permanent Endowment</b>	316,716			32,987	349,703
	15,242,527	1,242,608	(189,409)	1,420,768	17,716,494

<p>Lichfield Diocesan Board of Finance Annual Report &amp; Accounts for the year ended 31<sup>st</sup> December 2006</p>
--

25 Debtors	2006	2006	2005	2005
<b>Due within one year</b>				
Parish Share Arrears as at 31 December 2006	1,199,510		1,365,817	
Less Provision for Doubtful Debts	(877,430)		(1,048,448)	
		322,080		317,369
Assigned Fees		60,000		50,000
Prepayments		228,402		215,103
Loans		290,689		263,262
Accrued Income		109,540		105,020
Sundry		596,853		605,017
		<u>1,607,564</u>		<u>1,555,771</u>
<b>Due after one year</b>				
Loans		<u>715,813</u>		<u>866,992</u>
Total		<u>2,323,377</u>		<u>2,422,763</u>
<b>Loans</b>				
<b>Due in under one year</b>				
Staff Loans		11,930		11,309
Loans to Parishes		278,760		251,953
		<u>290,689</u>		<u>263,262</u>
<b>Due in more than one year</b>				
Staff Loans		18,617		11,759
Equity Sharing Loan (Perrycroft Crescent)		50,000		59,000
Loans to Parishes		647,196		796,233
		<u>715,813</u>		<u>866,992</u>
<b>Total Loans as at 31 December</b>		<u>1,006,502</u>		<u>1,130,254</u>

Lichfield Diocesan Board of Finance Annual Report & Accounts for the year ended 31 <sup>st</sup> December 2006
---

	Unrestricted Funds		Restricted funds	Endow'nt Funds	Total Funds	Total funds 2005 (restated)
	General	Designated				
26 Short Term Investment						
West Bromwich Building Society Corporate Deposit	0	0	250,000	0	250,000	0

27 Creditors	2006	2005
<b>Amounts falling due within one year</b>		
Creditors	847,196	631,489
Accruals	129,412	82,033
Deferred Grants	299,506	173,609
Loans from Church Commissioners		
Value Linked Loans	0	0
Mortgages	65,076	69,227
	1,341,191	956,357
<b>Amounts falling due after one year</b>		
Deferred Grants	356,992	202,384
Loans from Church Commissioners		
Value Linked Loans	391,500	441,500
Mortgages	403,255	468,331
	1,151,748	1,112,215
Total	2,492,938	2,068,572

**Loans due more than one year fall due:-**

1- 2 Years	63,205	65,076
2 - 5 Years	157,456	176,237
After 5 Years	182,595	227,018
	403,255	468,331

**Analysis of Mortgage per House type**

	<u>DBF</u>	<u>Glebe</u>	<u>Benefice</u>	<u>Total</u>
Less than One year	2,498	32,955	29,623	65,076
1-2 years	2,498	31,818	28,889	63,205
2 -5 years	7,493	84,931	65,032	157,456
more than 5 years	1,990	137,617	42,987	182,595
Total	14,479	287,320	166,532	468,332

<p>Lichfield Diocesan Board of Finance Annual Report &amp; Accounts for the year ended 31<sup>st</sup> December 2006</p>
--

28 Summary of Assets per fund

	Fixed Assets Tangible	Investments	Current Assets	Creditors	Net Assets
<b>Unrestricted Funds – General</b>	223,418	40,010	2,578,583	-824,323	2,017,688
Designated Funds					
Ashworth/Lowe	0	3,754,496	15,812	-2,277	3,768,032
Chairman's Fund			5,805	-5,297	507
Pensions/Surplus Fund			322,701	0	322,701
DBF Designated Fund	428,571			-355,979	72,592
Surplus 2006			181,060		181,060
ABC Mission Fund	1,196		82,324	-60,864	22,656
Swanwick Conference			40,603		40,603
Diocesan Growth Fund			498,166		498,166
Vacancy in See			2,755		2,755
Lambeth Conference			9,822		9,822
Fothergill Bequest		222,889	5,850		228,739
	429,766	3,977,385	1,164,899	-424,417	5,147,634
<b>Restricted Funds</b>					
Property Reserve	1,520,232			-434,634	1,085,598
Trust Reserve	197,302	1,232,870	599		1,430,771
Endowment & Glebe	8,541,963			-287,320	8,254,643
Benefice	26,120,921		3,584	-166,532	25,957,972
Stipends Capital		2,098,406	1,496,448	-21,566	3,573,288
Pastoral Fund		2,007,390	3,270,642	-470,442	4,807,589
Diocesan Loan Fund		879,084	894,796		1,773,879
Lichfield Church Urban Fund			333,592	-25,393	308,199
Clergy Widows & Orphans		587,347	17,286		604,633
Interior Decoration Scheme		33,153	307,214	-267,437	72,930
Church Mission			15,804		15,804
Diocesan Bishop's Lent Appeal			46,197	-38,867	7,330
Diocesan Bishops Ordination Candidates Fund			15,249	-11,144	4,105
Glebe Land		4,047,779	21,045		4,068,824
Redundant Property	374,960		141,057		516,017
Parish Mission Project			3,365		3,365
Walter Stanley Trust			9,000	-9,000	0
Telford Congregational Church	1,600		479		2,079
Bridgebuilders		226,472	57,130	-13,480	270,122
Diocesan Bishop's Growth Fund			288,222	-573,810	-285,588
Albrighton			6,952		6,952
Glebe Land Sales		2,236,897	130,454		2,367,350
	36,756,978	13,349,396	7,059,113	2,319,626	54,845,860
Endowment Fund		349,703			349,703
	37,410,162	17,716,494	10,802,595	3,568,366	62,360,886