

Diocese of Liverpool

Liverpool Diocesan Board of Finance

REPORT AND ACCOUNTS

For the year ended 31 December 2014

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*Registered Charity Number 249740
Registered Company Number 18301*

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CHAIRMAN'S REPORT

Chairman's Report

I am pleased to introduce the Report of the Trustees and the Financial Accounts for the Liverpool Diocesan Board of Finance (LDBF) for the year ending 31 December 2014.

Firstly I would like to pay tribute to the work of Mike Eastwood and his team at St James House for their efforts in 2014. We continue to make significant progress on delivering the growth agenda which is now clearly established as the core work of the diocesan staff. It will remain our strategic priority over the coming years.

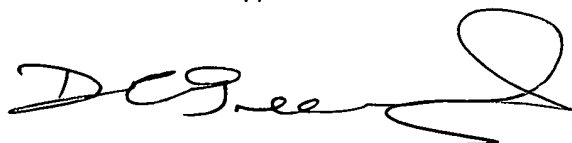
In 2014 while we continued to build on the achievements of recent years, the overall financial results were mixed. We again set a breakeven budget, with Parish Share and Missional Leadership remaining the two dominant factors in our performance during the year. Our management accounts loss to 31st December 2014 was £125,791 (improving on the loss of £298,000 in 2013), with Parish Share non-payment (£119k) and the Missional Leadership overspend (£37k) preventing us from meeting budget.

Beyond those results our non-mainstream property activities were significant and contributed dually to a reduction in our overall financial position and a strengthening of our cash position. The net movement in funds in these financial statements was a reduction of £1,354,504, which relates primarily to restricted and endowed funds but is nonetheless disappointing (though largely unavoidable). On the positive side, our cash position shows an increase of £617,640 during the year. The improvement in cash is directly linked to many of the property activities behind the significant reduction in funds.

The non-mainstream property activities that contributed heavily to the reduction in funds included losses on the sale of surplus property (£257k), grants paid to parishes in relation to the proceeds of surplus vicarages (£375k), additional expenditure on residential properties (capital works, significant upgrades and development spend) (£340k), the on-going maintenance and security of redundant church buildings (£105k) and additional expenditure on school building sites (£35k). Most of our property remains valued in our balance sheet at insurance related rebuild estimates rather than market value, which often results in a gain on disposal but occasionally works to our disadvantage. Whilst the non-mainstream property activities above were operationally beneficial and enabled us to significantly strengthen our cash position, they also reduced the value of our balance sheet.

In summary we continued to improve our operational management accounts position and this is reflected in the improvement in our unrestricted fund, whilst also generating significant cash. The overall results in our financial accounts reflect the negative impact of non-mainstream property activities.

Our medium term aim (2016) is to bring both the operating and capital elements of the diocesan accounts into neutrality and work is ongoing to put in place new initiatives to drive this change. When that is achieved deaneries and parishes will have a more secure base to develop their mission and ministry. I look forward to working with all members of the LDBF in the coming period and would like to take this opportunity to thank them for all their support in 2014.



David Greensmith
21st May 2015

**TRUSTEES' ANNUAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2014**

I. REFERENCE AND ADMINISTRATIVE DETAILS

Legal structure

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

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

Its registered office is St James' House, 20 St James Road, Liverpool L1 7BY.

The governing body of the diocese is the Diocesan Synod whose members are also members of the Diocesan Board of Finance.

Although the work of the Finance Committee is the sole responsibility of those elected to serve on it, all its business is conducted under the authority of the Diocesan Bishop who presides over all the affairs of the diocese.

Trustees

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

Elections to the Finance Committee take place every three years. There were elections in November 2012 for the current Finance Committee which runs from 1 January 2013 to 31 December 2015. The trustees who served in 2014 were:

David Greensmith, Chair (ex-officio)
David Burgess, Deputy Chair (elected)
Bishop of Warrington (ex-officio)
Archdeacon of Liverpool (ex-officio)
Archdeacon of Warrington (ex-officio)
Rev Cynthia Dowdle (elected)
Rev Chris Jones (elected)
Rev Mark Stanford (elected)
Pam Denton (elected)
Peter Owen (elected)
Michael Pitts (elected)
Mark Stafford (elected)
Jim Taylor (elected)
Cyril Barratt (Treasurer – co-opted by the Committee)

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Senior staff

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

Mike Eastwood, Diocesan Secretary
Matt Elliott, Director of Finance
Stuart Haynes, Director of Communications
Linda Jones, Director of Church Growth
Steve Pierce, Director of Learning & Stewardship
Jon Richardson, Director of Education
Ultan Russell, Director of Church & Society

Bankers and professional advisers

Auditors

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

Bankers

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

Investment managers

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

Diocesan Registrar

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

Solicitors

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

2. STRUCTURE, GOVERNANCE AND MANAGEMENT

Constitution and objects

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

Trustees

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

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

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Organisational structure and decision-making

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

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

The Diocesan Board of Education is integrated into the Diocesan Board of Finance both legally (it is not separately constituted) and practically (the Diocesan Director of Education is a full and participating member of the senior management team). This helps organisational cohesiveness and inter-departmental working.

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

Networks and key relationships

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

- ♦ Diocesan Synod as the Board of Finance and governing body of the diocese
- ♦ Bishop's Council as the executive arm of Diocesan Synod
- ♦ The Bishop's Core Group, where decisions are taken about the deployment of clergy
- ♦ Other diocesan committees, especially the Diocesan Mission & Pastoral Committee, Lifelong Learning Committee and Board of Education
- ♦ Deanery Synods and Deanery Mission & Pastoral Committees, where local mission plans are decided and their pastoral implications worked through
- ♦ Parishes within the diocese with whom we are intimately connected both in supporting local mission and ministry and in financing the Diocesan Board of Finance
- ♦ Church schools in the diocese to whom we offer support and guidance over a range of appointment, curriculum, governance and building matters
- ♦ Liverpool Cathedral, on whose campus we are now located and with whom there is now an established pattern of close collaborative working
- ♦ Other dioceses, especially in the North West of England, with whom we have close collaborations and provide services, especially to schools
- ♦ Providers of pre-ordination and Reader training, namely the residential theological colleges, All Saints Centre for Mission & Ministry and St Mellitus in the North West
- ♦ The national church institutions (Archbishops' Council, Church Commissioners and the Pensions Board) from whom we receive significant funding, policy directives and legal consents to transactions.

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- ♦ Other Christian denominations with and through whom we work on matters of workplace chaplaincy, child safeguarding and ecumenical relations notably through Churches Together in the Merseyside Region and Mission in the Economy
- ♦ Interfaith bodies, such as Merseyside Council of Faiths and Liverpool Community Spirit, as part of our cross community work to promote good interfaith relations
- ♦ Key infrastructural bodies on Greater Merseyside (notably volunteer centres and councils for voluntary service) on which we represent ecumenical partners and lead on provision in rural areas. We have also been actively involved in ChangeUp, the pan Merseyside body, where we represent Churches Together in the Merseyside Region and feed back issues from faith networks to other members, notably councils for voluntary service
- ♦ Liverpool Diocesan Council for Social Aid, professionally advised by Church & Society, whose key roles are running Adelaide House Women's Bail Hostel and working on penal affairs and social inclusion
- ♦ Church Urban Fund with whom we have established Together Liverpool as a joint venture and, more recently, the Church Credit Champions Network

As at 31 December 2014 there were no subsidiary trading companies to the DBF. DBE Services Ltd continued trading, as did All Saints Centre for Mission & Ministry. DBE Services Ltd is an inter-diocesan company for the dioceses of Liverpool, Blackburn, Carlisle, Chester, Manchester and York, providing property and other services to schools. All Saints Centre for Mission & Ministry is an inter-diocesan company for the dioceses of Liverpool, Manchester and Chester established to provide local training for clergy and readers. In 2013 we also established a new partnership with St Mellitus (see section 4 below) and a new joint venture with the Church Urban Fund entitled Together Liverpool which seeks to support and resource parishes as they seek to serve their wider community. In 2014 Together Liverpool also established the Church Credit Champions Network to help combat the systemic personal financial problems impacting on individuals and communities. The Liverpool Diocesan Educational Trust was established in 2012 to enhance links with Church Academies.

The single most important relationship we have continues to be with the clergy and lay people within the churches in our diocese whose ministry is the heartbeat of the diocese. We currently have around 215 serving parish and cathedral-based stipendiary clergy, around 60 non stipendiary and ordained local clergy, c. 300 readers and over 100 active retired clergy. We also now have c. 10 Local Missional Leaders, a number we expect to grow significantly in the coming years. We have c. 20 clergy serving full-time as chaplains in schools, hospitals, universities and prisons plus others serving in a part-time capacity. We also have an active committed church membership of c. 50,000.

Public benefit

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

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

More information on these benefits follows throughout this report.

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3. OBJECTIVES AND ACTIVITIES

The principal object of the charity is to further the interests of the Church of England, mainly, but not exclusively, in the area covered by the Diocese of Liverpool. The strategic thrust of the current work is laid out in our strategic plan entitled *Growing in Christ*. Our aims can be summarised as follows:

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

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

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

The Finance Committee is working towards the following organisational outcomes:

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

Our main activities can be summarised as:

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

For more detail on individual activities see section 4, "Achievements and performance". For information on our strategic thinking into the future please see section 6, "Future plans".

Grant-making policy

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

Mission in the Economy – £38,985 to support mission and chaplaincy in the world of work.

We have an Ecumenical Funding Group to look at how best we work with and through our ecumenical partners. This group reports annually to Bishop's Council.

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We also help parishes in the most deprived areas of the diocese and gave £22,865 in Designated Priority Area grants.

Volunteers

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

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

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

4. STRATEGIC REPORT

I. ACHIEVEMENTS AND PERFORMANCE

By definition much of our work continues year on year. We took a particular view in 2002 that we should set new initiatives in train and stick with them, believing that they would take time to come to fruition. We are determined to follow these initiatives through until either they achieve their stated goals or until it becomes clear that they will not or cannot. Much of this was captured in our operational plan *Growing in Christ* which takes the growth agenda forward.

Growing in Christ identified 3 'burning platform' issues of ageing money, retiring clergy and broken buildings. We are developing clear strategies to help parishes address each of these challenges.

Overall we have seen a significant turnaround in terms of the Dioceses' mission and financial health, as measured by the national church. We have seen numerical growth in recent years, although the ageing demographic of many churches is making this growth harder to sustain. However, under Bishop Paul's leadership we are confident that the growth agenda will be refreshed and significantly energised and that in the words of the theologian Eugene Peterson we are committed to 'a long obedience in the same direction'.

We continue to press ahead on both mission and financial health. For example we were awarded £900,000 by the Church Commissioners' Spending Task Group to establish a £1.2 million Transforming Wigan programme which, if successful, will have significant missional and financial benefits, not just in Wigan, but throughout the diocese. We have also set up the Joshua Centre for Pioneer Ministry, in collaboration with the Cathedral. And as mentioned above we believe that the emergence of Local Missional Leaders will have a transformative impact on both our short and medium-term missional capacity.

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

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We undertake a biennial clergy survey. The 2015 survey produced generally strong results, although issues of clergy stress remain a significant concern. There were significant levels of buy-in to the Growth Agenda with over 90% of clergy stating that they both understood and supported the growth agenda.

We continue to increase the number of licensed ministers available for deployment. Following the implementation of our new vocations strategy, we now have a regular pattern of over 30 people actively exploring vocations at any point – a significantly higher than for many years. Our constructive engagement with both the All Saints Centre for Mission & Ministry and St Mellitus in the North West have been key to this, as has the establishment of our Directions course.

We remain at the leading edge of safeguarding both children and vulnerable adults. Our continuing work on the Child Friendly Church Award, our on-going training and development work on safeguarding issues and the wider work of our Disability Action Group all come together to demonstrate a serious and sustained commitment to excellence in this area. In 2013 we launched the Disability Friendly Church Award, the first of its kind in the country.

Our Parish Share collection rate remains high, although it is the single biggest area of concern for the Diocesan Board of Finance. By October 2011 our collection rate had fallen to close to 95% from recent regular highs of 98.8%. We took a paper to Diocesan Synod called Reversing the Payment Trend which proposed a range of measures designed to improve collection rate. By the end of 2011 the collection rate had recovered to 97.9% and it climbed further in 2012 to 98.4%. In 2013 it was a remarkable 99.5%. In 2014 it fell back slightly to 98.3%. We continue to monitor the situation closely and carefully and there are clear signs that the Parish Share Payment Plan process is established as a constructive way of bringing parishes back into full payment.

However, as reported last year, there are signs of clear financial strain. Parish Share is becoming a higher percentage of the regular giving received from church members, leaving less money available to parishes for local mission purposes. In view of this Diocesan Synod established a Parish Share Review Group to report back in September 2014 on Parish Share options into the future. A new Parish Share system (largely an update of the current one) will be implemented from January 2016, having received the overwhelming support of Diocesan Synod.

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

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

Levels of church attendance remain a concern, despite the improvement noted above. The average age of our congregations is significantly higher than the average age of the general population. We now track and publish attendance on a parish by parish basis. It is a key focus of discussion at the newly constituted Archdeacon's Parish Review meetings. We are now into our second 2-year cycle of the Growth Planning Framework, a core tool in helping each parish understand the particular steps it needs to take to grow spiritually and numerically in order to serve the wider community.

We continue to maintain our 'market share' of children attending schools with c. 30,000 children in Church of England schools. Nearly 85% of our schools are currently rated good or outstanding by Ofsted. We have set an ambitious target

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to increase this to 90%. We have taken a clear position on the academies agenda as we seek to implement the recommendations of the *Building on Firm Foundations* review endorsed by Synod in 2012.

We should place on record our sincere thanks to Bishop Richard for steering us so ably through a long episcopal vacancy between Bishop James and Bishop Paul. Bishop Paul inherited a diocese in good heart; indeed during the process to identify a new Bishop of Liverpool it was noted by national officers that the diocese showed 'an unprecedented unity of purpose'. Bishop Richard deserves great credit and our sincere thanks for this.

Access and inclusion

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

Information gathering

We now have an excellent database of information that we use to publish annual diocesan and parish dashboards. We conducted the latest in the now biennial Clergy Survey in 2015. Information gathering and publication is fast becoming a key strength.

Asset management

2014 was another good year for our equity investments, with UK and international markets continuing to recover from significant losses. Our cash management is still dominated by the re-working of our housing stock. 2014 was a mixed year in terms of property sales. We achieved a number of operationally beneficial housing sales and were able to strengthen our cash position, but cumulatively those sales represent a loss in our Statement of Financial Activities.

We continue to monitor closely our cash and broader reserve levels and think and plan on the basis of the medium rather than the short term investments. We have not deemed it necessary or advantageous to change our investment policies.

In summary our CCLA investments achieved an unrealised gain of £260,882.

Property

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

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

2014 saw some changes in our property portfolio. Eight properties were sold for a total value of £1,843,781. These were previously valued in the balance sheet at a total of £2,100,653 and so resulted in losses of £256,872. The cost of significant developments to three properties during the year totalled £256,129.

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

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

II. FINANCIAL REVIEW

2014 was a mixed year financially. We once again set a breakeven budget with a 2.2% increase in Parish Share, absolutely reflecting the increase in the cost of ministry in parishes and schools.

Performance against budget

Each year we present a budget to Synod, which summarises our financial thinking and – once approved – sets the framework for our financial decision-making.

Our management accounts deficit was £126,000, a significant improvement on the £298,000 deficit in 2013 and £250,000 loss on the previous year. We are on track to get the management accounts to breakeven by the end of 2015.

The main adverse variances were:

- ♦ £118,000 shortfall on Parish Share receipts
- ♦ £37,000 overspend on Missional Leadership

The main positive variances centred on parochial fees (£25,000 better than budget), rental income (£11,000 better than budget) and grants (£39,000 better than budget)

Annual accounts

The Statement of Financial Activities on page 17 shows a significantly worse position, namely a net reduction in funds for the year of £1,354,504 (as against a net reduction in 2013 of £709,857). This is because in addition to the operating loss of £126,000 referred to above there was:

- ♦ £340,000 of additional property-related expenditure. This reflects:
 - On-going expenditure to upgrade the value of our housing stock which is met from capital rather than revenue income;
 - Additional capital works associated with making newly purchased housing fit for clergy purposes;
 - Costs incurred in taking assets to market.
- ♦ £375,000 in property grants to parishes
- ♦ £257,000 in losses on the sale of property
- ♦ £105,000 maintaining redundant churches prior to disposal
- ♦ £100,000 write off of bad debt (mainly historic Parish Share)
- ♦ £35,000 of expenditure on schools

Despite the negative variances in the year we believe that our overall financial management is sound. We are continuing to develop income streams, have kept central costs under control and maintain a very impressive level of Parish Share collection.

Reserves

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

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

Early in 2011 this policy was revised and we now aim to hold a minimum of three months' operating expenditure in cash and equities in the General Fund. Over the course of 2014 the paper value of investments remained above 4.0 months.

In the 2008 report we said:

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

We held to this position over the year and remain confident that it was the right thing to do.

The unrestricted reserve stands at £6m (when Designated Funds of £136k are taken into account). £2.3m representing 3 months' operating expenditure, is retained as a general reserve to allow for any unexpected rises in expenditure or shortfall in income. The trustees believe that retaining reserves at the current level will cushion the diocese from short-term revenue problems and will enable them to meet their legal requirements in case of serious financial problems.

Designated reserves amount to £136k and are to be used for the Warrington Mission Development Fund.

Investments

The Investments Committee receive quarterly reports on investment performance. These reports are scrutinised and decisions taken accordingly. The investment managers also attend at least one meeting a year to report more fully on investment policy and review performance.

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

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

Housing

The housing is expressed on the balance sheet on the basis of the 2003 insurance values of each house, apart from those houses where significant development activity has taken place or which have been acquired subsequent to 2003.

Grants received

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

III. FUTURE PLANS

We continue to work under our new strategic plan *Growing in Christ*. This covers the period 2014 – 16. As Bishop Paul wrote in his first pastoral letter to clergy:

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The Bishop's Growth Agenda is my agenda now, and I am fully committed to it. I intend to sustain and strengthen the direction of our Diocese as a growing community marked by disciplined prayer, intentional evangelism and a practical commitment to justice.

To continue in this direction we need to address the issues and problems we have already identified. We need to renew our financial base, to solve the problems raised by so many of our buildings, and to foster and multiply vocations to ministry, especially among younger people. Each one of us needs, by God's grace and in his strength, to share ideas and wisdom to address these challenges so that together we can resolve them.

We are determined to press ahead so that we can become a bigger church to make a bigger difference.

IV. PRINCIPAL RISKS AND UNCERTAINTIES

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

5. FUNDS HELD AS CUSTODIAN TRUSTEE ON BEHALF OF OTHERS

The Board is Custodian Trustee for trust assets with a market value of £10m at 31 December 2014. Detailed Certificates of Holdings were sent to parishes and other managing trustees as at December 2014. Most of these trusts are held on behalf of parishes whose charitable purpose is the advancement of religion and therefore is parallel to those of the Diocese. The funds are held in separate investments from those of the DBF and there is a separate bank account from which payments are made. We also hold a number of parish properties as Custodian Trustee, but we are unable to obtain a current valuation of these properties due to the complexity and substantial costs involved.

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

Further funds are held on behalf of Church of England Schools in the Diocese for the government's Devolved Formula Capital funding. At the 31 December 2014, these funds had a market value of £1.5m (2013 - £1.3m).

6. NOTES AND QUERIES

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

Significant changes in fixed assets

These are now explained in notes 15 and 16 to the financial statements.

TRUSTEES' ANNUAL REPORT

Related party transactions

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

In 2008 a loan of £25k was issued to the All Saints Centre for Mission and Ministry, a related party, and a further loan of £25k was issued in 2009. As at 31 December 2014 £27.5k was due to the Diocese. This balance is included within the figure of £173,897 for parish and other loans at note 18 on page 33.

Post Balance Sheet Events

There are no significant events occurring between 31 December 2014 and the date of signing the report which have significantly affected the charity.

Fundraising

There have been no significant fundraising activities at diocesan level in 2014.

Insurance

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

Trustees' interest in shares

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

Taxation status

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

Contingent liability

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

7. STATEMENT OF TRUSTEES' RESPONSIBILITIES

The trustees (who are also directors of the Liverpool Diocesan Board of Finance for the purposes of company law) are responsible for preparing the Trustees' Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

- ♦ select suitable accounting policies and then apply them consistently;
- ♦ observe the methods and principles in the Charities SORP;

TRUSTEES' ANNUAL REPORT

- ♦ make judgments and estimates that are reasonable and prudent;
- ♦ state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- ♦ prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charitable company will continue in business.

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

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

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

By order of the Finance Committee



Mike Eastwood

Diocesan Secretary

21 May 2015

AUDITORS' REPORT

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

We have audited the financial statements of the Liverpool Diocesan Board of Finance for the year ended 31 December 2014, which comprise the Statement of Financial Activities, the Balance Sheet, the Statement of Total Recognised Gains and Losses, the Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

Respective responsibilities of trustees and auditors

As explained more fully in the Trustees' Responsibilities Statement (set out on pages 13 & 14), the trustees (who are also the directors of the charitable company for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

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

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the charitable company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the trustees; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the chairman's report and the trustees' report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the charitable company's affairs as at 31 December 2014 and of its incoming resources and application of resources, including its income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

AUDITORS' REPORT

Opinion on other matters prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

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

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



4/9/15

Lesley Malkin BA F.C.A.

Senior Statutory Auditor

For and on behalf of BWMacfarlane, Chartered Accountants

Statutory Auditor

Castle Chambers

43 Castle Street

Liverpool

L2 9SH

STATEMENT OF FINANCIAL ACTIVITIES

**STATEMENT OF FINANCIAL ACTIVITIES
INCLUDING INCOME AND EXPENDITURE ACCOUNT
FOR THE YEAR ENDING 31 DECEMBER 2014**

| | Note | Unrestricted Funds 2014 £ | Restricted Funds 2014 £ | Endowment Funds 2014 £ | Total Funds 2014 £ | Total Funds 2013 £ |
|------------------------------------------------------------------------------|------|------------------------------------|----------------------------------|---------------------------------|-----------------------------|-----------------------------|
| INCOMING RESOURCES | | | | | | |
| Incoming resources from generated funds | | | | | | |
| Voluntary Income: | | | | | | |
| Parish Share | 2 | 6,825,286 | - | - | 6,825,286 | 6,769,279 |
| National Church Institutions | 3 | 1,753,166 | - | - | 1,753,166 | 1,730,801 |
| Grants Received | 4 | 898,346 | 257,320 | - | 1,155,666 | 1,217,597 |
| Investment income | 6 | 534,529 | 16,454 | - | 550,983 | 552,314 |
| Incoming resources from charitable activities | 5 | 407,849 | 64,357 | - | 472,206 | 439,561 |
| Other incoming resources | 7 | - | 146,847 | - | 146,847 | 257,265 |
| TOTAL INCOMING RESOURCES | | 10,419,176 | 484,978 | - | 10,904,154 | 10,966,817 |
| RESOURCES EXPENDED | | | | | | |
| Costs of generating funds | | | | | | |
| Costs of generating voluntary income | | | | | | |
| Investment management costs | 8 | - | - | - | - | 2,666 |
| Charitable activities | | | | | | |
| National Church responsibilities | 9 | 252,494 | - | - | 252,494 | 247,783 |
| Ministry in parishes | 10 | 7,845,213 | 1,092,443 | 239,592 | 9,177,248 | 8,859,319 |
| Support for mission & ministry in parishes | 11 | 1,892,766 | 162,529 | - | 2,055,295 | 1,944,628 |
| Education | 12 | 446,046 | 159,461 | - | 605,507 | 772,883 |
| Governance costs | 13 | 158,114 | - | - | 158,114 | 150,585 |
| Other outgoing resources | 14 | - | 14,010 | 256,872 | 270,882 | 206,509 |
| TOTAL RESOURCES EXPENDED | | 10,594,633 | 1,428,443 | 496,464 | 12,519,540 | 12,184,373 |
| Net (Outgoing) / Incoming Resources before transfers | | (175,457) | (943,465) | (496,464) | (1,615,386) | (1,217,556) |
| Gross transfers between funds | 28 | 35,493 | 8,383 | (43,876) | - | - |
| Net (Outgoing) / Incoming Resources before other recognised gains and losses | 21 | (139,964) | (935,082) | (540,340) | (1,615,386) | (1,217,556) |
| Other recognised gains/losses | | | | | | |
| Gain / (Loss) on investment assets | 16 | 217,912 | - | 42,970 | 260,882 | 401,256 |
| Gain on revaluation of fixed assets for the charity's own use | 15 | - | - | - | - | 106,443 |
| NET MOVEMENT IN FUNDS FOR THE YEAR | | 77,948 | (935,082) | (497,370) | (1,354,504) | (709,857) |
| Balance brought forward 1 January 2014 | | 5,966,363 | 8,690,388 | 36,537,028 | 51,193,779 | 51,903,636 |
| Balance carried forward 31 December 2014 | | 6,044,311 | 7,755,306 | 36,039,658 | 49,839,275 | 51,193,779 |

All of the results for both accounting periods relate to continuing activities. None of the Charity's activities were acquired or discontinued in either financial period.

BALANCE SHEET

LIVERPOOL DIOCESAN BOARD OF FINANCE

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

BALANCE SHEET

AT 31 DECEMBER 2014

| | Notes | 2014 | 2013 |
|----------------------------------------------|-------|-------------------|-------------------|
| | | £ | £ |
| Fixed Assets | | | |
| Tangible Fixed Assets | 15 | 42,428,407 | 44,280,415 |
| Investments | 16 | 8,137,446 | 7,876,564 |
| Loans | 17 | 120,000 | 120,000 |
| | | <u>50,685,853</u> | <u>52,276,979</u> |
| Current Assets | | | |
| Debtors | 18 | | |
| falling due within one year | | 875,606 | 984,419 |
| falling due after more than one year | | 480,963 | 482,810 |
| Bank and Cash | | 170,749 | - |
| | | <u>1,527,318</u> | <u>1,467,229</u> |
| Creditors: | | | |
| Amounts falling due within one year | 19 | (1,101,046) | (1,197,129) |
| Net current assets | | 426,272 | 270,100 |
| Total assets less current liabilities | | <u>51,112,125</u> | <u>52,547,079</u> |
| Creditors: | | | |
| Amounts falling due after more than one year | 20 | (1,272,850) | (1,353,300) |
| Net Assets | | <u>49,839,275</u> | <u>51,193,779</u> |
| Accumulated Funds | 28 | | |
| Endowment funds | | 36,039,658 | 36,537,028 |
| Restricted funds | | 7,755,306 | 8,690,388 |
| Unrestricted funds | | 6,044,311 | 5,966,363 |
| | | <u>49,839,275</u> | <u>51,193,779</u> |

The financial statements on pages 17 to 40 were approved by the Finance Committee on 21 May 2015 and signed on its behalf by:


Mr David Greensmith
Chairman


Mr David Burgess
Vice Chairman

RECOGNISED GAINS AND LOSSES

**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
FOR THE YEAR ENDED 31 DECEMBER 2014**

| | 2014 | 2013 |
|---------------------------------------------------------|-------------|-------------|
| | £ | £ |
| Net expenditure for the financial year | (1,615,386) | (1,217,556) |
| Unrealised gain / (loss) on revaluation of assets | 260,882 | 507,699 |
| | <hr/> | <hr/> |
| Total losses recognised since last financial statements | (1,354,504) | (709,857) |
| | <hr/> | <hr/> |

CASH FLOW STATEMENT

CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2014

| | Note | 2014 £ | 2013 £ |
|--------------------------------------------------------|------|-------------|-------------|
| Net Cash Flow from Operating Activities | i | (1,423,641) | (3,143,598) |
| Returns on Investments and Servicing of Finance | | | |
| Investment income | | 550,983 | 552,314 |
| Interest on bank loans and overdrafts | | (13,453) | (11,919) |
| | | 537,530 | 540,395 |
| Capital Expenditure and Financial Investment | | | |
| Sale of tangible fixed assets and loan redemption | | 1,843,781 | 930,191 |
| Sale of fixed asset investments | | - | 2,545,028 |
| Purchase of tangible fixed assets | | (259,580) | (1,076,630) |
| Purchase of fixed asset investments | | - | (1,633,331) |
| | | 1,584,201 | 765,258 |
| Financing | | | |
| Loan from CCLA | | - | 350,000 |
| Loans repaid to CBF | | (400) | (400) |
| Loans from Church Commissioners | | (80,050) | 400 |
| | | (80,450) | 350,000 |
| Net Change in cash and cash equivalents | | 617,640 | (1,487,945) |
| Cash and cash equivalents brought forward | | (446,891) | 1,041,054 |
| Cash and cash equivalents carried forward | | 170,749 | (446,891) |

CASH FLOW STATEMENT

NOTES TO THE CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2014

i, Reconciliation of income and expenditure to net cash outflow from operating activities

| | 2014 | 2013 |
|-----------------------------------------------------------------|-------------|-------------|
| | £ | £ |
| Net outgoing resources before other recognised gains and losses | (1,615,386) | (1,217,556) |
| Depreciation | 10,935 | 16,889 |
| Investment income | (550,983) | (552,314) |
| Interest on bank loans and overdrafts | 13,453 | 11,919 |
| (Gains) / Losses on disposal of property | 256,872 | 168,638 |
| (Increase) / Decrease in debtors | 110,660 | 128,697 |
| (Decrease) / Increase in creditors | 350,808 | (1,699,871) |
| Net cash flow from Operating Activities | (1,423,641) | (3,143,598) |

ii, Analysis of net funds

| | 1 January 2014 | Cash flow | Other non 31 December cash changes | 2014 |
|--------------------------|-------------------|-----------|---------------------------------------|---------|
| | £ | £ | £ | £ |
| Net Cash:- | | | | |
| Cash at bank and in hand | - | 170,749 | - | 170,749 |
| Bank Overdrafts | (446,891) | 446,891 | - | - |
| | (446,891) | 617,640 | - | 170,749 |

ii, Reconciliation of net cash flow to movement in net funds

| | 2014 | 2013 |
|-----------------------------|-----------|-------------|
| | £ | £ |
| Increase (decrease) in cash | 617,640 | (1,487,945) |
| Opening net funds | (446,891) | 1,041,054 |
| Closing net funds | 170,749 | (446,891) |

NOTES TO THE ACCOUNTS

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

I. (a) Accounting policies

The Company has taken advantage of adapting its own arrangements of the headings and subheadings of its financial statements due to the special nature of its business in accordance with the Companies Act 2006. The financial statements have been prepared in accordance with applicable accounting standards; the Statement of Recommended Practice "Accounting by Charities" (the "SORP") issued in March 2005, except that freehold properties are not depreciated as set out below (see note k). Note is also taken of the Diocesan Accounts Guide issued August 2006.

A summary of the more important accounting policies, which have been consistently applied, is set out below.

(b) Basis of accounting

The financial statements are prepared in accordance with the historical cost convention modified by the revaluation of certain fixed assets.

(c) Incoming resources

The principal source of income comes from voluntary giving in the form of parish share. Income is accounted for when receivable, where receipts are reasonably certain and the amounts receivable can be quantified. It is stated net of discounts and provisions and write offs of irrecoverable arrears.

(d) Donations and legacies

All legacies to which the Diocese has been notified of its legal entitlement are included in the Statement of Financial Activities unless incapable of financial measurement. Assets given for distribution are recognised as income only when distributed. Assets given for use by the charity are recognised as incoming resources when receivable. All such income is brought into account at either the amount actually realised, or a reasonable estimate of their value.

(e) Grants payable and receivable

Grants received for restricted purposes are accounted for as restricted funds. They are not recognised until the conditions for receipt have been complied with. Grants restricted to future accounting periods are deferred and recognised in future accounting periods. Grants payable are recognised as a liability when the obligation arises to make a transfer of value to a third party.

Grants payable to National Church institutions are shown in note 9 and grants payable to support work in the parishes in the diocese are shown in notes 10 and 11.

(f) Resources expended

Expenditure is recognised on an accruals basis as a liability when incurred and has been classified under the following categories:

- ♦ Costs of generating funds comprise the costs associated with the generation of income for the charity and include investment manager's costs
- ♦ Charitable Expenditure comprises those costs incurred by the charity in the delivery of its activities. It includes costs that can be allocated directly to such activities and those costs of an indirect nature necessary to support them.

NOTES TO THE ACCOUNTS

- ♦ Governance costs include those costs associated with meeting the constitutional and statutory requirements of the charity and include audit fees and costs linked to the strategic management of the charity.
- ♦ All costs are allocated between the expenditure categories of the SOFA on a basis designed to reflect the use of that resource. Indirect costs, such as DBF Central Costs and St James' House costs are allocated to the cost that they support in proportion to the time spent by St James' House staff on the relevant expenditure and as set out in notes 10 – 13.

(g) Investment assets and income arising

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

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

Investment properties are included in the balance sheet at their open market value and are not depreciated. Although this accounting policy is in accordance with the applicable accounting standard, SSAP 19, Accounting for investment properties, it is a departure from the general requirement of the Companies Act 2006 for all tangible assets to be depreciated. In the opinion of the trustees compliance with the accounting standard (SSAP 19) is necessary for the financial statements to give a true and fair view. Depreciation or amortisation is only one of many factors reflected in the annual valuation and the amount of this which might otherwise have been charged cannot be separately identified or quantified.

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

Dividends and interest are included in the financial statements when receivable and gross of recoverable taxation.

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

(h) Major Funds

Funds held by the charity are either:

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

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

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

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

Details of the major funds held by the Board are given in note 28 to the Financial Statements.

NOTES TO THE ACCOUNTS

(i) Stipends

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

(j) Staff Pensions

The Board of Finance contributes to the Church of England Funded Pension Scheme (for clergy) and the Church Workers Pension Fund for other staff. These schemes are multi employer pension schemes and it is not possible to identify the assets and liabilities of the schemes which are attributable to the Board. Therefore, in accordance with FRS 17, payments to the schemes are accounted for as for defined contribution schemes and the Board accounts for pension costs on the basis of contributions actually payable to the schemes in the year. Details of the schemes are given in note 25 to the accounts.

(k) Fixed assets

Classes of Fixtures and fittings are grouped and only those classes with a value of over £10,000 are capitalised and not expensed. Glebe and parsonage houses and other property used by the Diocese are capitalised at cost, or valuation when first capitalised or transferred to the Board. Parsonage and Glebe houses that were first capitalised during the year ended 31 December 2005 were included at an estimate of market value, based on insurance valuations made at 31 December 2003 and this valuation has not been updated.

Other Property is held in the balance sheet at cost, or valuation when the property was transferred to the Board.

Profits or losses arising on the sale of property are appropriated to the accumulated capital account, or passed to the Church Commissioners in the case of Value Linked Loan property.

Depreciation is not provided on buildings or value linked loan property as it is the charity's policy to maintain the buildings in a state of good repair, and the trustees consider that the life of the properties and their residual values are such that depreciation is not significant.

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

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

(l) Netting off of expenses and income

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

(m) Designated funds

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

NOTES TO THE ACCOUNTS

(n) Reserves

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

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

(o) Value Linked Loans

Value linked loans from the Church Commissioners that are administered by the DBF and the corresponding equivalent value of property to which they relate are all included in the Balance Sheet as an asset and a corresponding liability, in accordance with the recommendation of the Diocesan Accounts Guide. Such parish related loans outstanding at 31 December 2014 amounted to £120,000 (2013 - £120,000). Where the property is held in trust for Parish use, the asset is included as a Loan in note 17 to the accounts and where the property is held for Diocesan purposes it is included in DBF property in note 15 to these accounts.

(p) Irrecoverable VAT

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

(q) Operating Leases

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

NOTES TO THE ACCOUNTS

2. Parish Share

| | Unrestricted Funds £ | Restricted Funds £ | Permanent Endowment £ | Total Funds 2014 £ | Total Funds 2013 £ |
|-----------------------------|----------------------------|--------------------------|-----------------------------|--------------------------|--------------------------|
| General Parish Share Income | 6,825,286 | - | - | 6,825,286 | 6,769,279 |
| | 6,825,286 | - | - | 6,825,286 | 6,769,279 |

3. Income from National Church Institutions

| | Unrestricted Funds £ | Restricted Funds £ | Permanent Endowment £ | Total Funds 2014 £ | Total Funds 2013 £ |
|---------------------------------------------|----------------------------|--------------------------|-----------------------------|--------------------------|--------------------------|
| Church Commissioners' Allocation to Diocese | 1,510,447 | 23,255 | - | 1,533,702 | 1,510,447 |
| Parish Ministry Support Grant | 215,670 | - | - | 215,670 | 193,670 |
| Grant for Legal services | 27,049 | - | - | 27,049 | 26,684 |
| | 1,753,166 | - | - | 1,776,421 | 1,730,801 |

4. Grants Received

| | Unrestricted Funds £ | Restricted Funds £ | Permanent Endowment £ | Total Funds 2014 £ | Total Funds 2013 £ |
|-----------------------------------------|----------------------------|--------------------------|-----------------------------|--------------------------|--------------------------|
| Discretionary Funds Grant | 148,281 | - | - | 148,281 | 141,220 |
| DPA Strategy Income | - | - | - | - | 22,000 |
| RITC, MOF and other projects | - | 127,160 | - | 127,160 | 219,708 |
| Marshalls Charity Grants for Parsonages | - | 14,089 | - | 14,089 | 12,790 |
| Partners in Mission Income | - | - | - | - | 436 |
| Inter-Diocesan Learning Community | - | 12,770 | - | 12,770 | 13,965 |
| Church Growth | 10,165 | - | - | 10,165 | 10,746 |
| Stipends | 43,318 | - | - | 43,318 | 22,127 |
| DBE Services Ltd | 63,233 | - | - | 63,233 | 88,608 |
| Church & Society | - | 103,301 | - | 103,301 | 62,077 |
| Assigned Fees | 633,349 | - | - | 633,349 | 623,920 |
| | 898,346 | 257,320 | - | 1,155,666 | 1,217,597 |

NOTES TO THE ACCOUNTS

5. Incoming resources from charitable activities

| | Unrestricted Funds | Restricted Funds | Permanent Endowment | Total Funds 2014 | Total Funds 2013 |
|----------------------------|-----------------------|---------------------|------------------------|---------------------|---------------------|
| | £ | £ | £ | £ | £ |
| Hospital Chaplaincy Income | 12,000 | - | - | 12,000 | 12,000 |
| Gift Aid Scheme | 24,473 | - | - | 24,473 | 23,001 |
| General DBF Income | 95,454 | - | - | 95,454 | 78,598 |
| Fellfield Income | 7,986 | - | - | 7,986 | 8,500 |
| Board of Education | 180,919 | - | - | 180,919 | 215,559 |
| Communications Office | 16,953 | - | - | 16,953 | 20,034 |
| Lifelong Learning | 70,064 | - | - | 70,064 | 57,954 |
| Clergy Housing Income | - | 45,208 | - | 45,208 | 5,453 |
| Church Inspection Fees | - | 19,149 | - | 19,149 | 18,462 |
| | 407,849 | 64,357 | - | 472,206 | 439,561 |

6. Investment Income

| | Unrestricted Funds | Restricted Funds | Permanent Endowment | Total Funds 2014 | Total Funds 2013 |
|----------------------------|-----------------------|---------------------|------------------------|---------------------|---------------------|
| | £ | £ | £ | £ | £ |
| DBF Investment Income | 222,214 | - | - | 222,214 | 252,740 |
| Church House Rental Income | 80,500 | - | - | 80,500 | 75,000 |
| Parsonages Rental Income | 231,815 | - | - | 231,815 | 205,264 |
| Glebe Rental Income | - | 16,454 | - | 16,454 | 19,310 |
| | 534,529 | 16,454 | - | 550,983 | 552,314 |

7. Other incoming resources

| | Unrestricted Funds | Restricted Funds | Permanent Endowment | Total Funds 2014 | Total Funds 2013 |
|-----------------------|-----------------------|---------------------|------------------------|---------------------|---------------------|
| | £ | £ | £ | £ | £ |
| DBE Property Income | - | 123,592 | - | 123,592 | 101,265 |
| Property Transactions | - | 23,255 | - | 23,255 | 156,000 |
| | - | 146,847 | - | 146,847 | 257,265 |

NOTES TO THE ACCOUNTS

8. Investment Management Costs

| | Unrestricted Funds £ | Restricted Funds £ | Permanent Endowment £ | Total Funds 2014 £ | Total Funds 2013 £ |
|---------------------------------|----------------------------|--------------------------|-----------------------------|--------------------------|--------------------------|
| Glebe Rental Management Charges | - | - | - | - | 2,666 |
| | - | - | - | - | 2,666 |

9. National Church Responsibilities

| | Unrestricted Funds £ | Restricted Funds £ | Permanent Endowment £ | Total Funds 2014 £ | Total Funds 2013 £ |
|----------------------|----------------------------|--------------------------|-----------------------------|--------------------------|--------------------------|
| Archbishops' Council | 252,494 | - | - | 252,494 | 247,783 |
| | 252,494 | - | - | 252,494 | 247,783 |

10. Mission & Ministry in Parishes

| | Unrestricted Funds £ | Restricted Funds £ | Permanent Endowment £ | Total Funds 2014 £ | Total Funds 2013 £ |
|----------------------------------------|----------------------------|--------------------------|-----------------------------|--------------------------|--------------------------|
| Clergy stipends | 4,643,441 | - | - | 4,643,441 | 4,693,715 |
| Clergy pension contributions | 1,662,477 | - | - | 1,662,477 | 1,681,278 |
| National insurance | 358,925 | - | - | 358,925 | 361,342 |
| Resettlement/removal grants etc | 212,785 | - | - | 212,785 | 184,349 |
| Lay Workers | 115,170 | - | - | 115,170 | 139,240 |
| Administration and other costs | 96,693 | - | - | 96,693 | 108,494 |
| Area Dean Grants | 33,950 | - | - | 33,950 | 35,500 |
| RITC, MOF and other projects | - | 165,596 | - | 165,596 | 227,715 |
| Clergy Housing | - | 926,847 | 239,592 | 1,166,439 | 1,111,292 |
| Deanery Mission and Growth Grants | 224,274 | - | - | 224,274 | 139,192 |
| Grants to Parishes from Property Sales | 374,885 | - | - | 374,885 | 57,004 |
| DBF Central Costs (25%) | 101,290 | - | - | 101,290 | 100,147 |
| St James' House Costs (15%) | 21,323 | - | - | 21,323 | 20,051 |
| | 7,845,213 | 1,092,443 | 239,592 | 9,177,248 | 8,859,319 |

NOTES TO THE ACCOUNTS

11. Support for Mission & Ministry in Parishes

| | Unrestricted Funds | Restricted Funds | Permanent Endowment | Total Funds 2014 | Total Funds 2013 |
|-----------------------------------|-------------------------------|-----------------------------|--------------------------------|-----------------------------|-----------------------------|
| | £ | £ | £ | £ | £ |
| Clergy Training | 251,009 | - | - | 251,009 | 244,670 |
| Lifelong Learning | 350,204 | - | - | 350,204 | 321,175 |
| Church and Society | 86,988 | 103,301 | - | 190,289 | 154,611 |
| Disability Discretionary | 1,768 | - | - | 1,768 | 2,529 |
| Inter-Diocesan Learning Community | - | 11,052 | - | 11,052 | 20,394 |
| Church Growth & Ecumenism | 121,864 | - | - | 121,864 | 117,651 |
| Tearfund Project | - | 6,180 | - | 6,180 | 6,434 |
| Resources Department | 120,290 | - | - | 120,290 | 119,282 |
| Ordinands in Training | 116,640 | - | - | 116,640 | 151,522 |
| General Synod Members' Expenses | 10,581 | - | - | 10,581 | 9,158 |
| Church Inspections | - | 24,368 | - | 24,368 | 30,790 |
| Communications Office | 120,878 | - | - | 120,878 | 111,044 |
| Pastoral Committee | - | 17,628 | - | 17,628 | 17,795 |
| Diocesan Synod | 3,067 | - | - | 3,067 | 1,662 |
| Safeguarding and Inclusion | 103,515 | - | - | 103,515 | 91,434 |
| Diocesan Advisory Council | 29,477 | - | - | 29,477 | 28,579 |
| Ecumenical Funding | 38,481 | - | - | 38,481 | 64,037 |
| DPA Parish Housing & DPA Grants | 23,289 | - | - | 23,289 | 20,215 |
| DBF Central Costs (60%) | 243,093 | - | - | 243,093 | 240,352 |
| St James' House Costs (80%) | 113,718 | - | - | 113,718 | 106,940 |
| Other | 157,904 | - | - | 157,904 | 84,354 |
| | 1,892,766 | 162,529 | - | 2,055,295 | 1,944,628 |

NOTES TO THE ACCOUNTS

12. Education

| | Unrestricted Funds £ | Restricted Funds £ | Permanent Endowment £ | Total Funds 2014 £ | Total Funds 2013 £ |
|---------------------------------|-------------------------------------|-----------------------------------|--------------------------------------|-----------------------------------|-----------------------------------|
| Board of Education | 446,046 | - | - | 446,046 | 736,995 |
| Property Expenditure on Schools | - | 159,461 | - | 159,461 | 35,888 |
| | 446,046 | 159,461 | - | 605,507 | 772,883 |

13. Governance Costs

| | Unrestricted Funds £ | Restricted Funds £ | Permanent Endowment £ | Total Funds 2014 £ | Total Funds 2013 £ |
|----------------------------|-------------------------------------|-----------------------------------|--------------------------------------|-----------------------------------|-----------------------------------|
| DBF Central Costs (15%) | 60,773 | - | - | 60,773 | 60,090 |
| Diocesan Registry | 73,833 | - | - | 73,833 | 69,423 |
| Audit and accounting fees | 16,400 | - | - | 16,400 | 14,388 |
| St James' House Costs (5%) | 7,108 | - | - | 7,108 | 6,684 |
| | 158,114 | - | - | 158,114 | 150,585 |

14. Other outgoing resources

| | Unrestricted Funds £ | Restricted Funds £ | Permanent Endowment £ | Total Funds 2014 £ | Total Funds 2013 £ |
|--------------------------------|-------------------------------------|-----------------------------------|--------------------------------------|-----------------------------------|-----------------------------------|
| Pastoral Account | - | 14,010 | - | 14,010 | 37,871 |
| Losses on Disposal of Property | - | - | 256,872 | 256,872 | 168,638 |
| | - | 14,010 | 256,872 | 270,882 | 206,509 |

NOTES TO THE ACCOUNTS

15. Tangible Fixed Assets

| | DBF Property £ | DBF Glebe £ | DBF VLL Property £ | Team Vicars Glebe £ | Parsonages £ | Fixtures & Fittings £ | Total Funds £ |
|--------------------------|----------------------|-------------------|--------------------------|---------------------------|-----------------|-----------------------------|---------------------|
| Cost or Valuation | | | | | | | |
| At 1 January 2014 | 679,320 | 4,594,066 | 318,169 | 4,042,000 | 34,631,368 | 237,454 | 44,502,377 |
| Additions | - | - | - | - | 256,129 | 3,451 | 259,580 |
| Disposals | - | (1,061,575) | (111,579) | (174,000) | (753,499) | - | (2,100,653) |
| Revaluation of property | - | - | - | - | - | - | - |
| At 31 December 2014 | 679,320 | 3,532,491 | 206,590 | 3,868,000 | 34,133,998 | 240,905 | 42,661,304 |
| Depreciation | | | | | | | |
| At 1 January 2014 | - | - | - | - | - | 221,962 | 221,962 |
| Charge for year | - | - | - | - | - | 10,935 | 10,935 |
| At 31 December 2014 | - | - | - | - | - | 232,897 | 232,897 |
| Net book value | | | | | | | |
| At 31 December 2014 | 679,320 | 3,532,491 | 206,590 | 3,868,000 | 34,133,998 | 8,008 | 42,428,407 |
| At 31 December 2013 | 679,320 | 4,594,066 | 318,169 | 4,042,000 | 34,631,368 | 15,492 | 44,280,415 |

All but one of the properties held as Tangible Fixed Assets are freehold. The sole leasehold property is valued at cost of £38,500. The trustees are of the opinion that the market value of land and buildings exceeds their carrying value by an amount which cannot be ascertained without a disproportionate cost in determining the information.

16. Fixed Asset Investments

| | Investment Properties £ | UK Unquoted Investments £ | Total Funds 2014 £ | Total Funds 2013 £ |
|---------------------------------------------|-------------------------------|---------------------------------|--------------------------|--------------------------|
| Unquoted | | | | |
| Market value at 1 January 2014 | 3,535,345 | 4,341,219 | 7,876,564 | 8,126,660 |
| Additions | - | - | - | 1,893,676 |
| Disposals | - | - | - | (2,545,028) |
| Gains on Investment Assets | - | 260,882 | 260,882 | 401,256 |
| Market value at 31 December 2014 | 3,535,345 | 4,602,101 | 8,137,446 | 7,876,564 |

NOTES TO THE ACCOUNTS

The Linnet Lane and Carsdale Road investment properties were valued through external inspection in 2007 by Thomson and Moulton Chartered Surveyors (RICS). The Stanley Road investment property was valued for insurance purposes in 2008 by St Giles Group Ltd (FSA regulated). Church House was valued by Honeybourne Kenny and Partners in 2009. The trustees have valued the investment properties at a current market value of £3,535,345 as at 31 December 2014.

| Historical Cost of Investments | 2014 | 2013 |
|---------------------------------------|------------------|------------------|
| | £ | £ |
| UK Unquoted | 4,424,069 | 4,424,069 |
| Investment Property | 2,086,955 | 2,086,955 |
| | <u>6,511,024</u> | <u>6,511,024</u> |

| Unquoted Investments comprise | 2014 | 2013 |
|--------------------------------------|------------------|------------------|
| | £ | £ |
| CBF Property Fund | 991,239 | 881,720 |
| CBF Investment Fund | 2,514,253 | 2,387,136 |
| CBF Global Equity Fund | 1,095,148 | 1,070,903 |
| CBF Deposit Fund | 1,448 | 1,448 |
| DBE Services Ltd | 12 | 12 |
| | <u>4,602,100</u> | <u>4,341,219</u> |

In 2005 the diocese purchased 12 ordinary shares of £1 each (now a 1/6th shareholding) in DBE Services Ltd. DBE Services Ltd provides services for schools. The Diocese's share of the surplus was £61,133 (see note 4).

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

NOTES TO THE ACCOUNTS

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

| | 2014 | 2013 |
|--------------------------------------------|----------------|----------------|
| | £ | £ |
| Loans to Parishes: | | |
| Value Linked Loans for Curates' properties | <u>120,000</u> | <u>120,000</u> |

18. Debtors

| | Unrestricted Funds £ | Restricted Funds £ | Permanent Endowment £ | Total Funds 2014 £ | Total Funds 2013 £ |
|---------------------------|----------------------------|--------------------------|-----------------------------|--------------------------|--------------------------|
| Amounts due from parishes | 560,749 | - | - | 560,749 | 577,085 |
| Sundry debtors | 422,534 | - | - | 422,534 | 410,350 |
| Parish and other loans | 173,897 | - | - | 173,897 | 173,474 |
| Prepayments | 199,389 | - | - | 199,389 | 306,320 |
| | <u>1,356,569</u> | <u>-</u> | <u>-</u> | <u>1,356,569</u> | <u>1,467,229</u> |

Debtors include the following balances due after more than one year

| | Total Funds 2014 £ | Total Funds 2013 £ |
|------------------------|--------------------------|--------------------------|
| Sundry Debtors | 325,336 | 325,336 |
| Parish and other loans | <u>155,627</u> | <u>157,474</u> |
| | <u>480,963</u> | <u>482,810</u> |

NOTES TO THE ACCOUNTS

19. Creditors: amounts falling due within one year

| | Unrestricted Funds £ | Restricted Funds £ | Permanent Endowment £ | Total Funds 2014 £ | Total Funds 2013 £ |
|-------------------------------|----------------------------|--------------------------|-----------------------------|--------------------------|--------------------------|
| Sundry creditors and accruals | 1,002,575 | - | - | 1,002,575 | 656,839 |
| Bank Creditors | - | - | - | - | 446,891 |
| Schools development project | 63,594 | - | - | 63,594 | 63,594 |
| Taxation and social security | 34,877 | - | - | 34,877 | 29,805 |
| | 1,101,046 | - | - | 1,101,046 | 1,197,129 |

20. Creditors: amounts falling due after more than one year

| | Unrestricted Funds £ | Restricted Funds £ | Permanent Endowment £ | Total Funds 2014 £ | Total Funds 2013 £ |
|---------------------------------|----------------------------|--------------------------|-----------------------------|--------------------------|--------------------------|
| Loans from Church Commissioners | 271,250 | - | - | 271,250 | 351,300 |
| Loans from CCLA | 1,000,000 | - | - | 1,000,000 | 1,000,000 |
| Loans from CBF | - | 1,600 | - | 1,600 | 2,000 |
| | 1,271,250 | 1,600 | - | 1,272,850 | 1,353,300 |

Loans from Church Commissioners are secured on value-linked loan properties, included in fixed assets and are repayable on the sale of the property. There is no fixed repayment date for these.

The total interest paid during 2014 was £23,879 at a rate of 6%.

Loans in respect of curates' properties total £120,000 (2013- £120,000) (see note 17).

Loans from CCLA are repayable on a flexible basis within ten years. Interest is payable at 0.55% above the daily declared CCLA CBF Deposit Fund interest rate.

21. Net (Outgoing) / Incoming Resources for the year

| | 2014 £ | 2013 £ |
|----------------------------------------|------------------|------------------|
| This is stated after charging:- | | |
| Auditors' remuneration | | |
| Audit – BVMacfarlane | 12,900 | 12,672 |
| Non audit fees | 354 | |
| Depreciation | 10,935 | 16,889 |
| VLL Loan Interest Paid | 23,879 | 24,210 |
| Operating Leases – Land & Buildings | 75,000 | 72,000 |
| Operating Leases – Plant and Equipment | 9,621 | 9,621 |
| Interest on bank loans and overdrafts | 2,953 | 6,137 |
| Interest on loans from CCLA | 10,500 | 9,782 |

NOTES TO THE ACCOUNTS

22. Directors' emoluments

No emoluments have been paid from Board funds to any members of the Board of Finance. Board members are not included in the employees shown in note 23 below. Board members who are also stipendiary clergy receive remuneration including housekeeping, stipends and pension provisions based on national rates set by the central stipendiary authority.

23. Employees' information

The average number of persons employed by the company during the year was:

| | 2014 Number | 2013 Number |
|-----------|----------------|----------------|
| Full time | 32 | 33 |
| Part time | 31 | 25 |
| | <u>63</u> | <u>58</u> |

Included in the above are four full time and three part time parish-based posts employed as lay alternatives to stipendiary clergy, funded from the stipends budget. Also included were seven full time and two part-time posts funded externally by Service Level Agreements, ecumenical grants, Liverpool University Anglican Chaplaincy, Together Liverpool and English Heritage.

| | 2014 £ | 2013 £ |
|-------------------------------------|------------------|------------------|
| Staff costs (for the above persons) | | |
| Wages and salaries | 1,311,120 | 1,214,483 |
| Social Security costs | 109,366 | 96,746 |
| Other pension costs (Note 25) | 314,532 | 307,379 |
| | <u>1,735,018</u> | <u>1,618,608</u> |

The above staff costs are allocated to the respective Boards and Committees of the Diocesan Board of Finance.

There were no employees with emoluments in excess of £60,000.

24. Guarantees

The Board has given guarantees to Lloyds Bank of £210,415 (2013: £277,151) in respect of loans granted to parishes. These guarantees would crystallise in the event of a default. At the end of the year, Capital commitments authorised but not yet contracted for were nil (2013 – nil). Commitments contracted for as at 31 December 2014 were £15,750 (2013 - £195,523).

NOTES TO THE ACCOUNTS

25. Pensions

(a) Clergy Pensions

The Liverpool DBF participates in the Church of England Funded Pensions Scheme and employs 197 members of the Scheme out of a total membership of approximately 8,400 active members.

The Church of England Funded Pensions Scheme is a defined benefit scheme but the Liverpool DBF is unable to identify its share of the underlying assets and liabilities - each employer in that scheme pays a common contribution rate. A valuation of the Scheme was carried out as at 31 December 2012. This revealed a shortfall of £293m, with assets of £896m and a funding target of £1,189m, assessed using the following assumptions:

An investment strategy of:

for investments backing liabilities for pensions in payment, an allocation to gilts, increasing linearly from 10% at 31 December 2012 to 2/3 by 31 December 2029, with the balance in return-seeking assets; and

for investments backing liabilities prior to retirement, a 100% allocation to return-seeking assets.

Investment returns of 3.2% pa on gilts and 5.2% pa on equities;

RPI inflation of 3.2% pa (and pension increases consistent with this);

Increase in pensionable stipends of 3.2% pa; and

Post-retirement mortality in accordance with 80% of the SINMA and SINFA tables, with allowance made for improvements in mortality rates from 2003 in line with the CMI 2012 core projections, with a long term annual rate of improvement of 1.5% for males and females.

For schemes such as the Church of England Funded Pensions Scheme, paragraph 9(b) of FRS 17 requires the [Employer] to account for pension costs on the basis of contributions actually payable to the Scheme in the year.

Following the results of the 2012 valuation, the Liverpool DBF contribution rate is due to increase from 38.2% to 39.9% of pensionable stipends from 1 January 2015 (of which 14.1% will be in respect of the £293m shortfall in the Scheme and 25.8% is in respect of accrual of future benefits and the day-to-day expenses of running the Scheme).

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

(b) Staff Pensions

The Liverpool DBF participates in the Church of England Defined Benefits Scheme (DBS), part of the Church Workers Pension Fund.

The Liverpool DBF is unable to identify its share of the underlying assets and liabilities as each employer is exposed to actuarial risks associated with the current and former employees of other entities participating in the DBS. A valuation of the fund has been carried out as at 31st December 2010 and the Liverpool DBF's contribution rate in respect of future

NOTES TO THE ACCOUNTS

accruing benefits was revised to 27.5% of pensionable salaries and additional contributions in respect of the shortfall in the Employer sub-pool of £112,585 pa are payable until 31st March 2022 with effect from 1st April 2012 (previously £91,908). During the

As at 31st December 2014 the Liverpool DBF had 30 active members and 26 deferred pensioner members in the scheme for which contributions of £280,874 were payable. [Since 2nd January 2009 the Liverpool DBF ceased to use the DBS as a vehicle for providing future pension benefits for new employees].

For eligible salaried employees who commenced employment after 1st January 2009, Liverpool DBF participates in the Church of England Pension Builder Scheme (PBS), within the Church Workers Pension Fund.

The PBS is a defined benefit scheme, which is administered by the Church of England Pensions Board and provides benefits at retirement based on contributions made to the PBS prior to the date of retirement.

The assets of the PBS are held separately from those of the employer. As at the formal valuation at December 2010, the PBS was in surplus on an ongoing funding basis. The next formal valuation of the PBS is due as at December 2013 and the work will be performed over 2014.

The Liverpool DBF is unable to identify its share of the underlying assets and liabilities as each employer is exposed to actuarial risks associated with the current and former employees of other entities former employees of other entities participating in the PBS. For schemes like this, paragraph 9(b) of financial Reporting Standard 17 (FRS17) required Employer to account for pension costs on the basis of contributions actually payable to the Scheme in the year.

The Liverpool DBF had 11 active members and 5 deferred members in the PBS at 31 December 2014 for which contributions of £33,658 were payable.

26. Analysis of net assets by funds as at 31 December 2014

| | Tangible Fixed Assets £ | Loans/ Investments £ | Net Current Assets £ | Long-term Liabilities £ | Total £ |
|--------------------|--------------------------------------------|-------------------------------------|-----------------------------------------|----------------------------------------|--------------------|
| Unrestricted funds | 893,918 | 5,996,970 | 426,273 | (1,272,850) | 6,044,311 |
| Restricted funds | 6,360,034 | 1,395,272 | - | - | 7,755,306 |
| Endowment funds | 35,174,455 | 865,203 | - | - | 36,039,658 |
| Total | 42,428,407 | 8,257,445 | 426,273 | (1,272,850) | 49,839,275 |

Further details of individual funds are given in note 28 below.

NOTES TO THE ACCOUNTS

27. Lease Obligations

At 31st December 2014, Liverpool DBF was committed to making the following payments under non-cancellable operating leases in the year to 31st December 2015:

| | 2014 | | 2013 | |
|---------------------|-----------------------|------------------------|-----------------------|------------------------|
| | Land and Buildings | Plant and Equipment | Land and Buildings | Plant and Equipment |
| | £ | £ | £ | £ |
| Within 1 year | - | - | - | - |
| Within 2 to 5 years | - | 9,621 | - | 9,621 |
| After 5 years | 75,000 | - | 75,000 | - |

28. Accumulated funds

The General fund is unrestricted. In 2010 £170,000 was designated to the Warrington Mission Development Fund from the sale proceeds of a former vicarage. As at 31 December 2014, total designated funds amounted to £135,992.

Pastoral Account: The Diocesan Pastoral Account represents the proceeds of redundant churches. These funds, held by the Diocesan Board of Finance, have not yet been applied to the purposes permitted by the Pastoral Measure 1983. The Pastoral Account can be used for the acquisition and development of parsonages and other clergy houses and the provision, restoration, improvement or repair of churches once the legal obligations for redundant church buildings vested in the Board for disposal have been met. When authorised, surplus funds may be transferred to the Stipends Fund Capital Account. When these funds have been used to purchase or improve property this has been charged to the Pastoral Account in the year of expenditure. Proceeds of sale have been credited as income in the year of receipt. Where the Board has used the funds to purchase or improve properties in its corporate capacity, these have been included as Fixed Assets in these financial statements.

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

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

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

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

NOTES TO THE ACCOUNTS

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

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

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

NOTES TO THE ACCOUNTS

28. Accumulated Funds (continued)

| | General £ | Specific Restricted £ | DBF Property Fund £ | Pastoral Account £ | DBE Property Restricted £ | DSF Capital Expendable Endowment £ | Parsonage Building Expendable Endowment £ | Stipends & Ordinands Permanent Endowment £ | Total £ |
|-------------------------------|--------------|-----------------------------|------------------------------|--------------------------|------------------------------------|---------------------------------------------|-------------------------------------------------------|--------------------------------------------------------|--------------|
| Movement in Year: | | | | | | | | | |
| Total Funds 2013 | 5,966,363 | 701,059 | 7,595,609 | - | 393,720 | 1,040,457 | 34,631,368 | 865,203 | 51,193,779 |
| Incoming Resources | 10,419,176 | 262,380 | 75,751 | 23,255 | 123,592 | - | - | - | 10,904,154 |
| Outgoing Resources | (10,594,633) | (310,499) | (926,845) | (31,638) | (159,461) | (239,592) | (256,872) | - | (12,519,540) |
| Investment Asset | | | | | | | | | |
| Gains/losses | 217,912 | - | - | - | - | - | - | 42,970 | 260,882 |
| Revaluation of property | | | | | | | | | |
| Gains/losses | - | - | - | - | - | - | - | - | - |
| Transfers | 35,493 | - | - | 8,383 | - | 239,592 | (240,498) | (42,970) | - |
| Total Funds 2014 | 6,044,311 | 652,940 | 6,744,515 | - | 357,851 | 1,040,457 | 34,133,998 | 865,203 | 49,839,275 |
| Represented by: | | | | | | | | | |
| Tangible Fixed Assets: | 893,918 | - | 6,360,034 | - | - | 1,040,457 | 34,133,998 | - | 42,428,407 |
| DBF Houses & Glebe | 679,320 | - | 2,492,034 | - | - | 1,040,457 | - | - | 4,211,811 |
| DBF Houses VLL | 206,590 | - | - | - | - | - | - | - | 206,590 |
| Parsonages & TV Glebe | - | - | 3,868,000 | - | - | - | 34,133,998 | - | 38,001,998 |
| Furniture & Fittings | 8,008 | - | - | - | - | - | - | - | 8,008 |
| Investments: | 5,876,970 | 652,940 | 384,481 | - | 357,851 | - | - | 865,203 | 8,137,445 |
| CCLA | 2,341,613 | 652,940 | 384,481 | - | 357,851 | - | - | 865,203 | 4,602,088 |
| Investment Property | 3,535,345 | - | - | - | - | - | - | - | 3,535,345 |
| DBE Services Ltd | 12 | - | - | - | - | - | - | - | 12 |
| VLL to parishes | 120,000 | - | - | - | - | - | - | - | 120,000 |
| Net Current Assets: | 426,273 | - | - | - | - | - | - | - | 426,273 |
| Debtors | 1,356,569 | - | - | - | - | - | - | - | 1,356,569 |
| Bank and Cash | 170,749 | - | - | - | - | - | - | - | 170,749 |
| Taxation & Social Security | (34,877) | - | - | - | - | - | - | - | (34,877) |
| Sundry Creditors & Accruals | (1,066,168) | - | - | - | - | - | - | - | (1,066,168) |
| Liabilities: | (1,272,850) | - | - | - | - | - | - | - | (1,272,850) |
| Loans From CCLA | (1,000,000) | - | - | - | - | - | - | - | (1,000,000) |
| Loans Church Comms | (271,250) | - | - | - | - | - | - | - | (271,250) |
| Loans from CBF | (1,600) | - | - | - | - | - | - | - | (1,600) |
| | 6,044,311 | 652,940 | 6,744,515 | - | 357,851 | 1,040,457 | 34,133,998 | 865,203 | 49,839,275 |
| Analysis of Reserves: | | | | | | | | | |
| General Funds | 6,044,311 | - | - | - | - | - | - | - | 6,044,311 |
| Restricted Funds | - | 652,940 | 6,744,515 | - | 357,851 | - | - | - | 7,755,306 |
| Endowment Funds | - | - | - | - | - | 1,040,457 | 34,133,998 | 865,203 | 36,039,658 |
| | 6,044,311 | 652,940 | 6,744,515 | - | 357,851 | 1,040,457 | 34,133,998 | 865,203 | 49,839,275 |