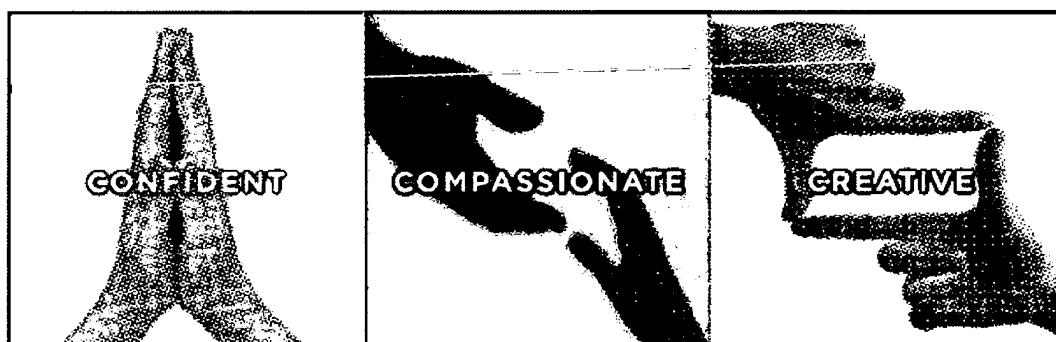




THE LONDON DIOCESAN FUND

Trustees' report
and financial statements
for the year ended
31 December 2018

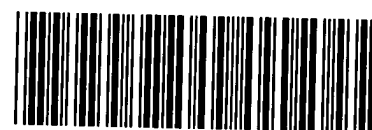
The *purpose* of the London Diocesan Fund is
to do everything that we can to support the mission and growth of the Church in London



*Capital Vision 2020 – a vision of a Church that is Christ-centred
and outward looking*

Company number: 150856
Charity number: 241083
www.london.anglican.org

WEDNESDAY

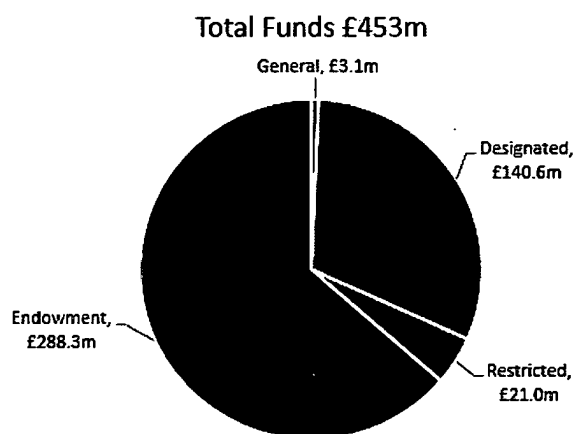


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COMPANIES HOUSE

Trustees' report

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General Fund 2018 – Key Facts

Income increased by £1.3m to £39.0m from £37.7m.

Donations from parishes through the Common Fund increased by 2% to £24.2m (2017: £23.7m), and a further £3.7m (2017: £3.4m) was received in reimbursements from parishes towards direct clergy costs.

Trust and other income in our Statement of Financial Activities included donations generously provided from the City Church Fund (administered by the Trust for London) of £1.6m (2017: £1.6m) and Allchurches Trust who kindly donated the sum of £0.4m in 2018 (2017: £0.4m).

Expenditure increased by £2.4m to £37.2m from £34.8m.

Significant expenditure streams continue to be ministry costs of £22.5m (2017: £21.3m) and clergy housing and property costs of £8.3m (2017: £7.5m)

The LDF recorded a small operating deficit on the General Fund of £0.2m (2017: surplus of £0.2m) after taking account of transfers to other funds of £1.9m (2017: £2.9m), and excluding other recognised gains and losses.

Total funds at 31 December 2018 increased to £453.0m (2017: £451.5m). General funds decreased by £0.2m to £3.1m (2017: £3.3m), designated funds increased by £0.9m to £140.6m (2017: £139.7m). Endowment and restricted funds combined increased by £0.8m to £309.3m (2017: £308.5m)

Strategic Report

The Church of England in London is vibrant and at the heart of communities within our Diocese. The trustees believe that, by promoting the work of the Church of England in the Diocese of London, the London Diocesan Fund (LDF) helps to promote the whole mission of the Church, including its pastoral, evangelistic, social and ecumenical aspects more effectively, both in the Diocese as a whole and in its individual parishes. In doing so it provides a benefit to the public throughout the LDF's activities. These activities are set out in more detail in the following report, and public benefit is considered in more detail on page 17.

Purpose of the London Diocesan Fund (LDF)

The purpose of the LDF is to do everything we can to support the mission and growth of the church in London. Within this overarching purpose, the LDF has six major objectives:

- 1) Delivering Capital Vision 2020 successfully,
- 2) Investing in establishing a Christian presence in major new housing development areas,
- 3) Encouraging growth in lay discipleship and leadership, and promoting diversity,
- 4) Investing in the well-being of our clergy and chaplains - the people in whom we invest most of our financial resource,
- 5) Developing existing and new services to support our clergy and parishes well, and
- 6) Overseeing the transition to a new Bishop of London.

All six of these objectives are underpinned by:

- Running an effective organisation.

Achievements and Performance

1) Delivering Capital Vision 2020 successfully

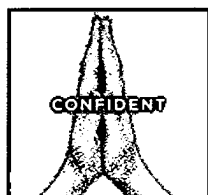
Capital Vision 2020 emerged from our listening to almost 2,000 people across the Diocese of London. In more than five years since the launch of the Diocesan strategy, 'Capital Vision 2020', many stories have emerged of how parishes are taking forward the key themes and priorities locally.

The key themes of Capital Vision 2020 are:

- We will be more *confident* in speaking and living the Gospel of Jesus Christ.
- We will be more *compassionate* in serving communities with the love of God the Father.
- We will be more *creative* in reaching new people and places with the Good News in the power of the Spirit.

Confident in speaking and living the Gospel of Jesus Christ

to enable this we will by 2020:



1) Communicate the Gospel more effectively, using the opportunities offered by new media
Ninety-eight percent of parishes have an online presence (84% in 2013) with over 85% of parishes having good or better websites (65% previously). We have continued a pilot scheme of providing targeted support for parishes with no or poor websites to create something sustainable. By the end of 2018 the Diocese of London Twitter audience increased to around 9,340, our Facebook audience reached 2,500 and our Diocesan Instagram feed had 230 followers in the six months since set up. A report into the digital consultancy offered to parishes in 2017 demonstrated some of the challenges inherent in digital Gospel engagement, both technical and financial. Notwithstanding, many senior clergy and other prominent clergy in the Diocese continue to make the most of the communication opportunities of their growing social media following.

2) Equip and commission 100,000 Ambassadors representing Jesus Christ in daily life

Forty thousand people to date serve as Christ's Ambassadors in their homes and workplaces. A third of churches have engaged with the initiative, with a significant number of the remaining parishes encouraging and resourcing lay witness in other ways. The new Ambassadors' team is now considering how to take the priority forward beyond 2020. More detail on the Ambassadors project is included on page 8.

3) Invest in leadership and increase the number of ordinands by 50%

Since the launch of Capital Vision 2020, the number of London ordinands beginning training has increased by around 50% from 45 in 2013 to 69 in 2018. Compared to 2017, the number of candidates from black, Asian and minority ethnic backgrounds has more than doubled, rising from 5 candidates in 2017 to 12 in 2018. The percentage of female ordinands entering training has increased from 31% (18 candidates) in 2017 to 45% (31 candidates) in 2018.

The Latimer Group continues to take forward recommendations on investing in an ethnically diverse leadership. All new deacons were provided with unconscious bias training during their residential course. In September-October 2018, the Wilfred Wood Leadership Programme was launched, a space for minority ethnic clergy to discuss their vocation to enter senior leadership roles. In addition to this, every episcopal area ran regular vocation discussion groups for 'searchers' of all backgrounds.



Newly ordained Deacons at St Paul's Cathedral

We anticipate that by 2020 we will have consistently met our target to increase the numbers of ordinands completing training (71 in total) by 50% in comparison to 2013.

**Compassionate in serving communities with the love of God the Father
to enable this we will by 2020:**



4) Enable new initiatives to fight poverty, inequality and injustice in London and worldwide, including our joint venture with the Church Urban Fund, Capital Mass

Capital Mass was launched as a joint venture with the Church Urban Fund, aiming to engage and support every parish in the Diocese of London in tackling poverty and the causes of poverty.

During 2018, Capital Mass delivered six roadshows around the Diocese on the government programme: Universal Credit. These resulted from the growing number of requests by parishes to understand the new scheme so they are better informed and able to support parishioners and visitors. Feedback on these roadshows was very positive, with 130 guests from 70 parishes attending. We also gauged the impact of these roadshows on churches' social

outreach thanks to Capital Mass training, showing that 92% of people surveyed increased their volunteering hours to tackle poverty in London. Capital Mass also delivered a successful Lent Appeal last winter in response to the homelessness crisis, including fundraising and training on how churches can respond to rough sleeping and hidden homelessness.

The Lent campaign for 2019 is based around modern day slavery. By the end of 2019 Capital Mass aims to have produced a report highlighting and celebrating the levels of engagement and impact made by parishes in London. The Accelerate Programme will also launch in 2019: a new pilot initiative to scale up London's response to refugees through Community Sponsorship. Currently seven families have been resettled in London boroughs. The aim is for up to 20 families to be resettled in London by 2020 through the Accelerate Programme.



Bishop Sarah speaking at a Capital Mass event

5) Open up our church buildings to the wider community

During the last 12 months the Diocese has held five funding seminars to encourage parishes to open their doors to the wider community. These seminars also encouraged parishes to conduct community audits to help secure public funding for church buildings and inform Mission Action Plans. Since the initiative began in 2013, real progress has been made. By 2017, 38% of churches reported being open to the public five days a week - the vast majority of which are in London Underground zones one and two. In 2018 progress slowed as fewer churches were open and resource-ready to open their doors in new ways. We are aware of the difficulties which many churches further out in London Underground zones three to six face in staffing open buildings, and in attracting a suburban public.

6) Strengthen links between schools and their local Christian communities

In 2018, the Bishop of Kensington launched a Lent Mission across five schools lasting six weeks, which included talks, concerts, prayer spaces and 25 ordinands from St Mellitus College joining schools as mission guests. Five thousand young people were reached and 45 responded to gospel presentations. We are working closely with the London Diocesan Board for Schools to build links between secondary schools and churches, connected to our Capital Youth Strategy.

**Creative in reaching new people and places with the Good News in the power of the Spirit
to enable this we will by 2020:**



7) Double the number of young people involved in local Christian communities

In 2018 the Capital Youth strategy progressed strongly, including setting aside £275k each year of our Capital Vision 2020 (CV2020) funds, and deploying a tranche of the £1.9m of Church Commissioners Strategic Development Funding (SDF), delivering a range of initiatives across five key strands:

Transforming Culture - A brand identity for Capital Youth was developed. We began a multi-year campaign to see more people trained in and doing youth work through the commissioning of artist Dave Walker for a booklet 'Young People and the Church'. By the end of 2018, 5,000 booklets were ordered and there were 90 downloads of a PCC session talking through ways to make church more welcoming for young people. In addition to this, 21 clergy were trained in Youth Ministry.

Investing in Parish Ministry - The pilot group of youth apprentices, who joined the Diocese in 2015, successfully graduated from the scheme and four more apprentices were recruited in September 2018. The Apprenticeship Scheme Impact Report, commissioned in 2018, highlighted that it is the most effective model of developing youth workers and growing youth ministry in parishes. During



First cohort of apprentices graduate in September 2018

2018, the Bishop of London's Mission Fund funded the Kensington Schools Mission and a further five youth projects/workers in the Diocese.

Schools - The first School Chaplains and Youth Workers Conference was attended by 37 representatives and a new resource, *'Ten ways churches can build bridges with local church communities'*, was produced during the year.

Youth Minsters - Five 'Youth Minsters', being centres for innovation and excellence in youth ministry, have developed through 2018 and all are growing their engagement with young people. The first youth church plant from Holy Trinity Brompton was launched in November 2018 at St Francis, Dalgarno Way.

London Youth Missions - As noted above, the Kensington Schools Missions reached 5,000 pupils in five Church of England schools, and a grassroots initiative 'Safe House' in Hackney was supported with grant funding. These missions help to inform the development of the London Youth Missions work which aims to take a sustainable and locally embedded approach to youth mission. This work focuses on more numerous but smaller-scale pockets of youth led activity within parishes.



Youth event

8) Create or renew 100 worshipping communities

In 2018 we celebrated the launch of our 50th new worshipping community since the beginning of Capital Vision 2020. With 56 new worshipping communities up and running by the end of 2018, we are now planning how to accelerate and reach 100 by 2020. Representatives from 80 potential church plants (a church plant is a core of worshippers, aiming to develop into a thriving congregation) from London and other Dioceses have now completed church planting training courses, with further church planting clinics planned to take place in 2019. Over 200 potential church plants have been identified. Planning sessions have taken place at both area and deanery level to look at potential opportunities for the coming years. Around £500k of grant funding has been awarded.

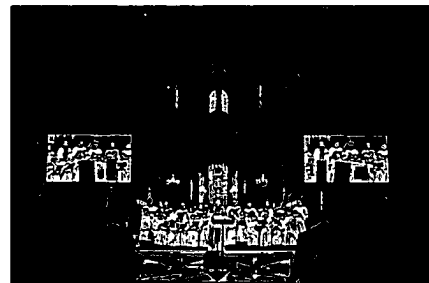
9) Engage more closely with sport and the creative arts

In 2018 the sports team published a report titled 'Physical Activity, Health and Wellbeing', and produced a film to highlight the wide variety of sports and physical initiatives organised by local churches in London. Both call to individuals and groups in parishes to find out more and get involved. A network of those interested in sport and physical activity ministry and mission has also grown to around 150 and will develop a more interactive Facebook presence in 2019 to share inspiration, resources and knowledge.

The Haven London, an independent charity led by the Diocesan missioner to the creative industries, continues to build relationships with creatives. In early 2018 The Haven hosted a successful conference on mental health and creativity called *"The creative mind when it misfires"*.

10) Each pray for at least seven people that we may share with them the story of our faith (Pray for Seven)

As in previous years, in 2018 we joined in with the Archbishops' call to prayer, 'Thy Kingdom Come', linking this to the Pray for Seven initiative. We promoted resources, held a beacon event at St Paul's Cathedral, and estimate that up to one half of churches in the London Diocese joined in with specific services, times of prayer or other activities.



'Thy Kingdom Come' beacon event

2) Investing in establishing a Christian presence in major new housing development areas

The LDF continues to take forward the Strategic Development Team's (SDT) work to establish a Christian presence in major new housing development areas. During 2018, work in a number of these development areas

stalled, owing to a range of different circumstances beyond our control. As a result, the SDT is now preparing fresh evidence-based episcopal area reports to consider further how we establish a Christian presence in the major new housing developments in each area. In 2019 the SDT will complete the reports and deliver these for consideration to the Strategic Development Committee.

Some of the major projects that are ongoing include:

Barge/floating church



St Columba, floating church

The 560 acres Queen Elizabeth Olympic Park (QEOP) include 6.5km of waterways and has had more than four million visitors since July 2013. 6,800 homes are planned within the QEOP, which spans both the Stepney (London) and Barking (Chelmsford) episcopal areas. Currently there is no established central church presence in QEOP. It is expected that there will be 15,000 jobs created by the QEOP by 2025. The Diocesan vision to address various local needs includes commissioning a floating church and community hub to moor for the next 5 years within the QEOP, followed by a permanent land-based presence.

In 2018, following permission being obtained to use the floating church as a community facility, an interim vessel was delivered to site and renovated. The floating church commenced as a new worshipping community on 16 September 2018. The build contract for the bespoke, longer-term vessel has been agreed and construction commenced with a view to completing the work by the summer 2019.

St Luke, Millwall

The project provides a new church, hall and ancillary accommodation together with nine residential units on the site of the former church of St Luke Millwall, which had been demolished. The nine flats were sold in 2018, including one to the Porters Trust. The Trust very kindly provided use of their flat to the Church, free of charge, for five years. St Luke's church building is now complete and the congregation has moved in, with a grand opening event held on 18 October 2018.



Bishop Adrian blessing St Luke's congregation



The opening of St Barnabas, North London

St Barnabas, North London

The project relocated a growing and vibrant congregation from the existing church building of St Barnabas, Woodside Park into former office premises at Solar House, which required renovating to be fit for their new purpose. During 2018, the church successfully relocated to Solar House and the first service was held on 9 September 2018.

3) Encouraging growth in lay discipleship and leadership, and promoting diversity

The LDF has been seeking to enhance opportunities for lay ministry and discipleship. Forty thousand people to date serve as Christ's Ambassadors in their homes and workplaces. A third of churches have engaged with the initiative, with a significant number of the remaining parishes encouraging and resourcing lay witness in other ways. The new Ambassadors' team is now considering how to take the priority forward beyond 2020.



Christ's Ambassadors Programme

A new Ambassadors website was launched in autumn 2018 and new film series was released in spring 2019 covering ambassadors' stories, prayer, 'Fruitfulness on the Frontline' and other topics. The team are also exploring ways to better integrate discipleship and lay witness into ministry training.

In 2019 the team aim to increase engagement with Ambassadors alongside the "Setting God's People Free" initiative, a programme of change to enable the whole people of God to live out the Good News of Jesus confidently in all of life, Sunday to Saturday.

The LDF has also worked to enhance black, Asian and minority ethnic (BAME) and female representation in clergy and lay leadership. As a result, between 2015 and 2018, various initiatives emerged from the Diocese's Latimer Group, which was formed in 2015 to seek to increase BAME vocation. The Group is planning several Diocese-wide initiatives and conferences and in 2019 this work will continue. As part of this, we have agreed to fund a course which aims to position BAME clergy for senior leadership roles.

4) Investing in the well-being of our clergy and chaplains - the people in whom we invest most of our financial resource

The wellbeing of our clergy and chaplains is a primary focus for the LDF. A large part of this investment includes ensuring that clergy receive an appropriate level of stipend for residence in London and are housed in suitable accommodation. Since 2016 the London stipend is firmly in the top 10 (or top 25%) of Dioceses. The annual increases have been funded by increases in the common fund received from parishes. From 2018, and in future years, we continue to aim to increase stipends in line with other Dioceses – likely to be similar to the National Stipend Benchmark increase.

The LDF continues to invest c. £6m of capital in double glazing for c. 300 clergy houses over a five-year period, carrying out the works at the same time as the quinquennial and ingoing works take place. By the end of 2018 we completed double-glazing works on c.240 vicarages, representing 80% of the projected total. During 2019 we will continue the work and plan to complete this project ahead of time and below our estimated budget.

Further details on the support available to clergy is detailed below.

5) Developing existing and new services to support our clergy and parishes well

These are part of the core of what we do, and our services to clergy, parishes and chaplaincies run through all the teams that we operate, including:

- HR support and advice
- Finance-related advice and stewardship
- Parish property projects guidance
- Support in local regeneration and developments.

Safeguarding remained a major focus in 2018, including responding to the Independent Inquiry into Child Sexual Abuse (IICSA), along with the continued roll-out of core training and improvement to systems. This topic will continue to be a major focus in 2019. We are committed to invest further in safeguarding staffing resources, training and a past cases review.

During 2018 we also provided Diocesan wide data protection workshops for parishes and started to refresh our online resources for parishes following on from the May 2018 data protection regulation changes. We also aim to increase the level of stewardship activity in the Diocese, aimed to increase engagement and programmes in parishes. As part of our Capital Strategy, a church buildings conditions survey project is being proposed.

6) Overseeing the transition to a new Bishop of London

In December 2017, the next Bishop of London was announced, the Rt Revd and Rt Hon Dame Sarah E Mullally DBE BSc MSc DSc (Hon), following the retirement of The Rt Revd and Rt Hon Dr R J C Chartres KCVO DD FSA. Bishop Sarah was installed as Bishop of London at St Paul's Cathedral on 12 May 2018. Much of 2018 has been a time of induction for the Bishop, including visits to the episcopal areas, meeting with clergy and lay members of the Diocese and with local leadership. In October 2018 the senior staff leadership team, led by Bishop Sarah, attended a residential session in Canterbury to reflect on the future strategy as Capital Vision 2020 comes to an end. This time of reflection and consideration continues into 2019.



Bishop Sarah attends messy church at St Paul's Cathedral

Finally, concluding the LDF's six major objectives, we note that these objectives are underpinned by:

Running an effective organisation

Underpinning the key objectives and purposes of the LDF is the intent to run an effective organisation to support the mission and growth of the church in London.

The effectiveness of the LDF continues to be demonstrated through a wide range of areas, for example:

- smooth running of governance bodies and committee meetings,
- regular reporting to senior staff and trustees,
- financial stability, including accurate and timely budgeting and management accounting,
- efficient process of receiving and agreeing Common Fund offers, as well as the prompt receipt of Common Fund pledges.

Financial Review

Financial summary

Total income increased by £2.3m from £40.7m in 2017 to £43.0m in 2018, due to the continuing generosity of the thousands of people in the parishes who support the LDF's work, and our continuing to make use of our capital assets to generate additional income. In addition, during the year, £1.3m (2017: £0.2m) was drawn down from the restricted Strategic Development funding awarded by the Church Commissioners.

Total resources expended increased by £3.3m from £42.4m in 2017 to £45.7m in 2018, due largely to increased expenditure on ministry and clergy housing and property costs.

The property team continued to manage the LDF's properties, providing the best possible service to clergy and parishes and maximising revenue from investment property and operational property temporarily not in use. Included in the activity were £4.1m of realised gains (2017: £13.2m) on tangible fixed assets, resulting from the reshaping of the property portfolio.

Net outgoing resources for the year before investment gains, other recognised gains and losses, and one-off adjustments, across all funds were £2.7m (2017: outgoing resources of £1.7m).

The following table shows an overall increase in net assets of £1.5m for the year to £453.0m (2017: £451.5m).

	2018 £m	2017 £m
Net income/(expenditure)	(2.7)	(1.7)
Pension deficit movements	0.1	(0.5)
<i>Sub-total</i>	<i>(2.6)</i>	<i>(2.2)</i>
Other recognised gains and losses:		
Net (losses)/gains on investments	(4.0)	2.6
Unrealised gains on tangible fixed assets	4.0	4.7
Realised gains on tangible fixed assets	4.1	13.2
Net movement in funds for the year	1.5	18.3
Balances at 1st January	451.5	433.2
Balances at 31st December	453.0	451.5

Budget and outlook for 2019

The budget for 2019 was approved by the Bishop's Council and received by the Diocesan Synod at the end of 2018. It provides for General Fund income to increase by £0.5m and Common Fund to increase to £24.6m. General Fund expenditure is budgeted to increase by £0.6m, with a budgeted 2.0% increase in stipends in 2019.

Policies

Reserves policy and management

At the end of the year to 31 December 2018 the LDF held net assets of £453.0m (2017: £451.5m), split between the various funds as shown in the table below:

Fund categories	2018 £m	2017 £m
General	3.1	3.3
Designated	140.6	139.7
Restricted	21.0	21.2
Endowment	288.3	287.3

General reserves are held to finance working capital requirements (principally stipends, salaries and property costs) not matched by simultaneous receipt of Common Fund and investment income. The policy is that General Fund (or free) reserves (unrestricted and undesignated) equivalent to approximately one month's expenditure should be held in cash or near cash for this purpose.

General reserves at 31 December 2018 were £3.1m (2017: £3.3m) and equate to about 30 days of general fund expenditure (2017: 35 days), which is in line with our policy.

Designated reserves to the value of £140.6m (2017: £139.7m) include operational property used to house clergy of £63.9m (2017: £65.1m). Designated reserves also include investment property of £61.8m (2017: £56.1m), used to generate income for the following purposes:

- To mitigate financial risk, such as significant changes in the environment in which the LDF operates and to protect the LDF from insolvency or serious disruption to its work.
- To aid an equitable balance of expenditure between generations. Many of the assets used by the LDF today were provided by past generations and there is a need to preserve these assets for future generations.
- To supplement the Common Fund in furtherance of the LDF's charitable objectives.

Designated funds also include a significant negative fund, being the clergy pension deficit reserve which now stands in deficit of £10.5m (2017: deficit of £11.9m). Further details can be found within note 14(b).

Other designated funds include the Diocesan Loan Capital fund of £4.3m (2017: £4.7m) used to provide loans to parishes, often to enable them to undertake major capital projects that would otherwise not be able to proceed and a Capital Vision 2020 reserve, which at 31 December 2018, had a value of £1.4m (2017: £1.9m).

The remainder of the designated funds have a value of £19.7m (2017: £26.8m), many of which are gradually being exhausted as they are expended for the purposes for which they were designated. Some of these funds may be replenished over time by further donations and designations.

Restricted reserves with a value of £21.0m (2017: £21.2m) are restricted in their application in accordance with conditions specified by the donors, the main reserves being Sole Trust Expendable Funds, Closed Church Buildings Operational Property and Closed Church Buildings Investment Property. Glebe assets (consisting of historic endowment land given to provide stipends for parochial clergy, now owned and managed by LDF) are regarded as restricted expendable endowment funds.

Investment policy and performance

The LDF regularly reviews its investment policy and receives periodic guidance from its Non-Property Investment Guidance Group and from the Property Guidance Group.

The overarching investment objective is to seek the maximum return over the long term, taking into account both income and capital appreciation, with minimum risk to the real value of the assets.

In relation to non-property investments the LDF currently seeks an income return of at least 3.5%, whilst at least maintaining the capital value of its non-property investments in real terms.

Targets set for the strategic allocation of assets between different classes of investment reflect the trustees' views on the appropriate balance to be struck between returns and risks.

The LDF has an ethical investment policy which covers principally its non-property investments. The policy incorporates:

- Negative screening: the LDF invests in investment funds which exclude tobacco, arms and gambling.
- Engagement: the LDF invests in common investment funds that follow the United Nations backed principles for responsible investment (UNPRI) and the UK's stewardship code.

Investment returns

The strategic work to reshape the investment property portfolio continues as we look to increase the level of income we generate from the asset base. This work commenced in 2013, when net income of the order of £1.3m was generated. By 2020, investment property net income is expected to be of the order of £3m. During 2018, further steps were taken to develop the portfolio, by selling relatively low yield properties, raising c. £2.8m, and

reinvesting the proceeds in higher yield properties. In total the investment property portfolio generated in excess of £2.7m of net income in 2018 (2017: £2.8m).

In addition, the portfolio has seen significant capital growth. During 2018, the asset base has increased from £94.3m in 2017 to £99.5m.

Investments in equities, fixed interest securities and other quoted securities amounted to £40.6m (2017: £38.9m). During the year, an additional £6m was invested in the portfolio. Losses of £3.9m (2017: gains of £2.6m) were recorded and investment income of £1.8m (2017: £1.7m) received.

The losses in the capital value of the above investments, of the order of 11.2%, were slightly ahead of the movement in the value of the FTSE all-share index, which fell c.12.3% in 2018.

	2014 %	2015 %	2016 %	2017 %	2018 %
Historical gains/(losses) on LDF investments	1.0	(0.9)	9.0	7.5	(11.2)
Historical gains/(losses) on FTSE all-share index	(2.0)	(1.0)	12.0	7.7	(12.3)

Valuation of operational property assets

The majority of the operational property assets are held for the long-term use of the LDF, rather than for re-sale, and are valued in the accounts at their deemed cost in accordance with the provisions of FRS 102.

Pension schemes

Church of England Funded Pension Scheme – Clergy: Since 1 January 2015, the LDF's contribution rate has been 39.9% of pensionable stipends, of which 14.1% was in respect of the shortfall in the Scheme and 25.8% in respect of future benefits and the day-to-day expenses of running the Scheme. From 1 January 2018 the percentages are now 11.9% and 28% respectively, while the total contribution rate is still 39.9%.

In these financial statements we have included as a liability the present value of the agreed deficit contributions towards the clergy pension scheme, which at 31 December 2018 was £10.5m (2017: £11.9m).

Lay Church Workers' Pension Fund:

During 2018, the LDF contributed at a rate of 25% of pensionable salary. In order to continue to fund the scheme at its current level of benefits, the rate increased to 33.6% with effect from 1 January 2019.

Lay Defined Contribution Scheme:

Since the lay CWPF closed to new members in 2008, the LDF has a defined contribution pension scheme for lay staff which is currently managed by Aviva.

Risk management

The Senior Management Group and the Archdeacons regularly consider, evaluate and record the major areas of risk to which the LDF is exposed, assessing both the likelihood and impact of those risks crystallising, together with measures to manage and mitigate such risks.

The process of identification and assessment of risk, the risks identified and the measures for mitigation are reviewed at least annually by the Audit and Risk Committee. The risk register is available for inspection by all directors and trustees. As part of new directors' and trustees' induction, details of the risk management process are provided. A formal report on risk management is considered by the Bishop's Council annually.

The risks which are currently assessed as scoring highest, and the plans to address them, include:

- **Current abuse of a child or a vulnerable adult in the Diocese** results in reduced trust and negative impact on the victims.
Mitigation includes having an independently audited safeguarding programme, which is professionally run and independently audited. We aim to have safeguarding officers and children's champions in every relevant parish.
- **Historic abuse of a child or a vulnerable adult in the Diocese** results in reduced trust and negative impact on the victims.
Mitigation includes regular reporting to the Diocesan Safeguarding Team, and the support of an independently audited safeguarding programme.
- **Nationally divisive issues** lead to loss of clergy and/or congregations and finances.
Mitigation includes strong episcopal leadership and professional support in handling difficult issues.
- **Appointment of clergy** who weaken the missional and financial health of parishes.
Mitigation includes seeking the fullest possible information about candidates for posts and ensuring that knowledge about parish opportunities is shared in a timely fashion.
- **Common Fund** system loses support from PCCs, or there is an inability to sustain sufficient incremental increases each year, resulting in insufficient income to cover committed LDF budget.
Mitigation includes annual Common Fund presentations to engage parishes and provide support where necessary. Existing trends are reviewed regularly alongside consideration of parish's future capacity to sustain Common Fund increases. Targeted interventions are carried out as necessary with concerned parishes.

As identified above, the main risk to the LDF's income is that parishes will be unable to donate as generously as they have pledged or would wish. The LDF works to mitigate this risk by supporting parishes through offers of fundraising advice, stewardship support and other income generating input.

The principal risks relating to expenditure are that there may be additional pension deficits to be funded; the costs of training ordinands may rise further; or there may be unexpected property maintenance expenditure. The LDF's management keep the risks under review and ensure that proportionate mitigation strategies continue to be in place.

Funds held as custodian trustee

The LDF is custodian trustee for trust assets of £17.4m (2017: £19.3m). Detailed certificates of holdings were sent to parishes and other managing trustees as at 31 December 2018.

Most of these trusts are held on behalf of parishes whose charitable purposes are parallel to those of the LDF. Assets held under these trusts are held separately from those of the LDF.

Other matters

The LDF also supports connected charities, one of which is the London Diocesan Board for Schools, with whom facilities to the value of £332k (2017: £322k) are shared at London Diocesan House, and to whom a cash grant of £180k was made in 2018 (2017: £180k).

Other support is provided to parishes in the form of grants and loans. In 2018 grants to London parishes totalled £1.5m (2017: £1.1m).

Plans for future periods

Our aim is to support the mission and growth of the Church in London in the years ahead.

Our plans are built on the foundation of being affordable and sustainable over the next five years. They consider the General Fund, Capital Vision 2020 and our Capital Strategy over that timeframe and include time to consider what our strategy beyond Capital Vision 2020 might be.

We aim to keep the day to day income and expenditure of the LDF in balance and use designated and restricted funds for the purposes for which they are held. We have set a balanced budget for General Funds for 2019.

Specifically, we have plans to:

a) Invest in the well-being of our clergy and chaplains - our "front line staff"

- Continue to aim to increase stipends in line with other Dioceses – likely to be similar to the National Stipend Benchmark
- Continue to invest in double glazing for clergy houses.

b) Develop new and enhanced services to support our clergy and parishes

- We already provide a wide range of services to clergy and parishes. We want to help these groups more by investing further in our safeguarding staffing resource and provide further training. We are also planning to increase the level of stewardship activity and conduct a church buildings conditions survey project.

c) Encourage growth in lay discipleship and leadership, and promote diversity

- We will enhance opportunities for lay ministry and discipleship by increasing engagement with the Ambassadors, alongside the "Setting God's People Free" initiative.
- Enhance black, Asian and minority ethnic (BAME) and female representation in clergy and lay leadership. As part of this we are funding a course to position BAME clergy for senior leadership roles.

d) Complete Capital Vision 2020 and develop the vision and strategy for 2021 and beyond

- By investing over £500k per annum from the CV2020 designated fund in the priority areas and fundraising. In addition, we expect to continue to help with pump-prime funding for new worshipping communities.
- We will also be continuing to review how we can be more effective in "doubling the number of young people involved in local Christian community".
- We will begin the consultation, listening and discernment process to develop our strategy for 2021 and beyond. During 2019 we will consider:
 - Which, if any, of the priorities should be funded beyond 2020 and why?
 - Effective close-down of priorities which will end in 2020 or before
 - Evaluation of the impact of Capital Vision.

e) Invest in establishing a Christian presence in major new development areas

- The SDT will complete the area reports and deliver these for decision-making to the Strategic Development Committee.
- We are continuing to fund additional posts from our Capital Strategy to help establish a Christian presence in the major new development areas.
- We continue to set aside capital to fund the development and investment in new churches in these areas. We plan to more than match the LDF capital investment through developers' contributions and philanthropic giving.

Going concern

The trustees have reviewed the charity's financial position, taking account of the satisfactory levels of reserves and cash, principally from the Common Fund, amounts receivable, the annual plan and the five-year financial plan,

and its systems of financial and risk management. As a result of their review, it is their opinion that the charity is well placed to manage operational and financial risks successfully.

Accordingly, the trustees have a reasonable expectation that the charity has adequate resources to continue in operational existence for the foreseeable future and therefore continues to adopt the going concern basis of accounting in preparing the annual accounts.

Governance, structure and management

The Diocese of London

The Diocese of London was founded in Roman times and was re-founded in 604 by St Mellitus. In its current form, it covers 18 boroughs in Greater London and Surrey, north of the River Thames and west of the River Lea. It serves over six million people in 277 square miles.

The Diocese is led by the Bishop of London, the Rt Revd and Rt Hon Dame Sarah Mullally (and was led by the acting Bishop of London the Rt Revd Peter Broadbent during the vacancy). The Bishop of London has delegated certain powers to four area bishops, the Bishops of Edmonton, Kensington, Stepney and Willesden, and two Suffragan bishops, the Bishops of Fulham and Islington.

There is an archdeacon for each of the episcopal areas. Until the beginning of 2019, there was both an Archdeacon of London and an Archdeacon for the Two Cities of London and Westminster, forming the Two Cities area which is led by the Bishop of London. In early 2019, the structure of the Two Cities area was reviewed, and the Archdeacon of London will be the sole Archdeacon for the area.

There are 24 deaneries within the Diocese. Each deanery consists of between 10 and 25 parishes; there are approximately 400 parishes in the Diocese, each of which is governed by a Parochial Church Council (PCC). The PCC is made up of the incumbent as chair, the churchwardens and a number of other ex officio and elected members. Each PCC is a corporate body and a separate charity. PCCs are responsible for, inter alia, the maintenance of churches and certain other buildings. Except where shown, the transactions of PCCs do not form part of these financial statements.

The LDF's activities are only one aspect of the vibrant and diverse mission of the church in London. In total, the PCCs across London have unrestricted income of c.£100m a year.

At the turn of the year, we had 56 new worshipping communities, some of which are established under a Bishop's Mission Order (BMO).

The statutory governing body of the Diocese is its Synod, which is a largely elected body with representation from all parts of the Diocese. The Diocese conducts its financial and operational affairs through a number of corporate bodies, the main ones being the London Diocesan Fund (LDF) – relating to churches - and the London Diocesan Board for Schools (LDBS), an independent registered charity – relating to schools.

The London Diocesan Fund

The LDF is a company limited by guarantee and registered in England & Wales (150856). It is also a registered charity (241083). Its registered and principal office is at London Diocesan House, 36 Causton Street, London SW1P 4AU. The LDF was incorporated in England & Wales on 29 June 1918.

All members of the Bishop's Council are directors of the company for the purposes of the Companies Act 2006 and are trustees under charity law.

Management and senior staff

The bishops and archdeacons exercise day to day oversight of the Diocese. Mr Richard Gough is the General Secretary and also acts as secretary to the Bishop's Council.

Some Senior Management Group (SMG) members have the title Director in their job titles but they are not directors of the LDF for the purposes of company law nor are they trustees of the charity. The SMG comprises:

General Secretary:	Mr Richard Gough
Director of Property:	Mr Michael Bye
Director of Human Resources and Safeguarding:	Mrs Suzanne Long
Director of Finance and Operations:	Mr Richard Antcliffe
Director of Development:	Mr Edward Moody (<i>until 30 November 2018</i>)
Director of Capital Vision:	Mrs Deborah Clinton (<i>until 8 February 2018</i>)
	Mr Angus Stephenson (<i>from 20 August 2018</i>)

Remuneration

The Remuneration Committee meets at least annually to provide assurance to the Diocesan Finance Committee (DFC) that the LDF has appropriate remuneration procedures in place and to oversee issues relating to the remuneration of all LDF clergy and staff. On behalf of the trustees, it makes recommendations to the DFC regarding the LDF's remuneration policy and pay increases.

Statutory functions

The LDF has a statutory responsibility for management of glebe assets (historic endowment land given to provide stipends for parochial clergy, now owned and managed by LDF), to generate income to support the cost of stipends. It is the Diocesan authority for parochial and other trusts, and also discharges the responsibilities of the Diocesan Parsonages Board.

Charity Governance Code

The LDF welcomes the 'Charity Governance Code' and continues to work towards its application, incorporating a self-audit exercise overseen by the Audit and Risk Committee.

Principal activities

The principal activity of the LDF is to serve and support the parishes and people within the Diocese in their mission of proclaiming the Gospel of Jesus Christ.

It does this operationally through the payment and housing of parish clergy and chaplains and supporting their ministry. The LDF also provides community space and facilities to the wider population and visitors to London.

Ministry and associated costs, including property, account for the majority of the LDF's expenditure. This is financed principally by the collection of voluntary income from the parishes, termed 'Common Fund', supplemented by rental and investment income.

Grants are awarded to parishes by the Area Councils and to mission initiatives by the Bishop of London's Mission Fund (BLMF), which is a designated fund within the LDF.

The LDF also acts as custodian trustee and as agent to other boards, committees and trusts within the London Diocese.

Fundraising

The LDF fundraising plan incorporates three streams:

- To provide parishes with advice and guidance to encourage them to adhere to best practise in their fundraising activities.
- To drive campaigns around specific and strategic fundraising needs.
- To support and enable strategic relationship management.

Officers meet at least quarterly to review current performance and agree future fundraising strategy.

The LDF does not engage with any direct marketing activities, nor does it share or purchase any donor data with or from third parties. The LDF rarely engages with independent professional fundraisers and if so will always ensure there is an appropriate contract in place. The LDF has signed up to the regulation scheme established by the Fundraising Regulator. No complaints regarding fundraising have been received.

Public benefit of activities

The trustees have a statutory duty under the Charities Act 2011 to have regard to the guidance issued from time to time by the Charity Commission. The trustees have noted the Charity Commission's guidance *Charities and Public Benefit* and have regard to this in making relevant decisions. Guidance was included in the Trustee Induction material distributed to the Diocesan Bishop's Council in Spring 2019. The trustees believe that this report, taken as a whole, provides evidence of the public benefit of the charity's work in 2018.

In particular, the trustees believe that, by promoting the work of the Church of England in the Diocese of London, the LDF helps to promote the whole mission of the Church, including its pastoral, evangelistic, social and ecumenical aspects more effectively, both in the Diocese as a whole and in its individual parishes, and that in doing so it provides a benefit to the public by:

- providing facilities for public worship, pastoral care, and spiritual, moral and intellectual development, both for its adherents and for anyone who wishes to benefit from what the Church offers; and
- promoting Christian values, and services by members of the Church in and to their communities, to the benefit of individuals and society as a whole.

The principal public benefits of the LDF are the advancement of the Christian religion by supporting ministers of religion and others who lead, encourage and support members of the various and diverse communities of the world city of London by and in:

- the provision of public worship and ceremonies
- the moral and spiritual improvement of the public
- the provision of comfort to the bereaved and distressed
- contributing towards a better society, by promoting social cohesion and social capital
- contributing to the spiritual and moral education of children
- carrying out, as a practical expression of religious belief, other activities to meet needs
- contributing to good mental and physical health
- the provision and maintenance of sacred spaces, principally churches (many of which are listed buildings) and churchyards, open to the public and
- the provision of public spaces, such as church halls, as an expression of faith.

Committees

The Diocesan Synod has appointed the Bishop's Council as the Diocesan Mission and Pastoral Committee. The Council has delegated certain powers to the Strategic Development Committee and to Area Councils.

The Bishop's Council has also delegated certain powers to its Diocesan Finance Committee (DFC). These committees and councils have power to co-opt members, subject to elected and ex officio members being the majority.

Diocesan Finance Committee

The DFC is a sub-committee of the Bishop's Council. Its membership comprises laity and clergy. The DFC meets at least six times each year. The Bishop of London, the archdeacons, and the clerical and lay vice chairs are ex officio members.

The DFC makes recommendations to the Bishop's Council on matters in connection with finance, property and staff business of the LDF.

Audit and Risk Committee

The Audit and Risk Committee (ARC) is a sub-committee of the Bishop's Council. Members are appointed by the Bishop's Council for three years. Its membership may be drawn from the Council, the Diocesan Synod, the DFC, and from outside bodies.

The ARC ensures that proper regard is had to statutory and regulatory obligations, to best practice. The committee also reviews the systems of internal financial control and the risk register.

Strategic Development Committee

The Strategic Development Committee (SDC) advises, under delegated powers on behalf of the Bishop's Council, on major development area programmes and capital projects.

The SDC operates within the parameters of the strategic direction and priorities set by the senior staff meeting, endorsed by the Bishop's Council, and a five-year capital expenditure framework approved by the Bishop's Council as recommended by the Diocesan Finance Committee.

Trustee training

The trustees regularly review their knowledge, skills and experience. Appropriate training sessions are designed to address any gaps in skills and knowledge.

New trustees are provided with documentation outlining their main responsibilities and new trustee induction sessions are conducted each triennium.

Disclosure of information to auditors

Each trustee who held office at the date of approval of this trustees' report confirms that, so far as he or she is each aware, there is no relevant audit information of which the LDF's auditors are unaware, and that he or she has taken all the steps that he or she ought to have taken as a director in order to make himself or herself aware of any relevant audit information and to establish that the LDF's auditors are aware of that information.

'Relevant audit information' means information needed by the LDF's auditors in connection with the preparation of their report.

In doing so, the trustees have made enquiries of their fellow directors and of the LDF's auditors and have taken such other steps (if any) for that purpose, as are required by their duty as a director of the LDF to exercise reasonable care, skill and diligence.

Statement of trustees' and directors' responsibilities in respect of the Trustees' Report and the Financial Statements

The trustees are responsible for preparing the Directors' and Trustees' Report, incorporating the Strategic Report and the financial statements in accordance with applicable law and regulations. Company law requires the trustees to prepare financial statements for each financial year in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

The financial statements are required by law to give a true and fair view of the state of affairs of the charitable company as at the balance sheet date and of its incoming resources and application of resources, including income and expenditure, for that financial year. In preparing these financial statements, the trustees are required to:

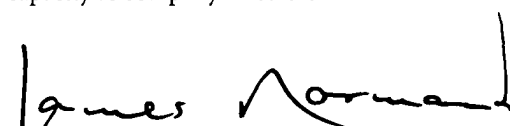
- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the 'going concern' basis unless it is inappropriate to presume that the charity will continue in its activities; and
- observe the methods and principles in the Charities Statement of Recommended Practice.

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 its financial statements comply with the Companies Act 2006.

They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the charitable company and to prevent and detect 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 UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

In approving this trustees' report, the trustees are also approving the Strategic Report included here, in their capacity as company directors.



James P Normand
Chair of the Diocesan Finance Committee
and Lay Vice-Chair of Bishop's Council
14 May 2019

Appendices – committee membership and administrative details

Directors, Trustees and Members of the Diocesan Bishop's Council

All members of the Bishop's Council are directors and members of the company for the purposes of the Companies Acts and are trustees under charity law. The following members served during the period from 1 January 2018 until 14 May 2019, the date of approval of this report:

Chair

The Bishop of Willesden,
the Rt Revd Peter A Broadbent
(until 07/03/18)
The Rt Revd and Rt Hon Dame Sarah E Mullally
DBE BSc MSc DSc (Hon) Bishop of
London (from 08/03/18)

Lay & Clerical Vice Chairs

Mr James P Normand,
Diocesan Synod House of Laity
The Revd Preb L Alan Moses,
Diocesan Synod House of Clergy
(until 30/11/18)
The Revd Jody Stowell,
Diocesan Synod House of Clergy
(from 01/12/18)

Ex Officio

The Bishop of Stepney,
the Rt Revd Adrian Newman
(until 31/12/18)
The Bishop of Kensington,
the Rt Revd Dr Graham S Tomlin
The Bishop of Edmonton,
the Rt Revd Robert J Wickham
The Bishop of Willesden,
the Rt Revd Peter A Broadbent
The Bishop of Fulham,
the Rt Revd Jonathan M R Baker
The Bishop of Islington,
the Rt Revd Ric C Thorpe
The Archdeacon of London,
the Ven Luke J Miller
The Archdeacon for the Two Cities,
the Ven Rosemary J Lain-Priestley
(until 31/12/18)
The Archdeacon of Hackney,
the Ven Elizabeth Adekunle
The Archdeacon of Middlesex,
the Ven Stephan J Welch
The Archdeacon of Hampstead,
the Ven John E I Hawkins

The Archdeacon of Northolt,
the Ven Duncan J Green
The Dean of St Paul's Cathedral,
the Very Revd Dr David J Ison

Elected by the House of Laity, Diocesan Synod

Mrs Enid M Barron (until 19/11/18)
Mrs Margery D Roberts (until 21/03/18)
Mr Jeremy Thomas (until 19/11/18)
Mr Adam Farlow (until 19/11/18)
Dr Judith F Richardson (until 19/11/18)
Mr James Behrens (from 20/11/18)
Mr George Huntley (from 20/11/18)
Miss Susan Cooper (from 20/11/18)
Mrs Sarah Finch (from 20/11/18)

Nominated by the Bishop of London

Ms Josile W Munro (until 31/12/18)
Mr Richard N Perry (from 06/12/18)

The following members were elected by the
Diocesan Synod members of the respective areas:

Two Cities

The Revd Canon Dr Alison J Joyce
The Revd Colin J Amos (until 31/07/18)
The Revd Kathryn Harrison (from 19/11/18)
Mr David Roberts (until 31/07/18)
Mr David W Richards (until 23/09/18)
Miss Debbie R Buggs (until 23/09/18)
Mr Brian O'Donoghue
Mr Jeremy Thomas (from 24/09/18)
Mr Christopher Longden (from 24/09/18)
Mr Cedric Stephens (from 24/09/18)

Stepney

The Revd Judith Blackburn (until 23/09/18)
The Revd James Hughesdon (from 24/09/18)
The Revd Graham Hunter
Mr Lee Humby (until 31/07/18)
Mr John Wilson (until 31/07/18)
Dr Philip Rice
Mrs Christina T Sosanya
Ms Josile Munro (from 24/09/18)

Kensington

The Revd Stephen R Divall (until 31/07/18)
The Revd William Rogers
The Revd Andrew Downes (from 17/10/18)
Mrs Anne Rainford (until 31/07/18)
Mr Howard A Evans (until 23/09/18)
Mr David Hurst
Mrs Sarah Tett
Mr Kenneth Riley (from 17/10/18)
Ms Catrin Lee (from 17/10/18)

Edmonton

The Revd Christopher Smith
The Revd Jonathan Kester (from 12/12/18)
Ms Anne Casson (until 23/09/18)
Mr Inigo R M Woolf
Dr Christopher R M Ward
Miss Amanda McIntyre
Miss Abimbola Sanu (from 24/09/18)

Willesden

The Revd Stephen M France (until 31/07/18)
The Revd Edmund A J Cargill Thompson
Mr John R Dolling
Mr Clive R Scowen
Mr Nigel K Challis (until 31/07/18)
Mr Michael J Bithell
Mr Julian Duffus (from 24/09/18)

Members are shown in the categories in which they are currently appointed. They may previously have served as members in a different capacity.

Members of the Diocesan Finance Committee as at 14 May 2019

(also Members of the Bishop's Council)

The Archdeacon of London,
the Ven Luke J Miller
The Archdeacon for the Two Cities,
Vacant
The Archdeacon of Hackney,
the Ven Elizabeth Adekunle
The Archdeacon of Middlesex,
the Ven Stephan J Welch
The Archdeacon of Hampstead,
the Ven John F I Hawkins
The Archdeacon of Northolt,
the Ven Duncan J Green
The Revd Jody Stowell
Mr James P Normand (Chair)
Mr John R Dolling

Dr Phillip Rice
Dr Christopher R M Ward
Mr Inigo R M Woolf
Mr Michael J Bithell
Ms Josile Munro
Mr Clive Scowen

(not Members of the Bishop's Council)

Mr Roger Dean
Mr Antonio Joseph
Mr Noel Manns
Mr Paul Nicholas
The Revd Preb V Akintunde Roberts
Dr Susan Willmington
Mr Anthony Dixon

Members of the Audit and Risk Committee as at 14 May 2019

(also Members of the Bishop's Council)

Mr Richard N Perry (Chair)
Dr Phillip Rice
Mr Christopher Longden

(not Members of the Bishop's Council)

Mr Don Bawtree
Mrs Elizabeth Marshall
Mr Mohan Yogendran
The Revd Owen Higgs
Dr Judith Richardson

Members of the Strategic Development Committee as at 14 May 2019

(also Members of the Bishop's Council)

The Bishop of Willesden,
the Rt Revd Peter A Broadbent
The Archdeacon of London,
the Ven Luke J Miller

(not Members of the Bishop's Council)

Mr Colin Sheppard (Chair)
Mr John Parmiter
The Revd Jonathan Rust
Miss Debbie R Buggs

The Bishop of London's Fund

Patron: The Most Revd and Rt Hon the Lord
Archbishop of Canterbury, Justin Welby

President: The Rt Revd and Rt Hon the Lord
Bishop of London
Dame Sarah E Mullally DBE BSc MSc DSc
(from 08/03/18)
The Bishop of Willesden, the Rt Revd
Peter A Broadbent (until 07/03/18)

Treasurer: Mr Inigo R M Woolf
The president and treasurer are ex officio trustees.

Other trustees of the Bishop of London's Fund:

The Ven Stephan J Welch
The Ven Luke J Miller
The Ven Duncan J Green
Mr David Roberts
Secretary: Mr Richard Gough

The Bishop of London's Fund (BLF) was established in 1863 and was incorporated by the Board of the Charity Commissioners for England and Wales under the Charitable Trustees Incorporation Act 1872 (since replaced by other legislation) on 7 July 1882.

The BLF is a registered charity (249021). The Finance Committee of the LDF constitutes its Executive Committee. Certain title and trust deeds are in the name of the BLF.

For day to day purposes and in accordance with a special resolution of 29 October 1918, its activities are subsumed into the LDF, with which it shares common objectives. The majority of the BLF's assets were transferred to the LDF in the last century.

The London Diocesan Board of Finance

President and Chair: The Rt Revd and Rt Hon the
Lord Bishop of London
The Rt Revd and Rt Hon Dame Sarah E
Mullally DBE BSc MSc DSc (from
08/03/18)
The Bishop of Willesden, the Rt Revd
Peter A Broadbent (until 07/03/18)

The Rt Revd and Rt Hon Dame Sarah E
Mullally DBE BSc MSc DSc (Hon) Bishop
of London (from 08/03/18)

Trustees: The Trustees of the LDF
Secretary: Mr Richard Gough

The London Diocesan Board of Finance (LDBF) was registered in England as a company limited by guarantee on 30 April 1914. The Diocesan Boards of Finance Measure 1925 provides that every Diocese in the Church of England should have a DBF. It stipulates however that those Dioceses with existing trust bodies (provided they are incorporated under the Companies Acts) are allowed to use these bodies to carry out the functions of the DBF.

Clause 3(c) of the Memorandum of Association of the LDF (company number 150856) formed in 1918 specifically empowers the LDF to carry out (inter alia) all of the functions of the LDBF. The Articles of Association of the LDBF were amended on 7 June 1926 to amalgamate the functions of the DBF into the LDF, except anything which was unable to be amalgamated because of statutory provisions.

The LDBF is a registered charity (249022) and a company limited by guarantee (135519).

Professional Advisers

Auditors

Haysmacintyre LLP
10 Queen Street Place,
London EC4R 1AG

Bankers

Barclays Bank PLC
1 Churchill Place
London E14 5HP

Insurers

Ecclesiastical Insurance
Group PLC
Beaufort House
Brunswick Road
Gloucester GL1 1JZ

Solicitors

Winckworth Sherwood
Minerva House
5 Montague Close
London SE1 9BB

Communications Consultants

Luther Pendragon Limited
3 Priory Court
Pilgrim Street
London EC4V 6DR

Independent Auditors' Report to the Members of the London Diocesan Fund

Opinion

We have audited the financial statements of the London Diocesan Fund for the year ended 31 December 2018 which comprise the Statement of Financial Activities, the Balance Sheet, the Summary Income and Expenditure Account, the Cash Flow Statement, and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the charitable company's affairs as at 31 December 2018 and of the charitable company's net movement in funds, including the income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Responsibilities of trustees for the financial statements

As explained more fully in the trustees' responsibilities statement set out on page 19, 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, and for such internal control as the trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

Conclusions relating to going concern

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

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

Other information

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the Trustees' Report (which includes the strategic report and the directors' report prepared for the purposes of company law) for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report included within the Trustees' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

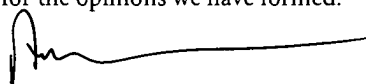
In the light of the knowledge and understanding of the charitable company and its environment obtained in the course of the audit, we have not identified material misstatements in the Trustees' Report (which incorporates the strategic report and the directors' report).

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

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

Use of our report

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



Adam Halsey (Senior Statutory Auditor)

Haysmacintyre LLP, Statutory Auditors. 10 Queen Street Place, EC4R 1AG

14 May 2019

Statement of Financial Activities – for the year to 31 December 2018

	Notes	Unrestricted Funds		Restricted Funds	Endowment Funds	Total 2018	Total 2017
		General	Designated	Funds	Funds	2018	2017
		£m	£m	£m	£m	£m	£m
Income and endowments from							
<i>Donations, legacies & grants</i>							
Common Fund		24.2	-	-	-	24.2	23.7
Parish reimbursements for clergy costs		3.7	-	-	-	3.7	3.4
Donations		0.5	0.1	0.5	-	1.1	1.6
Church Commissioners		-	-	1.9	-	1.9	0.7
City Church Fund		1.6	-	-	-	1.6	1.6
<i>Charitable activities</i>							
Operational property rental income		3.0	-	-	-	3.0	2.9
Parochial fees		0.5	-	-	-	0.5	0.5
<i>Investment Income</i>							
Dividends and interest receivable	10a	1.5	0.1	0.2	-	1.8	1.7
Investment property rentals	10b	4.0	-	-	-	4.0	3.8
<i>Other income</i>		-	0.1	1.1	-	1.2	0.8
Total income		39.0	0.3	3.7	-	43.0	40.7
Expenditure on							
<i>Raising funds</i>							
<i>Investment management costs</i>							
Rental portfolio costs-agent fees		0.3	-	-	-	0.3	0.3
Investment property repairs and maintenance		0.8	0.1	0.1	0.3	1.3	1.0
<i>Charitable activities</i>							
Ministry		22.5	0.3	2.3	-	25.1	23.6
Education and outreach		0.7	-	-	-	0.7	0.7
Parish and Area support services		1.4	-	0.3	-	1.7	1.7
Clergy housing and property costs		8.3	1.9	0.4	0.2	10.8	9.5
National Church		3.0	-	-	-	3.0	2.8
Grants to parishes and overseas	5	0.2	0.9	0.5	-	1.6	1.3
<i>Other expenditure</i>		-	1.1	0.1	-	1.2	1.5
Total expenditure	4	37.2	4.3	3.7	0.5	45.7	42.4
Net income/(expenditure) before investment gains		1.8	(4.0)	-	(0.5)	(2.7)	(1.7)
Realised gains on tangible fixed assets		-	3.6	0.5	-	4.1	13.2
Net (losses)/gains on investments	7	(0.1)	(1.5)	(0.8)	(1.6)	(4.0)	2.6
Net incoming resources for the year		1.7	(1.9)	(0.3)	(2.1)	(2.6)	14.1
Transfers between funds	12d	(1.9)	(0.4)	(0.1)	2.4	-	-
Other recognised gains/(losses)							
Pension deficit movement		-	0.1	-	-	0.1	(0.5)
Unrealised gains on tangible fixed assets	6a & 6b	-	3.1	0.2	0.7	4.0	4.7
Net movement in funds for the year		(0.2)	0.9	(0.2)	1.0	1.5	18.3
Reconciliation of funds:							
Funds at 1 January 2018		3.3	139.7	21.2	287.3	451.5	433.2
Funds at 31 December 2018		3.1	140.6	21.0	288.3	453.0	451.5

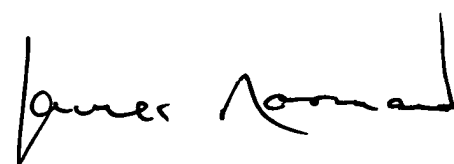
The Cash Flow Statement and Notes on pages 27 to 54 form part of these financial statements.

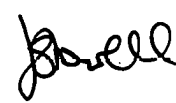
Balance Sheet – as at 31 December 2018

Company number: 150856

	Notes	Unrestricted Funds General £m	Designated £m	Restricted Funds £m	Endowment Funds £m	Total 2018 £m	Total 2017 £m
Fixed Assets							
Operational property	6a	-	76.0	3.0	243.2	322.2	327.3
Investment property	6b	-	61.8	7.2	30.7	99.7	94.3
Non-property investments	7	2.9	19.6	6.1	11.9	40.5	38.9
Fixtures and fittings		0.1	-	-	-	0.1	0.1
		3.0	157.4	16.3	285.8	462.5	460.6
Current Assets							
Debtors	9a	2.1	3.9	0.5	-	6.5	10.3
Cash at bank		1.3	1.9	4.5	2.6	10.3	10.4
		3.4	5.8	5.0	2.6	16.8	20.7
Creditors							
Amounts falling due within one year	11	(3.3)	(2.6)	(0.3)	(0.1)	(6.3)	(8.1)
Net Current Assets		0.1	3.2	4.7	2.5	10.5	12.6
Total assets less current liabilities		3.1	160.6	21.0	288.3	473.0	473.2
Creditors – amounts falling due after one year							
Pension scheme liabilities	14	-	(11.5)	-	-	(11.5)	(13.1)
Other creditors	11	-	(8.5)	-	-	(8.5)	(8.6)
Net Assets		3.1	140.6	21.0	288.3	453.0	451.5
Funds							
General		3.1	-	-	-	3.1	3.3
Designated	12a	-	140.6	-	-	140.6	139.7
Restricted	12b	-	-	21.0	-	21.0	21.2
Endowment	12c	-	-	-	288.3	288.3	287.3
Total Funds		3.1	140.6	21.0	288.3	453.0	451.5

The financial statements on pages 25 to 54 were approved, and authorised for issue, by the Diocesan Bishop's Council on 14 May 2019.


James P Normand
Chair of the Diocesan Finance Committee
and Lay Vice-Chair of Bishop's Council


The Revd Jody Stowell
Clerical Vice-Chair of Bishop's Council

Summary income and expenditure account – for the year to 31 December 2018

	2018 £m	2017 £m
Income	43.0	40.5
Expenditure	(45.2)	(42.2)
Net (expenditure) before investment gains	(2.2)	(1.7)
Net (losses)/gains on investments	(2.4)	1.8
Realised gains on property assets	4.1	13.1
Net (expenditure)/income for the year	(0.5)	13.2
Other comprehensive income:		
Unrealised gains on property assets	3.3	4.3
Net movement on defined benefit pension schemes	0.1	(0.5)
Total comprehensive income	2.9	17.0

All incoming and expended resources relate to continuing operations.

The Summary Income and Expenditure Account is derived from the Statement of Financial Activities on page 25 with movements in endowment funds excluded to comply with company law.

Cash flow statement – for the year 31 December 2018

		2018 £m	2017 £m
	Notes		
Net cash (outflow) from operating activities	13a	(11.1)	(18.6)
Net cash inflows from investing activities	13b	11.0	18.6
(Reduction)/increase in cash in the year		(0.1)	0.0
Cash and cash equivalents			
As at 1 January		10.4	10.4
As at 31 December		10.3	10.4

The notes on pages 28 to 54 form part of these financial statements.

Notes to the financial statements

1 Principal accounting policies

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom, the Statement of Recommended Practice, Accounting and Reporting by Charities (2015) and with regard to the Diocesan Annual Report and Financial Statements Guide (v5. 2015).

The accounts comply with the Charities Act 2011 and the Companies Act 2006. A summary of the principal accounting policies, which have been applied consistently except as stated, is set out below.

1.1 Basis of preparation

The LDF prepares its annual financial statements on the historical cost basis of accounting as adjusted for the revaluation of investments and investment properties.

1.2 Key judgements

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates. The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements:

- non-depreciation of fixed assets as per accounting policy (see note 1.7)
- pension scheme liabilities (see note 14)

1.3 Funds

The LDF has various types of fund for which it is responsible and which require separate disclosure. Note 12 shows the balances and movements on each fund together with details of their uses. The directors' and trustees' report gives an overview of the LDF's Reserves Policy.

Unrestricted Funds

Unrestricted funds arise from all the accumulated surpluses and deficits in the provision of general charitable activities:

- General Funds
- Designated Funds (note 12a)

The latter are funds earmarked by the LDF trustees for a specific purpose. The trustees have discretion over the purpose and use of the funds. They can be re-allocated or otherwise undesignated without reference to outside agencies.

Restricted Funds (note 12b)

These are funds subject to specific conditions imposed by the donor or by the specific terms of a trust deed or other legal measure. Income and expenditure on restricted funds are taken directly to those in the Statement of Financial Activities except to the extent that income is freely available for the general purpose of the LDF.

Endowment Funds (note 12c)

Permanent endowment capital must be held permanently, whereas expendable endowment capital can be used but only in certain circumstances. Income arising is included in general or restricted funds depending on the terms of the trust instrument.

Notes to the financial statements (continued)

1.4 Taxation status

The LDF is a registered charity and as such is able to take advantage of exemptions granted under the relevant tax legislation including part 10 of the Income Tax Act 2007. It is not liable to corporation tax on charitable income or income from charitable activities.

1.5 Pensions

The LDF participates in two defined benefit pension schemes: the Church of England Defined Benefit Scheme (DBS), for some of its lay employees but now closed to new joiners, and the Church of England Pensions Scheme, for clergy. The schemes are considered to be multi-employer schemes as described in Section 28 of FRS 102. This means it is not possible to attribute the Schemes' assets and liabilities to specific employers and that contributions are accounted for as if the Scheme were a defined contribution scheme. The pensions costs charged to the SOFA in the year are contributions payable towards benefits and expenses accrued in that year, plus any impact of the deficit contributions. Section 28.11A of FRS 102 requires agreed deficit recovery payments to be recognised as a liability.

1.6 Statement of Financial Activities

All material income and expenditure is accounted for on an accruals basis.

<u>Income</u>	<u>Explanation</u>
Donations, legacies and grants	
Common Fund	Contributions paid by the churches in the Diocese of London to the LDF
Parish reimbursements for clergy costs	Amounts received in respect of clergy involved in largely local initiatives, financed directly by parishes or other institutions
Donations	Gifts from external organisations and individuals
Church Commissioners	Grant income from the Church Commissioners
City Church Fund	Grant income from the City Church Fund
Charitable Activities	
Operational property rental income	Operational property is usually held to house clergy. Where property is not used for this purpose in the short-term, it is let out at market rates to generate additional income. Designated and glebe operational rental income is receivable within general funds.
Parochial fees	Parochial fees are statutory charges for weddings and funerals, of which part is due to the local PCC, and part is due to the LDF. The LDF element is used to help fund the overall stipends bill.
Investment Income	
Dividends and interest receivable	Income arising is credited to the relevant funds on a receipts basis for dividends, and on an accruals basis for interest income.
Investment property rental income	Investment property is let out at the market rate. Designated and glebe investment rental income is receivable within general funds.

Notes to the financial statements (continued)

<u>Expenditure</u>	<u>Explanation</u>
Raising funds – investment management costs	
Rental portfolio costs: agent fees	Agent fees paid in relation to the management of the property portfolio.
Investment property repairs and maintenance	Repairs and maintenance relating to the investment property portfolio.
Charitable activities	
Ministry	Ministry primarily includes the payment of clergy stipends, national insurance and pension contributions.
Education and outreach	Annual cash grant to the London Diocesan Board for Schools plus direct costs related to children's ministry, community ministry and social justice.
Parish and area support services	Costs associated with the areas including office costs, senior clergy expenses and the costs of advisers.
Clergy housing and property costs	Clergy housing and property costs represents the repairs, maintenance, and other property costs associated with the operational property portfolio, and the relevant costs of the Diocesan Advisory Committee and property department. In accordance with the implementation of FRS 102, annual depreciation is no longer charged on benefice and operational freehold properties.
National Church	The LDF's contribution to the National Church's costs.
Grants to parishes and overseas	Grants made to London parishes and overseas Dioceses.

1.7 Tangible Fixed Assets

Property

Operational property is generally held at deemed historic cost and investment property at market value. Assets in the course of construction are held at cost.

(a) Benefice Houses

The LDF has adhered to the requirements of FRS 102 in its accounting treatment of benefice houses in following the substance of arrangements rather than their strict legal form. Although the LDF is formally responsible for the maintenance and repair of such properties and has some jurisdiction over future use, the legal title and right to beneficial occupation is vested in the incumbent. The trustees therefore consider the most suitable accounting policy is to capitalise such properties as expendable endowment assets and, in line with the transitional arrangements under FRS 102, value such properties at deemed historic cost being the net book value as at 1 January 2015.

Depreciation

In accordance with the implementation of FRS 102, annual depreciation is not charged on benefice and operational, freehold properties. Until 2015, fixed assets were depreciated over their useful economic life as follows:

Benefice Houses	150 years
Other freehold properties	50 years
Leasehold properties	Lease term

Notes to the financial statements (continued)

(b) Burial Grounds

Burial grounds owned by the LDF are held at £nil value in the accounts as the trustees believe that the cost of a practical valuation is onerous compared to any additional benefits to be gained. The LDF is unable to sell or change the use of any of these assets without reference to external organisations such as the Church Commissioners. These restrictions, together with the inherent difficulties of applying conventional property valuation methods, are all significant factors in the adoption of the valuation approach for this class of assets.

(c) Closed Church Buildings

Church buildings closed for regular public worship (referred to as 'Closed Church Buildings', and formerly known as 'Redundant Churches') are valued at suitable multiples of annual rental income where this is significant. Where this approach is not applicable, the asset is held at £nil value in the books.

(d) Properties purchased using Church Commissioners' value linked loans

Properties purchased using Church Commissioners' value linked loans are valued at fair value at the balance sheet date, being estimated market value.

(e) Assets in the course of construction and major capital projects

Property costs over £10,000 are capitalised where there has been significant enhancement to the underlying assets. In practice, all major capital projects are capitalised.

(f) Fixtures, fittings and equipment

Fixtures, fittings and equipment additions under £10,000 are written off fully in the year of purchase. Items over £10,000 are capitalised.

Depreciation

Depreciation is charged on fixtures, fittings and equipment over four years, being their expected useful life.

1.8 Investments

Investment Property

The trustees' policy is that freehold and long leasehold properties held for investment purposes have been included at the trustees' best estimate of market value. In 2016 a detailed review of the LDF's investment property resulted in the vast majority of its investment property portfolio being professionally valued externally. Future external valuations will take place as required, in accordance with relevant accounting standards. Interim valuations are undertaken in intervening years by a suitably qualified officer of the LDF.

Investment property is not depreciated. Realised gains and losses on investment property are taken to the Statement of Financial Activities under the heading of realised gains/(losses) on tangible fixed assets.

Other Investments

Non-property investments are stated at market value calculated by reference to the bid market value at 31 December. Realised gains or losses on disposal are calculated as the difference between disposal proceeds and carrying value.

1.9 Custodian Trusts

Trusts where the LDF acts as custodian trustee with no control over the management or use of the funds are not included in the Balance sheet or Statement of Financial Activities of the LDF. A separate Balance sheet and Statement of Financial Activities is set out on page 57 with supporting notes on pages 58 to 60. The custodian trustee funds have been subject to a non-statutory audit and the audit report thereon covering pages 56 to 60 is to be found on page 61.

Notes to the financial statements (continued)

2. Net incoming resources for the financial year

The net incoming resources for the financial year is stated after charging	2018	2017
	£'000	£'000
Depreciation (release)/charge – operational property	(143)	(623)
Depreciation – fixtures, fittings and equipment	24	13
	<u>(119)</u>	<u>(610)</u>
Auditors' Remuneration (including VAT)		
Statutory audit	27	26
Non-Audit Services:		
■ Tax advice	6	8
■ Non-statutory review of Custodian Trusts	2	2
	<u>35</u>	<u>36</u>

3. Staff and Clergy Costs

<i>Costs of lay staff</i>	2018	2017
	£'000	£'000
Wages and Salaries	3,422	3,335
Employer's National Insurance	334	332
Employer's Pension contributions	716	702
	<u>4,472</u>	<u>4,369</u>
Provision for expected pension deficit (Lay staff pension scheme)		
<i>See note 14(a)</i>	-	1,129
	<u>4,472</u>	<u>5,498</u>

The number of lay employees employed on diocesan business, and funded out of unrestricted general funds, was 72 (2017: 70). A further 37 lay employees (2017: 41) were funded from restricted or designated funds. Therefore the total number of lay employees was 109 (2017: 111).

The Full Time Equivalent average number of lay people employed on diocesan business, and funded out of unrestricted general funds, was 62 (2017: 61). A further 26 Full Time Equivalent lay employees (2017: 28) were funded from restricted or designated funds. Therefore the Full Time Equivalent average number of people employed was 88 (2017: 89).

The number of employees whose emoluments for the year exceeded £60,000 are as follows

	2018	2017
	No	No
£110,001 - £120,000	1	-
£100,001 - £110,000	2	1
£90,001 - £100,000	1	1
£80,001 - £90,000	-	2
£70,001 - £80,000	2	2
£60,001 - £70,000	1	2
	<u>1</u>	<u>2</u>

Emoluments, above, is defined as gross salary.

Notes to the financial statements (continued)

3. Staff and Clergy Costs (continued)

Aggregate employer normal pension contributions for all the higher-paid employees overleaf were £105,698 (2017: £116,035) payable to various pension schemes, of which £68,520 was payable to defined contribution pension schemes (2017: £94,872). There were 2 (2017: 2) higher-paid employees who were members of the defined benefit pension scheme.

Remuneration of key management personnel

Key management personnel are deemed to be those having authority and responsibility delegated to them by the trustees for planning, directing and controlling the activities of the diocese. For these purposes, key management are deemed to be the senior management group (see page 16) and the trustees.

Remuneration and pension for the Senior Management Group amounted to salary of £495,313 (2017: £444,319), Employer's NI of £52,452 (2017: £50,656) and Employer's pension contributions of £80,182 (2017: £78,823). Expenses reimbursed amounted to £2,212 (2017: £5,860).

Clergy costs

As at 31 December 2018 there were 4 individuals (2017: 4) – mainly chaplains - who (following the implementation of the Ecclesiastical Offices (Terms of Service) Measure 2009 in February 2011) are legally employees of the LDF, despite being on the clergy payroll. Where their costs fall to the LDF, they are included in the clergy disclosure note below. In total for 2018, costs for those individuals who were included on the clergy payroll at any point in the year included gross stipends of £109,397 (2017: £122,414), employer's NI of £9,856 (2017: £10,843) and employer's pension contributions of £37,842 (2017: £45,295).

In addition, in 2018 there were 22 ordained clergy (2017: 19) who, whilst undertaking ministerial work, were required to be included in the LDF payroll. In total for 2018, their costs included gross stipends of £539,855 (2017: £488,216), employer's NI of £51,819 (2017: £48,586) and employer's pension contributions of £154,517 (2017: £132,575). These costs are excluded from the cost of lay staff on page 32.

Clergy holding parochial or archidiaconal posts

	2018	2017
	£'000	£'000
Gross stipends	13,883	13,295
Employer's National Insurance contributions	1,151	1,084
Employer's pension contributions	5,008	4,838
	<u>20,042</u>	<u>19,217</u>
Average number of total stipendiary clergy posts	532	531
Number of total stipendiary clergy posts at 31 December	530	532

Clergy posts above include Common Fund clergy, off-Common Fund clergy and chaplains.

Notes to the financial statements (continued)

4. Governance costs and the allocation of Support Costs between Charitable Activities

	2018 £'000	2017 £'000		
Support costs (allocated below)				
Salary and employment costs	1,852	1,841		
Office costs	464	461		
Governance costs	328	326		
	2,644	2,627		
Resources Expended	Before allocation of support costs £'000	Support costs £'000	Total 2018 £'000	Total 2017 £'000
Raising funds				
<i>Investment management costs</i>				
Rental portfolio costs – agents fees	283	-	283	293
Investment property repairs and maintenance	1,205	60	1,265	1,038
Fundraising	4	-	4	2
	1,492	60	1,552	1,333
<i>Charitable activities</i>				
Ministry	24,271	857	25,128	23,594
Education and outreach	465	212	677	663
Parish and area support services	877	866	1,743	1,737
Clergy housing and property costs	10,244	574	10,818	9,469
National Church	2,966	-	2,966	2,844
Grants to parishes and overseas	1,560	75	1,635	1,301
Other expenditure	1,155	-	1,155	1,440
	43,030	2,644	45,674	42,381

Support costs are allocated based on full time equivalent (FTE) staff numbers as administrative costs primarily consist of salary and employment costs, subject to a de minimis threshold. Office costs that are incurred are directly attributable to the staff employed and are also analysed on this basis. In accordance with SORP 2015 governance costs of £328,000 (2017: £326,000) have been allocated on the same basis. Finally, residual administration costs are apportioned in proportion to expenditure.

Notes to the financial statements (continued)

5. Grants to Parishes and Overseas

Funding source:	General funds £'000	Designated funds £'000	Restricted funds £'000	Endowment funds £'000	2018 £'000	2017 £'000
<i>Grants to Parishes from:</i>						
Core funds	166	31	123	-	320	224
Area pastoral funds	-	453	-	-	453	259
Bishop of London's Mission Fund	-	383	-	-	383	251
Funds held for parish benefit	-	32	299	-	331	402
	166	899	422	-	1,487	1,136
<i>Overseas:</i>						
Angola and Mozambique (ALMA) and Lent projects	-	-	58	-	58	91
Grant administration allocation	75	-	-	-	75	74
	241	899	480	-	1,620	1,301

The above monies funded grant awards to 107 institutions (2017: 85)

6a. Tangible Fixed Assets – Operational Property

Properties are valued in accordance with the accounting policies set out in note 1.

In accordance with transitional arrangements upon the implementation of FRS 102, first adopted in 2015, the LDF took advantage of the concession whereby benefice and operational houses, previously valued under UK GAAP at depreciated insurance value, are carried forward at deemed historical cost being the book value of these assets at 1 January 2015, with the exception of properties purchased using value linked loans (see page 37). Thus no further depreciation charges will be made for these assets.

Notes to the financial statements (continued)

6a. Tangible Fixed Assets – Operational Property (continued)

	Unrestricted – designated funds			Restricted funds	Expendable endowment funds				
	Freehold Property	Long leasehold Property	Total	Closed Church Property	Leasehold Benefice Houses	Freehold Benefice Houses	Glebe Property	Total	Combined Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
At cost or valuation									
At 1 January 2018	87,676	4,650	92,326	2,989	2,880	229,692	29,229	261,801	357,116
Additions	4,635	494	5,129	-	-	1,536	14	1,550	6,679
Transfers	(758)	-	(758)	-	-	(637)	1,395	758	-
Disposals	(11,422)	-	(11,422)	-	-	(443)	-	(443)	(11,865)
Revaluation	(129)	-	(129)	-	-	-	-	-	(129)
At 31 December 2018	80,002	5,144	85,146	2,989	2,880	230,148	30,638	263,666	351,801
Depreciation									
As 1 January 2018	8,833	349	9,182	-	426	17,447	2,710	20,583	29,765
Charge/(release) for the year	-	-	-	-	-	-	-	-	-
Transfers	41	-	41	-	-	(88)	47	(41)	-
Disposals	(111)	-	(111)	-	-	(32)	-	(32)	(143)
At 31 December 2018	8,763	349	9,112	-	426	17,327	2,757	20,510	29,622
Net Book Value									
At 31 December 2018	71,239	4,795	76,034	2,989	2,454	212,821	27,881	243,156	322,179
Net Book Value									
At 31 December 2017	78,843	4,301	83,144	2,989	2,454	212,245	26,519	241,218	327,351

Notes to the financial statements (continued)

6a. Tangible Fixed Assets – Operational Property (continued)

Properties purchased using Church Commissioners' value linked loans are valued at fair value at the balance sheet date, being estimated market value. As at 31 December 2018, the value of these properties was £8,514,000 (2017: £8,642,000). The valuation as at 31 December 2018 was undertaken by a suitably qualified officer of the LDF, based on knowledge of the properties (such as refurbishment levels and general condition) with reference to available market data for similar properties in similar locations. Future external valuations will take place as required. The carrying amount on a cost basis of the revalued properties is £3,627,000.

Capital Commitments

As at 31 December 2018, the LDF had £621k of capital commitments (2017: £1.7m) in relation to capital work on major developments planned for 2019 and onwards.

6b. Tangible Fixed Assets – Investment Property

	Unrestricted – Designated funds			Restricted funds	Expendable Endowment funds	
	Freehold Property	Long Leasehold Property	Total	Closed Church Property	Glebe Property	Combined Total
At cost or valuation	£'000	£'000	£'000	£'000	£'000	£'000
At 1 January 2018	48,889	7,200	56,089	8,474	29,692	94,255
Additions	2,554	-	2,554	-	296	2,850
Transfers	-	-	-	-	-	-
Disposals	-	-	-	(1,367)	-	(1,367)
Revaluation	3,292	(150)	3,142	67	690	3,899
At 31 December 2018	54,735	7,050	61,785	7,174	30,678	99,637
Depreciation						
As 1 January 2018	-	-	-	-	-	-
Transfers	-	-	-	-	-	-
At 31 December 2018	-	-	-	-	-	-
Fair Value						
At 31 December 2018	54,735	7,050	61,785	7,174	30,678	99,637
Fair value						
At 31 December 2017	48,889	7,200	56,089	8,474	29,692	94,255

The trustees' policy is that freehold properties held for investment purposes are included at the trustees' best estimate of market value. In 2016 a detailed review of the LDF's investment property resulted in the vast majority of its investment property portfolio being professionally valued externally. Future external valuations will take place as required, in accordance with relevant accounting standards. Interim valuations are performed in intervening years by a suitably qualified officer of the LDF.

Notes to the financial statements (continued)

7. Non-Property Investments

	General funds £'000	Designated funds £'000	Restricted funds £'000	Endowment funds £'000	2018 £'000	2017 £'000
Market value at 1 January 2018	2,987	15,496	6,934	13,541	38,958	36,231
Additions (at cost)	-	6,000	17	-	6,017	266
Disposals	-	(431)	(41)	-	(472)	(132)
Net (losses)/gains on revaluations	(61)	(1,478)	(774)	(1,635)	(3,948)	2,593
Market value at 31 December 2018	2,926	19,587	6,136	11,906	40,555	38,958

Non-property investments are represented by:

	2018 £'000	2017 £'000
M&G Charifund	20,292	21,388
CBF Global Equity Income Fund	14,227	11,710
OLIM Charity Value and Income Equities	2,922	2,708
CBF Investment Fund	3,091	3,127
CBF Fixed Interest Securities Fund	23	25
	40,555	38,958

CBF investments are valued by the CCLA.

The historic cost of the investments held at 31 December 2018 was £28,038,000 (2017: £22,474,000).

8. Investments in subsidiary undertakings

The LDF owns 100% of the issued share capital of a subsidiary undertaking, Causton Street Farms Limited (registered company number 2768104). The company has been dormant since 1 January 2005. The subsidiary is excluded from consolidation because it is not material to the financial statements of the LDF.

9a. Debtors

	General funds £'000	Designated funds £'000	Restricted funds £'000	Endowment funds £'000	2018 £'000	2017 £'000
Contributions to the Common Fund	217	-	-	-	217	251
Rent receivable	1,014	-	91	-	1,105	902
Prepayments and accrued income	392	1,626	392	-	2,410	5,794
	1,623	1,626	483	-	3,732	6,947
<i>Loans to Parishes</i>						
Diocesan Bishop's Council awarded	-	1,358	-	-	1,358	1,568
Area Council awarded	-	709	-	-	709	723
	-	2,067	-	-	2,067	2,291
Loans to individuals	28	269	-	-	297	379
Other debtors	417	-	-	-	417	651
	2,068	3,962	483	-	6,513	10,268

Notes to the financial statements (continued)

9a. Debtors (continued)

<i>Movements in Loans to Parishes</i>	2018	2017
	£'000	£'000
As at 1 January 2018	2,291	1,718
Additions (new loans and interest)	729	1,336
Repayments	(953)	(763)
As at 31 December 2018	<u>2,067</u>	<u>2,291</u>

During the year, interest on Diocesan Bishop's Council (Finance Committee) loans to parishes was charged, depending upon the rules in force when the loan was awarded, at rates of 1% above the Central Board of Finance (CBF) rate, or 2% above the Bank of England base rate depending on the balance of an individual loan. No interest was charged on other loans.

Certain loans to parishes and individuals fall due after more than one year, and the total of these at 31 December 2018 was £1,414,000 (2017: £1,438,000).

9b. Related Parties

London Diocesan Board for Schools (LDBS)

The LDBS is a charitable company (charity registration no. 313000, company registration no. 00198131). The LDF and the LDBS are separate charities but the members of various Diocesan bodies appoint or elect the majority of the trustees/directors of the two organisations. A number of members are trustees/directors of both charities:

- The Rt Revd and Rt Hon Bishop of London, Dame Sarah E Mullally DBE BSc MSc DSc was Chair of the LDF and President of the LDBS.
- The Archdeacon of London, the Venerable L J Miller, trustee of the LDF, served as trustee of both the LDF and the LDBS during the year. He also served as Chair of the LDBS until the Rt Revd and Rt Hon Bishop of London, Dame Sarah E Mullally DBE BSc MSc DSc became the Chair on 08 March 2018.
- The Revd C Smith was also a trustee of both the LDF and the LDBS during the year.
- Mr D W Richards was a trustee of both the LDF and the LDBS during the year.
- Mr I R M Woolf, a trustee of the LDF, is employed by the LDBS.

The LDF makes an annual grant to the work of the LDBS amounting to £180,000 (2017: £180,000) and a contribution towards the cost of staff time of £13k (2017: £2k). At 31 December 2018 other debtors included £6k for payroll items relating to the LDBS (2017: other debtors - £9k).

In addition to the grant described above, the LDF makes the following donations in kind to the LDBS. These relate to office space and provision of house services including reception, cleaning, utilities, IT and payroll support. The estimated value of such services is:

	2018	2017
	£'000	£'000
Accommodation - rent	131	131
House services and meeting rooms	201	191
	<u>332</u>	<u>322</u>

Notes to the financial statements (continued)

9b. Related Parties (continued)

Trustees' expenses and remuneration

In 2018 the LDF reimbursed a total of £33,962 to 18 members of the Bishop's Council (2017: £23,209 to 15 members). The expenses related to working expenses, for example as Archdeacons, Area Dean or other ecclesiastical roles, rather than as expenses reimbursed in their role as trustees. In 2018, a further £6,613 was paid to three trustees, representing removal grants for clergy and other clergy grants. In 2017, no payments were paid to trustees for clergy removal and redecoration grants. These amounts are in line with the LDF's usual practice and are not related to their roles as trustees.

The LDF is responsible for a substantial part of the stipend of the clerical members of the Bishop's Council by virtue of their clerical office, along with National Insurance and costs associated with housing. The stipends, National Insurance and pensions of Bishops are borne and funded by the Church Commissioners.

The following was paid to 16 other members of the clergy in 2018 (full time equivalent: 16) who were members of the Bishop's Council (2017: 16 members; full time equivalent: 16).

	2018 £'000	2017 £'000
Gross Stipends	445	463
Employer's National Insurance contributions	39	41
Employer's pension contribution	154	155
	<u>638</u>	<u>659</u>

Under the Repair of Benefice Buildings Measure 1972 the Diocese is responsible for the upkeep of parsonages. Sixteen members of Bishop's Council during the year (2017: 12) were housed in parsonages by virtue of their clerical office. Four employees (2017: 3) were housed in a parsonage, though not by virtue of their employment.

A further eight members of Bishop's Council and Diocesan Finance Committee (2017: 6) and 14 employees in holy orders, including chaplains (2017: 12), were housed in properties owned by the London Diocesan Fund.

For the purpose of this disclosure note transactions with other Church Councils, where there may be a relationship because members of Bishop's Council are also trustees of those bodies, have not been included.

10a. Dividends and Interest Receivable

	General funds £'000	Designated funds £'000	Restricted funds £'000	Endowment funds £'000	2018 £'000	2017 £'000
Dividends	1,405	84	240	-	1,729	1,626
Cash and deposit interest	69	8	4	-	81	37
Fixed interest investments	-	-	1	-	1	1
Loan interest	27	-	-	-	27	18
	<u>1,501</u>	<u>92</u>	<u>245</u>	<u>-</u>	<u>1,838</u>	<u>1,682</u>

Notes to the financial statements (continued)

10b. Investment Property

Rentals

	General funds £'000	Designated funds £'000	Restricted funds £'000	Endowment funds £'000	2018 £'000	2017 £'000
Investment property rentals	3,956	-	-	-	3,956	3,828

11. Creditors

	General funds £'000	Designated funds £'000	Restricted funds £'000	Endowment funds £'000	2018 £'000	2017 £'000
Amounts falling due within one year:						
Parish Loans Payable	-	783	-	-	783	1,053
Grants Payable	-	763	-	-	763	748
Other Creditors	593	1,099	258	60	2,010	4,358
Accruals and deferred income	2,687	-	17	-	2,704	1,917
	3,280	2,645	275	60	6,260	8,076

Amounts falling due after one year:

Church Commissioners Value

Linked Loans	-	8,514	-	-	8,514	8,642
	-	8,514	-	-	8,514	8,642

A Value Linked Loan due to the Church Commissioners becomes repayable when the house on which it is secured is sold. It is a concessionary loan made by the Church Commissioners for onward lending to a parish, usually for housing assistant clergy. The properties purchased with Value Linked Loans are held within Designated Operational Property. Value Linked Loans are shown at fair value, being the estimated market value of the property bought with the Value Linked Loan.

Notes to the financial statements (continued)

12a. Designated Funds	At 1 January 2018 £'000	Income* £'000	Expenditure £'000	Unrealised Gains/(Losses) £'000	Transfers £'000	At 31 December 2018 £'000
Capital Vision 2020	1,878	27	(357)	-	(150)	1,398
Richard Chartres Fund for London	108	12	(31)	-	(85)	4
Capital Strategy Fund	5,105	63	(1,703)	(459)	395	3,401
Operational Property	65,104	-	-	-	(1,199)	63,905
Investment Property	56,089	-	-	3,142	2,554	61,785
Parsonage Reserve	11,732	1,473	(54)	(275)	(3,792)	9,084
Fund Operational Property Reserve	(3,017)	2,190	-	(192)	1,736	717
Investment Property Reserve	4,547	6	(313)	-	(3,053)	1,187
Inspection and Maintenance Funds	366	-	-	-	(193)	173
Designated Trusts	1,207	14	(32)	(19)	-	1,170
Mission Opportunity	329	-	(69)	(39)	-	221
Bishop of London's Mission Fund	248	6	(383)	-	315	186
Clergy Training and Support	505	19	(31)	(73)	-	420
Area Pastoral Funds	1,313	19	(463)	(10)	379	1,238
Area Bank Accounts	107	70	(45)	-	-	132
Diocesan Loan Capital	4,684	-	-	(412)	-	4,272
Strategic Development Reserve	1,335	-	(665)	-	1,166	1,836
Clergy Pension Deficit Reserve	(11,935)	-	(157)	94	1,485	(10,513)
Lay Church Workers Pension Fund Deficit Reserve	-	-	-	-	-	-
Total Designated Funds	139,705	3,899	(4,303)	1,757	(442)	140,616

*Income includes realised gains.

Note 12d

Capital Vision 2020

The LDF's strategic plan is encompassed within Capital Vision 2020, a vision of a Church that is Christ-centred and outward looking. During 2013 the trustees approved the creation of a new Capital Vision 2020 designated reserve to fund the strategy, and details of the activities of Capital Vision 2020 can be found within the Strategic Report on pages 3 to 9 of this document. This fund will be utilised over the next two years.

Richard Chartres Fund for London

Funds have been raised to support a number of projects and activities which are in alignment with our CV2020 strategy. The fund will be utilised over the next 12 months.

Capital Strategy Fund

The Capital Strategy Fund holds the net capital proceeds from the sale of assets that have been identified as appropriate sites for development. The proceeds from such developments release capital to be redeployed elsewhere in the Diocese, as part of the LDF's Capital Strategy. In particular the fund is used to support work to establish a Christian presence in major new housing development areas, in addition to releasing funds to carry out operational housing improvements.

Notes to the financial statements (continued)

12a. Designated Funds (continued)

Operational Property

As well as incorporating the Diocesan offices, operational property comprises over 100 units of property generally used to house clergy who are not housed in parsonages. These include area bishops, archdeacons, chaplains, team vicars, and many others. Of the fund value of the year-end of £63.9m, £76.0m is represented by actual properties which are partially offset by (£8.5m) of Value Linked Loans creditors (as described in note 11). This fund also includes the revaluation reserve of £5.5m (2017: £5.6m).

Investment Property

Investment property comprises over 50 freehold and leasehold properties, with a year-end fund value of £61.8m (2017: £56.1m) held to generate income and capital growth, which helps fund stipends and other charitable activities.

Parsonage, Fund Operational Property and Investment Property Reserves

The Parsonage, Fund Operational Property and Investment Property reserves are used for the purchase and refurbishment of houses that form part of Parsonage House Capital (Endowment), Operational Property (Designated), and Investment Property (Designated) respectively. When a property is sold, the sale proceeds are credited to the relevant fund. The fund operational property reserve was temporarily in deficit, pending the sale in 2018 of nine flats being developed at St Luke's Isle of Dogs.

Inspection and Maintenance Funds

This fund comprises the Quinquennial Fund, with a year-end fund value of £173k (2017: £366k), and the Ingoing Works Fund with a year-end fund value of £nil (2017: £nil). We carry out planned maintenance on an average of one-sixth of our operational properties each year (88 of approximately 540), but the actual number varies from year to year. This fund smooths the impact of these works on the General Fund from year to year, and thus aids budgeting and financial planning. Quinquennial works were carried out on 97 parsonages in 2018, so a transfer of £193,000 was made from the Quinquennial Fund to the General Fund to help pay for the number of works above the rolling average. All necessary works in accordance with the Repair of Benefice Buildings Measure 1972 are undertaken, and the funds support this strategy.

Designated Trusts

These funds represent proceeds arising from the sale of parish-based properties that were in use by those parishes but were legally owned by the Diocese. Each sale of such property is assessed on a case-by-case basis and where there is a compelling reason the sale proceeds may be designated for parish purposes, usually to fund a parish-based development or replacement facility. These funds are expected to be held on an on-going basis.

Mission Opportunity

This fund was established to meet a range of specific clergy and related costs that are necessary in implementing Diocesan mission and ministry policy.

Bishop of London's Mission Fund (BLMF)

This fund is used for new local mission initiatives (not capital projects) throughout the Diocese. Each application is assessed on a case-by-case basis by the BLMF board, an internal committee chaired by the Bishop of London.

Clergy Training and Support

This fund is for providing general clergy training and support. The designated budget holder for the fund is the Bishop of Kensington, assisted by the Director of Ministry.

Area Pastoral Funds

These are funds for each of the five episcopal areas which can be used for loans and grants for specific projects in each area. Decisions on the use of the funds are taken by Area Councils. Loans and grants are awarded each year and the fund is replenished from general funds to ensure the fund is not depleted. It is anticipated that this will continue into the foreseeable future.

Notes to the financial statements (continued)

12a. Designated Funds (continued)

Area Bank Accounts

These are the Kensington and Willesden Area bank accounts which are used directly to support each of these areas.

Diocesan Loan Capital

This fund provides loans to parishes, with individual loans not normally exceeding £200,000. Requests from parishes are first considered by the Loans Monitoring Group (LMG), a sub-committee of the DFC, and the decision is made by the DFC.

Strategic Development Reserve

This reserve is the fund for enabling the expenditure within the five year plan for the Strategic Development team, supporting our work in several major areas of regeneration. Funded from the designated Capital Strategy Fund and a contribution from the general fund, expenditure consists of staff costs for the Strategic Development team and direct project costs.

Clergy Pension Deficit Reserve

The pension deficit reserve represents the present value of the agreed deficit contributions towards the Church of England funded pension scheme.

Lay Church Workers Pension Fund Deficit Reserve

The pension deficit reserve represents the value of the agreed deficit contributions towards the Lay Church Workers pension fund, less the amount full committed and set aside to settle this creditor.

12b. Restricted Funds	At 1 January 2018 £'000	Income * £'000	Expenditure £'000	Unrealised Gains/(Losses) £'000	Transfers £'000	At 31 December 2018 £'000
Sole Trust Expendable Funds	6,970	526	(477)	(581)	(99)	6,339
Closed Church Buildings Fund	1,042	(14)	(518)	(193)	-	317
Closed Church Buildings Operational Property	2,989	-	-	-	-	2,989
Closed Church Buildings Investment Property	8,474	-	-	67	(1,367)	7,174
Closed Church Buildings Investment Reserve	1,510	642	(15)	-	1,367	3,504
Strategic Development funds	107	1,500	(1,312)	-	-	295
Projects restricted fund	143	1,323	(1,121)	-	-	345
Bishops' secretaries fund	(6)	276	(269)	-	-	1
Total Restricted Funds	21,229	4,253	(3,712)	(707)	(99)	20,964

*Income includes realised gains.

Note 12d

Sole Trust Expendable Funds

This fund comprises over 40 restricted trusts which are held for specific parish or Diocesan purposes. These trusts are consolidated with the main LDF accounts as the LDF acts as sole trustee and therefore has control. The permanent endowment element is disclosed in note 12c. Each Trust is governed by its own trust instrument which may be in the form of a Charity Commission scheme, for example. The activity of the Angola, London and Mozambique Association (ALMA) is consolidated under this heading.

Closed Church Buildings Fund

This fund represents the Diocesan Pastoral Account (DPA) and is primarily used for closed church buildings rental income and maintenance expenses. Income from the rental of churches no longer used for Anglican public worship, that is not required for the maintenance of those buildings, may be used for the payment of stipends and maintenance of property for the housing of clergy. The DPA is principally governed by the Mission and Pastoral Measure 2011.

Notes to the financial statements (continued)

12b. Restricted Funds (continued)

Closed Church Buildings Operational and Investment Property

This fund represents the net book value of closed church buildings property (see note 6).

Closed Church Buildings Investment Reserve

This reserve is used for the purchase and refurbishment of closed church buildings investment property. When such a property is sold, the sale proceeds will be credited to this fund.

Strategic Development funds

This fund comprises the income and expenditure relating to the restricted funding received from the Church Commissioners towards Church Planting, Church Growth and Youth Strategies. Each grant has been awarded for six years, the earliest awarded in 2015, with the final project due to end in 2023.

Projects restricted fund

This fund comprises a small number of projects for which the LDF receives restricted funding. Income sometimes relates to the aggregate match funding received in relation to a number of projects.

Bishops' secretaries fund

This shows the restricted funding from the Church Commissioners received as a contribution towards the cost of the Bishops' secretaries.

12c. Endowment Funds

	At 1 January 2018 £'000	Income* £'000	Expenditure £'000	Unrealised Gains/(Losses) £'000	Transfers £'000	At 31 December 2018 £'000
Expendable Endowment						
Glebe Operational Property Fund	26,519	-	-		1,362	27,881
Glebe Investment Property Fund	29,692	-	-	690	296	30,678
Glebe Investment Fund	10,487	-	(2)	(1,057)	(14)	9,414
Glebe Investment Property Reserve	295	-	(423)	-	204	76
Parsonage House Capital	214,699	-	-	-	576	215,275
Permanent Endowment						
Sole Trust Permanent Endowment	5,599	-	-	(578)	-	5,021
Total Endowment Funds	287,291	-	(425)	(945)	2,424	288,345

Note 12d

*Income includes realised gains.

Glebe Operational and Investment Property Fund

This represents the net book value of glebe property with movements shown in note 6. Rental income from glebe property is credited to general funds where it is used to fund clergy stipend payments. As with Designated Fund Property, the fund is split between operational (£27.9m) and investment (£30.7m) property.

Notes to the financial statements (continued)

12c. Endowment Funds (continued)

Glebe Investment Fund

This represents the carrying value of glebe investments and cash. Investment income from glebe property is credited to general funds where it is used only to fund clergy stipend payments. The use of glebe assets detailed above is governed by the Diocesan Stipends Funds Measure 1953 and the Endowments and Glebe Measure 1976.

Glebe Investment Property Reserve

This reserve is used for the purchase and refurbishment of glebe investment property. When such a property is sold, the sale proceeds are credited to this fund. The Glebe Investment Property Reserve was created in 2013.

Parsonage House Capital

This fund represents the net book value of freehold and leasehold benefice houses (see note 6).

Sole Trust Permanent Endowment

This fund represents those amounts held under the LDF's sole trusteeship where the capital is not expendable (see note 12b).

12d. Transfer between funds – detailed breakdown of movements

Statement of Financial Activities transfers analysed:

	General £'000	Designated £'000	Restricted £'000	Endowment £'000	Total £'000	Reference
Parsonage additions	-	(1,924)	-	1,924	-	i
Transfer of budgeted items in the General Fund to various designated funds	(387)	387	-	-	-	ii
Net transfers (to)/from designated funds at year-end	(1,595)	1,595	-	-	-	iii
Net transfers (to)/from restricted funds at year-end	99	-	(99)	-	-	iv
Net transfers (to)/from endowment funds at year-end	-	(500)	-	500	-	v
	<u>(1,883)</u>	<u>(442)</u>	<u>(99)</u>	<u>2,424</u>	<u>-</u>	
		<i>Note 12a</i>	<i>Note 12b</i>	<i>Note 12c</i>		

- i. Transfers from or to the Parsonage reserve for the purchase or sale of parsonages respectively.
- ii. These transfers relate to budgeted items set aside from the General Fund for various designated funds.
- iii. These relate to transfers agreed at the year-end between the General Fund and specific designated funds.
- iv. These relate to transfers agreed at the year-end between the General Fund and specific restricted funds.
- v. These relate to transfers agreed at the year-end between the designated funds and specific endowment funds

13. Notes to the cash flow statement

	2018 Total £'000	2017 Total £'000
13a. Reconciliation of operating (deficit) to operating cash flows		
Operating (deficit)	(2,758)	(1,714)
Depreciation release	(119)	(610)
Decrease/(increase) in debtors	3,755	(6,092)
(Decrease) in creditors	(4,802)	(1,332)
Non-cash movement in pension liability	1,657	(399)
Investment and rental income	(8,760)	(8,444)
	<u>(11,027)</u>	<u>(18,591)</u>

Notes to the financial statements (continued)

	2018	2017
	Total	Total
	£'000	£'000
13b. Gross cash flows		
Cash flows from investing activities		
Dividends and interest received	1,839	1,681
Rental Income	6,921	6,763
Sale of property	17,270	26,183
Purchase of property	(9,575)	(15,998)
Sale of investments	562	202
Purchase of investments	(6,019)	(266)
	<u>10,998</u>	<u>18,565</u>
14. Pensions		
	2018	2017
	Total	Total
	£'000	£'000
<i>Pension liabilities</i>		
Lay staff pensions (<i>see note a below</i>)	(988)	(1,129)
Clergy pensions (<i>see note b below</i>)	(10,513)	(11,935)
	<u>(11,501)</u>	<u>(13,064)</u>

14(a). Lay staff pensions

The LDF participates in the Defined Benefits Scheme section of the Church Workers Pension Fund (CWPF) for lay staff. The Scheme is administered by the Church of England Pensions Board, which holds the assets of the schemes separately from those of the Employer and the other participating employers.

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

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

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

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

It is not possible to attribute the scheme's assets and liabilities to specific employers, since each employer, through the Life Risk Pool, is exposed to actuarial risks associated with the current and former employees of other entities participating in the DBS. The scheme is considered to be a multi-employer scheme as described in Section 28 of FRS 102 and as such contributions are accounted for as if the Scheme were a defined contribution scheme.

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

Notes to the financial statements (continued)

14. Pensions (continued)

A valuation of DBS is carried out once every three years. The most recent was carried out as at 31 December 2016. In this valuation, the Life Risk Section was shown to be in deficit by £2.6m and £2.6m was notionally transferred from the employers' sub-pools to the Life Risk Section. This increased the Employer contributions that would otherwise have been payable. The overall deficit in DBS was £26.2m.

During 2018, the LDF was informed that the expected deficit attributable to the LDF, based on yearly deficit contributions of c.£162,000 paid over each of the next seven years, is £1,129,000. A liability for this amount was included within these financial statements as at 31 December 2017. During 2018, deficit contributions began to be paid, thus reducing the balance sheet liability to £988k, as at 31 December 2018.

The LDF pays a contribution rate of 33.6% of pensionable salary (previously 25%), and expenses of £16,300 per year. This liability represents the present value of the deficit contributions agreed as at the accounting date and has been valued using a discount rate of 2%, set by reference to the duration of the deficit recovery payments.

14(b). Clergy pensions

From 1 January 1998, Diocesan clergy became members of the Church of England Pensions Scheme (CEFPS). This non-contributory Scheme provides benefits based on national minimum stipends. The Church of England Pensions Board is the trustee and administers the Pension Scheme. The Scheme provides pensions that relate to pensionable service from 1 January 1998. The Scheme's assets are held separately from those of the LDF. Past service clergy pensions for service before 1 January 1998 are paid by the Church Commissioners at no cost to the LDF.

The LDF is the sponsoring employer for 547 members (2017: 541) of the Scheme out of a total membership of approximately 8,400 active members. The Scheme is considered to be a multi-employer Scheme as described in Section 28 of FRS 102. It is not possible to attribute the Scheme's assets and liabilities to specific employers and contributions are accounted for as if the Scheme were a defined contributions Scheme. The pensions costs charged to the SOFA in the year are contributions payable towards benefits and expenses accrued in that year, plus any impact of the deficit contributions (see below). Each participating Responsible Body in the scheme pays contributions at a common contribution rate applied to pensionable stipends.

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

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

Notes to the financial statements (continued)

14. Pensions (continued)

14(b). Clergy pensions (continued)

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

% of pensionable stipends	1 Jan 2016 to 31 Dec 2017	1 Jan 2018 to 31 Dec 2025
Deficit repair contributions	14.1%	11.9%

As at December 2016 and December 2017 the deficit recovery contributions under the recovery plan in force were as set out in the above table.

Section 28.11A of FRS 102 required agreed deficit recovery payments to be recognised as a liability. The movements in the liability are set out in the table overleaf.

	2018 £'000	2017 £'000
Balance sheet liability at 1 January	11,935	12,986
Deficit contribution paid	(1,485)	(1,710)
Interest cost (recognised in SOFA)	157	182
Remaining charge to the balance sheet liability*	(94)	477
Balance sheet liability at 31 December	<u>10,513</u>	<u>11,935</u>

*comprises change in agreed deficit recovery plan and change in discount rate between year ends.

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

	December 2018	December 2017	December 2016
Discount rate	2.1% pa	1.4% pa	1.5% pa
Price inflation	3.1% pa	3.0% pa	3.1% pa
Increase to total pensionable payroll	1.6% pa	1.5% pa	1.6% pa

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

15. Members' Liability

The London Diocesan Fund is a company registered in England as a company limited by guarantee, having no share capital. At 31 December 2018 there were 48 members (2017: 50) who were liable to contribute £1 each in the event of the company being wound up.

Notes to the financial statements (continued)

16. Prior year comparatives

(a). Statement of Financial Activities for the year to 31 December 2017

	Unrestricted Funds		Restricted Funds	Endowment Funds	Total 2017
	General	Designated	Funds	Funds	
	£m	£m	£m	£m	£m
Income and endowments from					
<i>Donations, legacies & grants</i>					
Common Fund	23.7	-	-	-	23.7
Parish reimbursements for clergy costs	3.4	-	-	-	3.4
Donations	0.5	0.4	0.7	-	1.6
Church Commissioners	-	-	0.7	-	0.7
City Church Fund	1.6	-	-	-	1.6
<i>Charitable activities</i>					
Operational property rental income	2.8	-	0.1	-	2.9
Parochial fees	0.5	-	-	-	0.5
<i>Investment Income</i>					
Dividends and interest receivable	1.4	0.1	0.2	-	1.7
Investment property rentals	3.8	-	-	-	3.8
<i>Other income</i>	-	0.1	0.7	-	0.8
Total income	37.7	0.6	2.4	-	40.7
Expenditure on					
<i>Raising funds</i>					
<i>Investment management costs</i>					
Rental portfolio costs-agent fees	0.3	-	-	-	0.3
Investment property repairs and maintenance	0.6	0.1	0.1	0.2	1.0
<i>Charitable activities</i>					
Ministry	21.3	1.6	0.7	-	23.6
Education and outreach	0.7	-	-	-	0.7
Parish and Area support services	1.4	-	0.3	-	1.7
Clergy housing and property costs	7.5	1.7	0.3	-	9.5
National Church	2.8	-	-	-	2.8
Grants to parishes and overseas	0.2	0.7	0.4	-	1.3
<i>Other expenditure</i>	-	1.2	0.3	-	1.5
Total expenditure	34.8	5.3	2.1	0.2	42.4
Net income/(expenditure) before investment gains	2.9	(4.7)	0.3	(0.2)	(1.7)
Realised gains on tangible fixed assets	-	13.2	(0.1)	0.1	13.2
Net gains on investments	0.2	1.0	0.5	0.9	2.6
Net incoming resources for the year	3.1	9.5	0.7	0.8	14.1
Transfers between funds	(2.9)	8.7	(1.2)	(4.6)	-
Other recognised (losses)/gains					
Pension deficit movement	-	(0.5)	-	-	(0.5)
Unrealised gains on tangible fixed assets	-	2.8	1.4	0.5	4.7
Net movement in funds for the year	0.2	20.5	0.9	(3.3)	18.3
Reconciliation of funds:					
Funds at 1 January 2017	3.1	119.2	20.3	290.6	433.2
Funds at 31 December 2017	3.3	139.7	21.2	287.3	451.5

Notes to the financial statements (continued)

16. Prior year comparatives (continued)

(b). Balance Sheet as at 31 December 2017

	Unrestricted Funds		Restricted Funds	Endowment Funds	Total 2017
	General £m	Designated £m	£m	£m	£m
Fixed Assets					
Operational property	-	83.1	3.0	241.2	327.3
Investment property	-	56.1	8.5	29.7	94.3
Non-property investments	3.0	15.5	6.9	13.5	38.9
Fixtures and fittings	0.1	-	-	-	0.1
	3.1	154.7	18.4	284.4	460.6
Current Assets					
Debtors	2.1	8.0	0.2	-	10.3
Cash at bank	1.0	3.6	2.9	2.9	10.4
	3.1	11.6	3.1	2.9	20.7
Creditors					
Amounts falling due within one year	(2.9)	(4.9)	(0.3)	-	(8.1)
Net Current Assets	0.2	6.7	2.8	2.9	12.6
Total assets less current liabilities	3.3	161.4	21.2	287.3	473.2
Creditors – amounts falling due after one year					
Pension scheme liabilities	-	(13.1)	-	-	(13.1)
Other creditors	-	(8.6)	-	-	(8.6)
Net Assets	3.3	139.7	21.2	287.3	451.5
Funds					
General	3.3	-	-	-	3.3
Designated	-	139.7	-	-	139.7
Restricted	-	-	21.2	-	21.2
Endowment	-	-	-	287.3	287.3
Total Funds	3.3	139.7	21.2	287.3	451.5

Notes to the financial statements (continued)

16. Prior year comparatives (continued)

(c). Debtors

	General funds £'000	Designated funds £'000	Restricted funds £'000	Endowment funds £'000	2017 £'000
Contributions to the Common Fund	251	-	-	-	251
Rent receivable	784	-	118	-	902
Prepayments and accrued income	348	5,362	84	-	5,794
	1,383	5,362	202	-	6,947
<i>Loans to Parishes</i>					
Diocesan Bishop's Council awarded	-	1,568	-	-	1,568
Area Council awarded	-	723	-	-	723
	-	2,291	-	-	2,291
Loans to individuals	24	355	-	-	379
Other debtors	651	-	-	-	651
	2,058	8,008	202	-	10,268

(d). Dividends and Interest Receivable

	General funds £'000	Designated funds £'000	Restricted funds £'000	Endowment funds £'000	2017 £'000
Dividends	1,363	37	226	-	1,626
Cash and deposit interest	28	6	3	-	37
Fixed interest investments	-	-	1	-	1
Loan interest	18	-	-	-	18
	1,409	43	230	-	1,682

(e). Investment Property Rentals

	General funds £'000	Designated funds £'000	Restricted funds £'000	Endowment funds £'000	2017 £'000
Investment property rentals	3,828	-	-	-	3,828

Notes to the financial statements (continued)

16. Prior year comparatives (continued)

(f). Creditors

	General funds £'000	Designated funds £'000	Restricted funds £'000	Endowment funds £'000	2017 £'000
Amounts falling due within one year:					
Parish Loans Payable	-	1,053	-	-	1,053
Grants Payable	-	748	-	-	748
Other Creditors	997	3,065	255	41	4,358
Accruals and deferred income	1,897	-	20	-	1,917
	2,894	4,866	275	41	8,076

Amounts falling due after one year:

Church Commissioners Value

Linked Loans	-	8,642	-	-	8,642
	-	8,642	-	-	8,642

(g). Designated funds

	At 1 January 2017 £'000	Income £'000	Expenditure £'000	Unrealised Gains/(Losses) £'000	Transfers £'000	At 31 December 2017 £'000
Capital Vision 2020	2,234	-	(416)	54	6	1,878
Richard Chartres Fund for London	5	446	(51)	-	(292)	108
Capital Strategy Fund	3,343	-	(1,675)	-	3,437	5,105
Operational Property	58,745	-	-	-	6,359	65,104
Investment Property	52,754	-	-	2,752	583	56,089
Parsonage Reserve	306	13,280	(53)	135	(1,936)	11,732
Fund Operational Property Reserve	3,638	704	-	426	(7,785)	(3,017)
Investment Property Reserve	1,206	(765)	(137)	-	4,243	4,547
Inspection and Maintenance Funds	1,045	-	-	-	(679)	366
Designated Trusts	1,207	44	(117)	73	-	1,207
Mission Opportunity	384	-	(74)	19	-	329
Bishop of London's Mission Fund	223	(10)	(251)	-	286	248
Clergy Training and Support	580	10	(123)	38	-	505
Area Pastoral Funds	1,137	12	(258)	26	396	1,313
Area Bank Accounts	96	62	(51)	-	-	107
Diocesan Loan Capital	4,468	-	-	216	-	4,684
Strategic Development Reserve	789	-	(728)	-	1,274	1,335
Clergy Pension Deficit Reserve	(12,986)	-	(182)	(477)	1,710	(11,935)
Lay Church Workers Pension Fund Deficit Reserve	-	-	(1,129)	-	1,129	-
Total Designated Funds	119,174	13,783	(5,245)	3,262	8,731	139,705

Notes to the financial statements (continued)

16. Prior year comparatives (continued)

(h). Restricted Funds

	At 1 January 2017 £'000	Income £'000	Expenditure £'000	Unrealised Gains/(Losses) £'000	Transfers £'000	At 31 December 2017 £'000
Sole Trust Expendable Funds	6,399	525	(378)	424	-	6,970
Closed Church Buildings Fund	1,334	419	(348)	107	(470)	1,042
Closed Church Buildings Operational Property	2,989	-	-	-	-	2,989
Closed Church Buildings Investment Property	7,422	-	-	1,403	(351)	8,474
Closed Church Buildings Investment Reserve	1,109	99	(49)	-	351	1,510
Projects restricted fund	1,036	1,026	(1,020)	-	(792)	250
Bishops' secretaries fund	-	269	(275)	-	-	(6)
Total Restricted Funds	20,289	2,338	(2,070)	1,934	(1,262)	21,229

(i). Endowment Funds

	At 1 January 2017 £'000	Income £'000	Expenditure £'000	Unrealised Gains/(Losses) £'000	Transfers £'000	At 31 December 2017 £'000
Expendable Endowment						
Glebe Operational Property Fund	27,910	(883)	-	-	(508)	26,519
Glebe Investment Property Fund	32,092	-	-	537	(2,937)	29,692
Glebe Investment Fund	8,967	-	(9)	519	1,010	10,487
Glebe Investment Property Reserve	1,978	986	(217)	-	(2,452)	295
Parsonage House Capital	214,405	-	-	-	294	214,699
Permanent Endowment						
Sole Trust Permanent Endowment	5,212	-	-	387	-	5,599
Total Endowment Funds	290,564	103	(226)	1,443	(4,593)	287,291

Custodian Trusts – Custodian Trustee Report and Non-Statutory Financial Statements for the year ended 31 December 2018

The following pages do not form part of the statutory financial statements of the London Diocesan Fund for the year ended 31 December 2018

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Independent Auditors' Report to the Custodian Trustee of the Funds	61

Report of the Custodian Trustee

The council of the London Diocesan Fund, usually acting as Custodian Trustee under ecclesiastical and UK law, presents the report and non-statutory financial statements for the year ended 31 December 2018.

Legal Status

Under the Parochial Church Councils (Powers) Measure 1956, the London Diocesan Fund acts as Diocesan Authority (in effect, custodian trustee) of parish buildings and land. It also acts as custodian trustee for monies held on specific trust. These pages report the specific trust holdings only and provide an aggregation of the financial assets of approximately 120 separate trusts. Land and building assets held by the London Diocesan Fund as Diocesan authority are not shown.

Certain title and trust deeds are held in the name of the Bishop of London's Fund. This is a corporate body that pre-dated the formation of the London Diocesan Fund in 1918 and in which some property and capital were vested. For day to day purposes, its activities have been subsumed into the London Diocesan Fund since 1 January 1918.

Review of the Year

Total incoming resources from interest and dividends for the period was £0.6m (2017: £0.6m).

Funds continue to be expended in line with the purposes for which they were intended, with £1.9m expended for charitable purposes during 2018 (2017: £0.6m). The funds expended vary year on year in line with the specific needs of the managing trustee bodies.

The overall value of funds held by the London Diocesan Fund as custodian trustee at 31 December 2018 was £17.4m (2017: £19.3m). The decrease of £1.9m from 2017 is attributable to a £0.7m decrease in the market value of investment assets combined with expenditure outstripping income during the year.

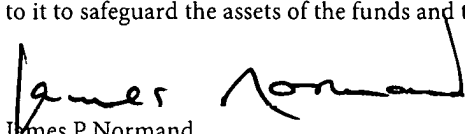
Statement of Custodian Trustee's responsibilities

The Charities Act 2011 requires managing trustees to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the funds and of their incoming resources and application of resources, including their income and expenditure.

The Custodian Trustee has chosen to prepare these statements in accordance with the Charities Act 2011. In preparing these financial statements in accordance with the Charities Act 2011, the Custodian Trustee is required to:

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent, and
- state whether applicable accounting standards and statements of recommended practice have been followed, subject to any material departures disclosed and explained in the financial statements.

The Custodian Trustee is responsible for keeping proper accounting records with respect to the transactions and the financial position of the funds and to enable them to ensure that the financial statements comply with the Charities Act 2011. The Custodian Trustee has general responsibility for taking such steps as are reasonably open to it to safeguard the assets of the funds and to prevent and detect fraud and other irregularities.



James P Normand
Chair of the Diocesan Finance Committee and Lay Vice-Chair of Bishop's Council
14 May 2019

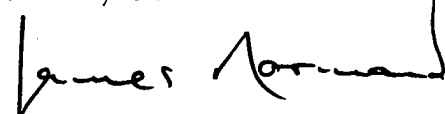
Non-Statutory Financial Statements of the Custodian Trusts
Statement of Financial Activities – for the year ended 31 December 2018

	Permanent Endowment Fund £m	Restricted Capital Fund £m	Restricted Unexpended Income £m	Total 2018 £m	Total 2017 £m
Income and endowments from:					
Investment income	-	-	0.2	0.2	0.2
Income direct to beneficiaries	-	-	0.4	0.4	0.4
Total income	-	-	0.6	0.6	0.6
Expenditure on:					
Income paid to beneficiaries	-	-	(0.4)	(0.4)	(0.4)
Objects of the trusts	(0.4)	(0.6)	(0.5)	(1.5)	(0.2)
Total expenditure	(0.4)	(0.6)	(0.9)	(1.9)	(0.6)
Net (expenditure) before investment gains	(0.4)	(0.6)	(0.3)	(1.3)	-
Net (losses)/gains on investment assets	(0.6)	(0.1)	-	(0.7)	1.2
Net (resources expended)/incoming resources for the year	(1.0)	(0.7)	(0.3)	(2.0)	1.2
Transfers between funds	(0.1)	0.1	-	-	-
Additional new resources	-	0.1	-	0.1	0.1
Net movement in funds for the year	(1.1)	(0.5)	(0.3)	(1.9)	1.3
Reconciliation of funds:					
Funds at 1 January 2018	14.9	3.1	1.3	19.3	18.0
Funds at 31 December 2018	13.8	2.6	1.0	17.4	19.3

Custodian Trusts Balance Sheet – as at 31 December 2018

	Notes	Total 2018 £m	Total 2017 £m
Assets			
Fixed Asset Investments	2	16.5	18.0
Current Asset Investments	3	0.9	1.3
Net Assets		17.4	19.3
Funds			
Permanent Endowment	2	13.8	14.9
Restricted - Capital	2	2.6	3.1
Restricted – Unexpended Income	3	1.0	1.3
		17.4	19.3

The notes on pages 58 to 60 form part of these non-statutory financial statements. The non-statutory financial statements of the custodian trustee were approved by the Diocesan Bishop's Council acting as custodian trustee on 14 May 2019.


James P Normand
Chair of the Diocesan Finance Committee
and Lay Vice-Chair of Bishop's Council


The Revd Jody Stowell
Clerical Vice-Chair of Bishop's Council

Notes to the Custodian Trusts Financial Statements – for the year ended 31 December 2018

1. Accounting policies

These non-statutory financial statements have been prepared in accordance with applicable accounting standards in the United Kingdom and the Statement of Recommended Practice, 'Accounting and Reporting by Charities'. A summary of the principal accounting policies, which have been applied consistently except as stated, is set out below.

a. Basis of Preparation

Under the Parochial Church Councils (Powers) Measure 1956, the London Diocesan Fund acts as custodian trustee of parish buildings and land. The London Diocesan Fund also acts as custodian trustee for monies held on trust. These pages report the specific trust holdings only and provide an aggregation of the transactions and balances of the financial assets of some 120 trusts (2017: 130).

The Balance Sheet as at 31 December 2018 has been prepared, together with a Statement of Financial Activities, which analyses the movement in funds. Comparative figures for 2017 have been provided.

The non-statutory financial statements have been prepared on a basis consistent with figures included in the LDF's Balance Sheet. As custodian trustee, the LDF prepares these non-statutory financial statements on the historical cost basis of accounting, adjusted for the revaluation of investment.

As the LDF has no day to day control over their disposition, custodian trusts are not included within the LDF's main figures.

A cash flow statement has not been prepared as the custodian trustee considers that each custodian trust meets the criterion of a 'small' company for this purpose.

A specific trust bank account is maintained for trust transactions. Each trust has its own designated investment ledger and account codes.

It is the LDF's policy that where possible all income should go directly to the beneficiaries.

b. Fund Balances

All funds are subject to the specific conditions imposed by the donor or by the terms of the trust deed or other applicable legal instrument. The expendable capital funds and unexpended income are classified as restricted funds. Endowment funds are funds subject to the condition that they be held as permanent capital.

Income and expenditure on restricted funds are taken directly to the appropriate fund except to the extent that income is freely available to the managing trustees; and unexpended income from endowment assets is carried forward as a restricted fund.

c. Investment Income

Dividend and interest income is accounted for on a receipts basis. Rental income is accounted for on an accruals basis.

d. Other Income and Expenditure

Additional capital represents capital introduced to an existing custodian trust, or the creation of a new trust. Expenditure on objects of the trusts represents the spending of capital and income in line with the terms of the trust deed or other applicable governing instrument.

e. Investments

Investments are stated at market value, calculated by reference to the mid-market value at 31 December. Realised and unrealised gains or losses on investments in the year are credited to the appropriate funds.

Notes to the Custodian Trusts Financial Statements (continued)

2. Fixed Asset Investments represented by Permanent Endowment Capital

	1 January 2018	Additions	Disposals	Unrealised Gains/(Losses)	Other Asset/ Liability Movements and Transfers	31 December 2018
	£'000	£'000	£'000	£'000	£'000	£'000
Listed Investments	162	-	(40)	(8)	(1)	113
M&G Charifund	4,209	-	-	(482)	-	3,727
Investments held by CCLA:						
CBF Fixed Interest	163	-	-	(7)	-	156
CBF Investment Fund	8,391	40	(265)	(120)	(102)	7,944
CBF Property Fund	175	-	(39)	4	-	140
CBF Deposit Fund	1,785	-	-	-	-	1,785
Other Assets/(Liabilities)	-	-	-	-	1	1
	14,885	40	(344)	(613)	(102)	13,866
Fixed Asset Investments represented by Expendable Capital						
M&G Charifund	263	-	-	(35)	-	228
Investments held by CCLA:						
CBF Fixed Interest	167	-	-	(8)	-	159
CBF Investment Fund	1,813	83	(293)	(24)	102	1,681
CBF Deposit Fund	844	-	(317)	-	-	527
	3,087	83	(610)	(67)	102	2,595
Total Fixed Assets	17,972	123	(954)	(680)	-	16,461

Notes to the Custodian Trusts Financial Statements (continued)

3. Current Asset Investments represented by Unexpended Income from Permanent Endowment Assets

	1 January 2018 £'000	Additions £'000	Disposals £'000	Unrealised Gains/(Losses) £'000	Other Asset/ Liability Movements and Transfers £'000	31 December 2018 £'000
Listed Investments	4	-	-	-	-	4
M&G Charifund	50	-	-	-	-	50
Investments held by CCLA:						
CBF Investment Fund	491	23	(371)	(2)	-	141
CBF Property Fund	14	3	(17)	-	-	-
CBF Deposit Fund	539	127	(30)	-	-	636
	1,098	153	(418)	(2)	-	831

Current Asset Investments represented by Unexpended Income from Expendable Capital Assets

	1 January 2018 £'000	Additions £'000	Disposals £'000	Unrealised Gains/(Losses) £'000	Other Asset/ Liability Movements and Transfers £'000	31 December 2018 £'000
Investments held by CCLA:						
CBF Investment Fund	48	-	-	(1)	-	47
CBF Deposit Fund	117	15	(80)	-	-	52
	165	15	(80)	(1)	-	99
Other Assets/(Liabilities)	3	-	-	-	-	3
Total Current Assets	1,266	168	(498)	(3)	-	933
TOTAL	19,238	291	(1,452)	(683)	-	17,394

Independent Auditors' Report to the Custodian Trustee of the Funds

We have audited the non-statutory financial statements of Custodian Funds for the year ended 31 December 2018 which comprise the Statement of Financial Activities, the Balance Sheet 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 Custodian Trustee as a body. Our audit work has been undertaken so that we might state to the Custodian Trustee those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Custodian Trustee as a body for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of trustees and auditors

As explained more fully in the Statement of Custodian Trustee's Responsibilities set out on page 56, the Custodian Trustee is responsible for the preparation of the non-statutory financial statements which give a true and fair view.

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

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on the non-statutory financial statements

In our opinion the non-statutory financial statements give a true and fair view of the financial position of the Custodian Funds as at 31 December 2018 and of their incoming resources and application of resources for the year then ended.



Haysmacintyre LLP
Statutory Auditor
10 Queen Street Place, EC4R 1AG

14 May 2019

Haysmacintyre LLP is eligible to act as an auditor in terms of section 1212 of the Companies Act 2006