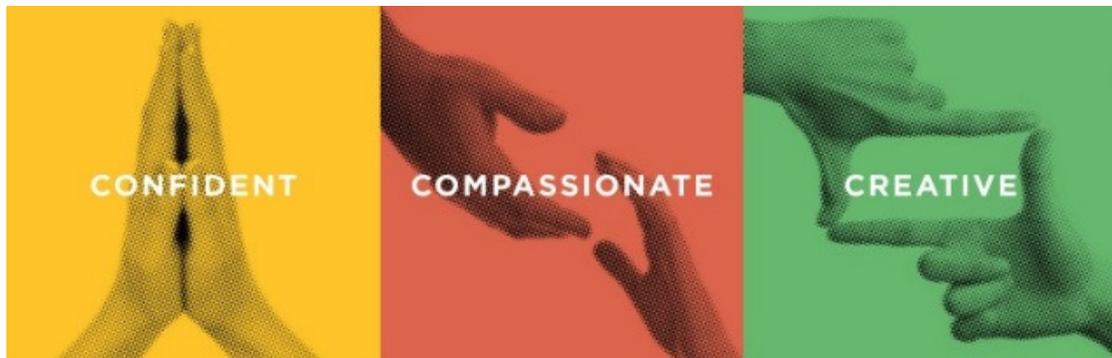




THE LONDON DIOCESAN FUND

Trustees' report
and financial statements
for the year ended
31 December 2019

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
Registered Charity number: 241083
www.london.anglican.org

Trustees' report

Contents

Strategic report page 3

Achievements and performance page 3

Financial review page 10

Governance, structure & management page 16

Statement of trustees' responsibilities page 20

Appendices: committee membership and administrative details page 22

Independent Auditors' Report to the Members of the London Diocesan Fund page 25

Financial statements

Statement of financial activities page 27

Balance sheet page 28

Summary income and expenditure account page 29

Cash flow statement page 29

Notes to the financial statements page 30

General Fund 2019 – Key Facts

Income increased by £0.9m from £39.0m to £39.9m.

Donations from parishes through the Common Fund increased by 1% to £24.5m (2018: £24.2m), and a further £3.8m (2018: £3.7m) was received in reimbursements from parishes towards direct clergy costs.

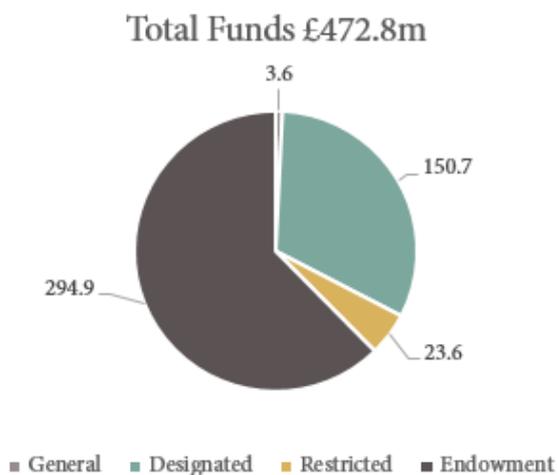
Trust and other income in our Statement of Financial Activities included donations generously provided from the City Church Fund (administered by the Trust for London) of £1.8m (2018: £1.6m) and from Allchurches Trust of £0.4m (2018: £ 0.4m).

Expenditure increased by £0.9m from £37.2m to £38.1m.

Significant expenditure streams continue to be ministry costs of £23.3m (2018: £22.5m) and clergy housing and property costs of £8.2m (2018: £8.3m)

The LDF recorded an operating deficit on the General Fund of £0.2m (2018: deficit of £0.1m) after taking account of transfers to other funds of £2.0m (2018: £1.9m) and excluding other recognised gains and losses.

Total funds at 31 December 2019 increased to £472.8m (2018: £453.0m). General funds increased by £0.5m to £3.6m (2018: £3.1m), designated funds increased by £10.1m to £150.7m (2018: £140.6m). Endowment and restricted funds combined increased by £9.2m to £318.5m (2018: £309.3m)



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 18.

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 currently 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) Supporting the Bishop of London as she begins to outline the Diocese's new vision.

All six of these objectives are underpinned by the **running of an effective organisation**.

Achievements and Performance

1) Delivering Capital Vision 2020 successfully

The Diocese of London's 'Capital Vision 2020' strategy emerged from our having listened to almost 2,000 people from across the Diocese. After over six years since its launch, the Diocese has heard many stories of how parishes are taking forward each of the key themes.

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.

In 2019 we began the process of prayerful discernment to formulate our emerging 2030 Vision. Our *Listening to London, Listening to God* survey reached 6,000 people in the diocese who responded to what they felt God is calling the Church of England in London to prioritise over the next decade, building on what has come before. The Senior Staff team discerned an overall vision 'For every Londoner to encounter the love of God in Christ', with four key priorities which will require further planning in 2020: Confident Disciples; Compassionate Communities; Creative Growth; and Connected Young People.

This report primarily focuses on the activities of Capital Vision 2020 during 2019, but identifies, where possible, how these priorities might look in 2020 and further into the future within the 2030 Vision.



In order to be ***Confident in speaking and living the Gospel of Jesus Christ*** by 2020 we aimed to:

1) Communicate the Gospel more effectively, using the opportunities offered by new media

All our parishes now have an online presence (up from 84% in 2013) - either their own website or through the national website for churches, A Church Near You. By the end of 2019 the Diocese of London's Twitter audience had increased to 10,110 – up from 9,340 at the end of 2018. Our Facebook page likes increased to 2,800, with an average monthly audience reach of 14,700 in 2019 (due to people sharing our articles and photos). The Diocesan Instagram account was re-launched and has rapidly risen to 880 followers – up from 230 at the end of 2018.

We have seen excellent engagement with topics people feel passionate about or proud of – e.g. the 25th anniversary of the ordination of women, the response to the Grenfell Tower fire, mental health, climate change and the Trafalgar Square *Thy Kingdom Come* event. We also hosted a very successful social media basics training event in November 2019, with another planned later in 2020. In the autumn we launched a 'Faith and Social Media Network' for more advanced practitioners, with 141 people on our mailing list. One week after starting to promote a Facebook group to build this community it had 46 members and an active discussion wall. Bishop Sarah's new podcast series was also launched and has been well received (the latest episode had 458 listens).

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

Forty thousand people to date serve as Christ's Ambassadors in London in their homes and workplaces. Half of all churches have engaged with the initiative, with a significant number of the remaining parishes encouraging and resourcing lay witness in other ways. The 2030 Vision team is now considering how to take the priority forward beyond 2020, under the banner of one of the emerging priorities. More detail is included on page 9.

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 over 50% from 45 in 2013 to 77 in 2019. The percentage of female ordinands entering training has increased over three years from 31% (18 candidates) in 2017 to 45% (31 candidates) in 2019. The number of candidates from black, Asian and minority ethnic backgrounds has fluctuated with each intake, being 5 in 2017, 12 in 2018 and 7 in 2019.

A priority for 2020 is to ensure that these levels of representation are improved and maintained through more intentional policies and actions. One example of this is the Peter Stream which is a process of discernment and training for those from under-represented groups and which numbered 19 participants for the 2019/20 cohort. A vocations event for women was held in 2019 and during 2020 there are plans for the introduction of a Vocations Mentoring scheme and a Vocations event aimed at those from BAME groups.



Newly ordained Deacons at St Paul's Cathedral

The planned introduction of the new national selection discernment process in 2020, combined with staff changes in the Episcopal Area discernment teams, has led to a major review of the processes. We plan to implement a significant training programme for Area Directors of Ordinands (ADOs), Assessors and all those involved in working with candidates exploring vocation.



In order to be ***Compassionate in serving communities with the love of God the Father*** by 2020 we aimed to:

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 in 2015 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. Following the departure of the Chief Executive Officer (CEO) of Capital Mass in mid-2019, a new interim Capital Mass CEO joined in August and has been working closely with the Director of Capital Vision. There is a fresh focus developing for Capital Mass – alongside the new and emerging 2030 Vision, of which the work of Capital Mass will be a large part.



In 2019 Capital Mass:

- ran 18 events, with 320 clergy and volunteers across 122 parishes attending;
- delivered in depth one-to-one consultancy to 30 parishes to help with their social action engagement;
- helped 15 church-run charities or projects with bespoke training and awareness-raising for their staff as well as over 100 people from other churches across London;
- encouraged and supported three parishes in welcoming Syrian refugees through the Government's Community Sponsorship Scheme; and
- supported two parishes in their provision of debt advice, with plans to establish two new debt centres in the Diocese in 2020.



At the end of 2019 Capital Mass produced a report highlighting and celebrating the levels of engagement and impact made by parishes in London. Perhaps the most striking outcome in the report is that every respondent church had at least one ministry which served as a means of reducing isolation within their communities. Each church ran an average of four social action projects, over half of which had no paid workers, with the rest having somewhere between one and five paid workers running the projects. Only one project reported having more than five paid staff. Overall, the projects were run by approximately 2,600 church volunteer roles – within the 118 parishes surveyed.

5) Open up our church buildings to the wider community

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. However, in 2018 progress slowed as fewer churches were open and resource-ready to open their doors in new ways. We are also aware of the difficulties many churches further out from central London (in Underground zones three to six) face in staffing open buildings, and in attracting a suburban public. In 2019 it was felt that the majority of the benefits were successfully achieved in the early years of Capital Vision 2020 and any further success would be more likely to come from local parishes as part of their day-to-day witness. As a result, ongoing intentional investment in this project came to end in 2019.

6) Strengthen links between schools and their local Christian communities

In 2019, the second conference for those working in our schools as chaplains or youth workers was held with higher attendance than last year. We also published a resource based upon the learning from the 2018 Kensington schools' mission, to enable others to work well in schools. Two further School Mission weeks are planned..



In order to be **Creative in reaching new people and places with the Good News in the power of the Spirit** by 2020 we aimed to:

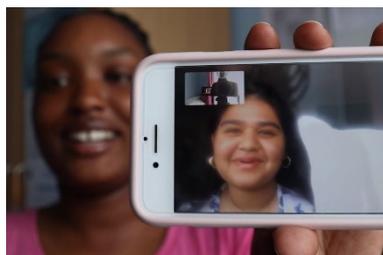
7) Double the number of young people involved in local Christian communities

In 2019 the Capital Youth strategy progressed strongly, including setting aside £275k each year of our Capital Vision 2020 funds, and deploying a tranche of the £1.9m of Church Commissioners Strategic Development Funding (SDF), delivering a range of initiatives.

Transforming Culture - A brand identity for Capital Youth was developed in 2018 and has continued to grow over the course of 2019. Churches continue to promote and increase in confidence to engage with young people, as evidenced by a Holy Trinity Brompton Youth Team leading a worship session at our London Diocesan Synod meeting in November 2019. The new 'VOCALISE' resource helps churches to listen to young people and features five young people from London talking about their faith.



Five young people receive filmmaking training



A screenshot from Vocalise

During the year, 46 clergy have been trained in Youth Ministry and are receiving follow-up and ongoing support in delivering youth work, and a further 11 clergy from the Two Cities Area have completed Launchpad (Youth Ministry training) by April 2020. This training is creating greater clergy confidence and perceptions around youth ministry. A further 12 youth leaders were also trained in youth ministry, resulting in 20 new youth focused initiatives.

Youth Advocates, aged 11-18 - 10 young people attended a Youth Advocate meeting, encouraging young people to be more confident in advocating for themselves. The Spark Fund was launched in 2019 to provide grant funding to young people to lead missional projects in their local communities to reach their peers. By the end of 2019, 37 young people were leading 10 Spark Fund projects, aiming to engage 300 young people in the gospel.



Youth Advocates meet with Bishop Rob

Youth Minsters - Sadly this year our Minster in Enfield withdrew from the Minster programme, but our remaining four Minsters are thriving and now have 470 young people a week engaged in faith activities - up from a baseline of 200 in 2016.

8) Create or renew 100 worshipping communities

In 2019 we celebrated the launch of our 73rd new worshipping community since the beginning of Capital Vision 2020. We are hoping to reach 90 by the end of 2020. Representatives from 51 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 2020. 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 £860k of grant funding has been

awarded from the £1m of Church Commissioners Strategic Development Funding. Nine people also graduated from a School of Pioneers in December 2019.

9) Engage more closely with sport and the creative arts

In 2019 the Bushy Active Sports and Wellbeing Hub came to fruition in the Kensington Area. Following consultation with local parishes, groups and clubs, a report will inform a strategy to sit alongside other significant local activity including a cricket programme in Feltham Young Offenders Institute. The Capital Vision 2020 Sports team have also maintained good relationships with several partners, including Kick, which is now active in 28 Diocese of London schools, and Christians in Sport, who had 90 people attend their London sports ministry evening. Mark Balcar, our Sports consultant has been invited into the new Church of England Sports Steering Group, drawing on our expertise to advise and shape the national approach and framework.

Our network of those interested in sport and physical activity ministry and mission grew from 150 to 250 and will continue to develop a more interactive Facebook presence in 2020, to share inspiration, resources and knowledge. A youth sports-based event is planned for 2020.

The Haven London, an independent charity led by the Diocesan Missioner to the creative industries, continues to build relationships with creatives.

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, during 2019 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 half of churches in the London Diocese joined in with specific services, times of prayer or other activities. In April 2019 we also partnered with Thy Kingdom Come to run a prayer event at Trafalgar Square, linked to our Ambassadors programme.



'Thy Kingdom Come' event at Trafalgar Square

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

Owing to a wide range of circumstances beyond the LDF's control in 2018, work across several key planned development sites in London stalled. Therefore, in 2019 the LDF took a strategic decision to prepare fresh evidence-based Episcopal Area reports, designed to inform further if and how we establish a Christian presence in the new, emerging major new housing developments in each Episcopal Area. The reports were given to each of the respective Episcopal Area Teams in order to inform their strategic planning in Areas, as well as the Strategic Development Committee. The only remaining major development project pursued over the course of 2019, alongside the evidence-based reviews, was the new floating vessel, named Genesis, serving housing and commercial developments within the Queen Elizabeth Olympic Park.

Genesis 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 the commissioning of a floating church and community hub to moor for the next 5 years within the QEOP, followed by the aspiration of 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. Using the interim vessel, the floating church commenced as a new worshipping community on 16 September 2018. The construction for the bespoke, longer-term vessel, Genesis, took place over the course of 2019. Despite some delays due to the construction of the bespoke bellows, Genesis is due for completion in 2020.

Genesis in the boat yard

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. Over half of churches have engaged with the initiative, with a significant number of the remaining parishes encouraging and resourcing lay witness in other ways. The Ambassadors' team will work in partnership with the 2030 Vision team to establish how best to take the priority forward, beyond 2020.

In February 2020 we brought together a learning community which will seek to be part of a pilot project and will aim to embed and encourage a new culture across the diocese, working in partnership with other dioceses through the National Church's 'Setting God's People Free' initiative.



Christ's Ambassadors Programme

Discipleship is also likely to be one of the top four priorities of the Diocesan 2030 Vision, which will incorporate exploring ways to better integrate discipleship and lay witness into ministry training. Over the course of 2020 we will also outline how the Ambassadors programme will be taken forward, alongside the "Setting God's People Free" learning community and Discipleship priority.

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 2019, various initiatives emerged from the Diocese's Latimer Group, which was formed in 2015 to seek to increase BAME vocations. This work will continue as the Group is planning several Diocese-wide initiatives and conferences. The Bishop Wilfred Wood senior leadership programme for BAME clergy was completed in 2019, with 13 completing the programme.

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 ministry in London and are housed in suitable accommodation. Since 2016 the London stipend is firmly in the top 10 (or top 25%) of Dioceses, which has been our goal. The annual stipend increases have been funded by increases in the common fund received from parishes. We continue to aim to increase stipends in line with other Dioceses, which is likely to be similar to the National Stipend Benchmark increase.

During 2019, the LDF achieved the aspiration to invest 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. The work was completed on time and under budget, and plans are in place to complete additional works using the remaining funds from the original £6m capital 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

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

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

Safeguarding also remained a major focus in 2019, including responding to the Independent Inquiry into Child Sexual Abuse (IICSA), along with the continued roll-out of core training and improvement to systems. We invested further in safeguarding staffing resources in order to carry out a past cases review, which continues into 2020, and continue to provide a Safeguarding Training Programme for parishes. In addition, we rolled out Serious Incident Reporting briefings for all parishes.

During 2019 we aimed to increase the level of stewardship activity in the Diocese. A Parish Stewardship pilot event took place at Diocesan House, aiming to increase engagement and programmes in parishes, which received positive feedback. Further Area based Stewardship events are planned for 2020 and 2021. As part of our Capital Strategy, a church buildings conditions survey project is progressing well.



Bishop Sarah presiding over a special service of thanksgiving at Westminster Abbey - marking 100 years of women in the Metropolitan Police

6) Supporting the Bishop of London as she begins to outline the Diocese's new vision

Over the course of 2019, part of the Bishop of London's time was spent on beginning to focus on the emerging 2030 Vision, the new Diocesan Vision. This has entailed seeking input from over 6,000 individuals as well as engaging with senior staff, clergy, lay members and local leadership across the Diocese. In October 2019 the senior staff leadership team, led by Bishop Sarah, attended a residential where they began to outline key priorities for the future strategy, as Capital Vision 2020 comes to an end. Further clarity around how each of the emerging priorities will be prioritised will continue to be sought over the course of 2020.

Running an effective organisation

Underpinning the key objectives and purposes of the LDF is the running of 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,
- risk management,
- efficient process of receiving and agreeing Common Fund offers, as well as the prompt receipt of Common Fund pledges,
- targeted support to parishes and clergy,
- identifying and pursuing new mission opportunities.

Financial Review

Financial summary

Total income increased by £3.8m from £43.0m in 2018 to £46.8m in 2019, due to the continuing generosity of the thousands of people in the parishes who support the LDF's work and the continued use of our capital assets to generate additional income. In addition, during the year, £1.7m (2018: £1.3m) was drawn down from the restricted Strategic Development funding awarded by the Church Commissioners.

Total resources expended increased by £2.1m from £45.7m in 2018 to £47.8m in 2019, due largely to increased expenditure on ministry.

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 £3.3m of realised gains (2018: £4.1m) on tangible fixed assets, resulting from the reshaping of the property portfolio.

Net expenditure for the year before investment gains, and other recognised gains and losses, across all funds was £1.0m (2018: net expenditure of £2.7m).

The following table shows an overall increase in net assets of £19.8m for the year to £472.8m (2018: £453.0m).

	2019 £m	2018 £m
Net expenditure	(1.0)	(2.7)
Pension deficit movements	5.7	0.1
<i>Sub-total</i>	<i>4.7</i>	<i>(2.6)</i>
Other recognised gains and losses:		
Net gains/(losses) on investments	7.8	(4.0)
Unrealised gains on tangible fixed assets	4.0	4.0
Realised gains on tangible fixed assets	3.3	4.1
<i>Net movement in funds for the year</i>	19.8	1.5
Balances at 1st January	453.0	451.5
Balances at 31st December	472.8	453.0

Budget and outlook for 2020

The Covid-19 pandemic continues to have a profound effect on the activities of the LDF and London parishes. As the prime purpose of the LDF is to support the mission and growth of the church in London, now, more than ever, is an important time for the LDF to be able to support the clergy and parishes in the Diocese.

LDF trustees and senior management have been delighted and proud of the response that our clergy and lay staff have shown over the last few months, dealing with the varied challenges that this crisis presents. The closure of all churches and LDF offices, in March 2020, has changed the way that we worship in our parishes, support our communities and operate our central LDF services. Creative and inspiring solutions have arisen in response to this challenge, amid the traumatic and distressing circumstances that many are facing.

Financially, challenges continue to be felt at all levels. For the LDF, Common Fund remains vital to the functioning of the Church in London, in order to continue to provide clergy stipends, housing and other support. Churches

are facing financial challenges across the Diocese, and the LDF continues to provide support to them in a variety of ways. While a balanced budget was set for 2020, it is now likely the LDF will incur a significant deficit in 2020 and it will need to use all its general reserves and potentially call on other lending facilities to finance this. However, reviewing cash reserves and financial projections, the Trustees are confident that the LDF finances are sufficiently robust to weather this, and the Trustees have no doubts over the continued operation of the LDF.

In the midst of this extraordinary crisis, we look to deepen trust and dependence on God and to encourage each other in prayer and faith.

Policies

Reserves policy and management

At the end of the year to 31 December 2019 the LDF held net assets of £472.8m (2018: £453.0m), split between the various funds as shown in the table below:

Fund categories	2019 £m	2018 £m
General	3.6	3.1
Designated	150.7	140.6
Restricted	23.6	21.0
Endowment	294.9	288.3

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 standard 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. As set out above, it is now likely that the LDF may use the majority of its general reserves during 2020 due to effects of the Covid-19 pandemic. The reserves policy will be reviewed in light of this during the course of the year.

General reserves at 31 December 2019 were £3.6m (2018: £3.1m) and equate to about 34 days of general fund expenditure (2018: 30 days).

Designated reserves to the value of £150.7m (2018: £140.6m) are in four principal groups: clergy housing, investment property, clergy pension deficit reserve, and other funds, as follows:

- Operational property used to house clergy of £64.5m (2018: £63.9m).
- Investment property of £65.8m (2018: £61.8m), 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.
- The clergy pension deficit reserve which now stands in deficit of £3.4m (2018: deficit of £10.5m). Further details can be found within note 15(b).
- Other designated funds include the Diocesan Loan Capital fund of £4.6m (2018: £4.3m) 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 2019, had a value of £1.0m (2018: £1.4m). More information in Note 13a.

- The remainder of the designated funds have a value of £18.2m (2018: £19.7m), 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. More information in Note 13a.

Restricted reserves with a value of £23.6m (2018: £21.0m) 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.

Endowment reserves with a value of £294.9m (2018: £288.3m) mainly comprise of restricted expendable endowment funds. These include glebe assets, consisting of historic endowment land given to provide stipends for parochial clergy, now owned and managed by LDF, and Parsonage House capital, representing the net book value of freehold and leasehold benefice houses.

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. The distribution yield in blended aggregate exceeded the nominal target in 2019.

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

The LDF has an ethical investment policy which covers principally its non-property investments. The LDF will invest only in investment funds that have exclusions as set out in the table below. In instances where fund managers have such exclusions by practice rather than by policy, the LDF will continue to engage regularly with the fund managers and review the portfolio. It is recognised that there are few funds that comply entirely with these requirements, and therefore in practice the LDF policy divides investment types into two distinct categories:

- **Absolute requirements:** these are areas where the LDF will not invest unless the investment managers meet the exclusion levels set.
- **Preference:** areas where the LDF would expect managers to align to the exclusions, but the LDF may choose to invest with managers who do not fully align. These would be considered on a case-by-case basis, and each decision, and the rationale, would be fully documented.

LDF stance	Investment type/requirement	LDF Policy*
LDF absolute requirement	Arms - indiscriminate weaponry - conventional weaponry	Total exclusion 10% revenue exclusion
	Pornography	3% revenue exclusion
	Tobacco	10% revenue exclusion
	Gambling	10% revenue exclusion
	UNPRI	Signatories to UNPRI
	UK Stewardship Code	Adopted UK Stewardship Code
LDF preference	High interest lending	10% revenue exclusion
	Tar sands/thermal coal	10% revenue exclusion

*Revenue exclusions prohibit individual underlying holdings which generate revenue in excess of the stated rate from the specified investment category.

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 £1.3m was generated. Investment property net income is now expected to be of the order of £3m+. From 2018, further steps have been taken to develop the portfolio, by selling relatively low yield properties and reinvesting the proceeds in higher yield properties. In total the investment property portfolio generated in excess of £2.8m of net income in 2019 (2018: £2.4m).

In addition, the portfolio has seen significant capital growth. During 2019, the asset base has increased from £99.7m to £103.8m.

Investments in equities, fixed interest securities and other quoted securities amounted to £50.0m (2018: £40.5m). During the year, the LDF chose to dispose of its holdings in the OLIM Charity Value and Income Fund and reinvested the proceeds in CCLA's CBF Investment Fund. A further £1.6m of legacy income was also invested in the CBF Investment Fund during 2019. Disposals of £3.3m and additions of £5.0m occurred during the year. Gains of £7.7m (2018: losses of £4.0m) were recorded and investment income of £1.9m (2018: £1.8m) received.

The gains in the capital value of the above investments, of the order of 19.9% were ahead of the movement in the value of the FTSE all-share index, which rose 14.0% in 2019. As a result of the Covid-19 pandemic, global markets have seen significant reductions in share value. The value of LDF holdings as at 31 March 2020 stood at £41.1m, a reduction from year end values of 18%. LDF investments are held with a view to long term growth and income generation. In addition, Initial indications from LDFs investment managers suggest that active management of the funds should actively manage the risks and as such no adjustment has been made to the values as at 31 December 2019.

	2015 %	2016 %	2017 %	2018 %	2019 %
Historical gains/(losses) on LDF investments	(0.9)	9.0	7.5	(11.2)	19.9
Historical gains/(losses) on FTSE all-share index	(1.0)	12.0	7.7	(12.3)	14.0

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. Since 1 January 2018 the percentages are now 11.9% and 28% respectively, with the total contribution rate still 39.9%. From January 2021, the deficit repair contribution is scheduled to be 7.1%, but the current service contribution will be 32.8%, so still an overall contribution rate of 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 2019 was £3.4m (2018: £10.5m).

Lay Church Workers' Pension Fund:

During 2019, the LDF contributed at a rate of 33.6% of pensionable salary.

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.

In March 2020, the effects of the Covid-19 virus pandemic started to be felt in the UK. In accordance with the government guidance, the LDF put measures in place to protect the welfare of its staff and stakeholders. By the end of March 2020, all LDF employees were working remotely with all key processes and operations successfully carried out off-site. The closure of our churches has had an ongoing and profound effect on our parishes and their mission.

The pandemic raises two key risks for the LDF, as follows:

Operational risk that key IT systems fail, preventing key processes from being carried out – mitigation includes on-going review of IT resilience and capacity, ensuring all staff have adequate hardware to work remotely.

Financial risk that key sources of LDF income fall significantly – significant streams likely to be affected include Common Fund as parishes experience reduced giving and rental income, and reduced income from LDF investment properties as other businesses encounter reductions in income. Mitigation includes close monitoring of LDF cash flows, pursuing other sources of finance and close communication with parishes to ensure accurate information is received in a timely fashion.

The other 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 parishes' future capacity to sustain Common Fund increases. Targeted interventions are carried out as necessary with concerned parishes.

As identified overleaf, 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 £19.3m (2018: £17.4m). Most of these trusts are held on behalf of parishes whose charitable purposes are broadly parallel to those of the LDF. Assets held under these trusts are held separately from those of the LDF. Detailed certificates of holdings as at 31 December 2019 have been sent to parishes and other managing trustees.

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 £338k (2018: £332k) are shared at London Diocesan House, and to whom a cash grant of £180k was made in 2019 (2018: £180k).

Other support is provided to parishes in the form of grants and loans. In 2019 grants to London parishes totalled £1.2m (2018: £1.5m).

Plans for future periods

We believe that the effect of the Covid-19 pandemic will continue to be felt for months if not years to come and we will continue to support London parishes and worshipping communities through this time. However, our aim to support the mission and growth of the Church in London in the years ahead remains. It is recognised that pandemic has changed the way we work and lessons learnt will be incorporated into future plans.

Vision 2030

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 develop our strategy beyond Capital Vision 2020. In 2019 we began the process of prayerful discernment to formulate our emerging 2030 Vision. The overall vision 'For every Londoner to encounter the love of God in Christ' has four key priorities/ambitions which will require further planning in 2020: Confident Disciples; Compassionate Communities; Creative Growth; and Connected young People. This is expressed in the following graphic:



Going concern

The trustees have reviewed the charity's financial position, particularly in light of the ongoing Covid-19 pandemic. While it is expected that the LDF may experience a reduction in the level of income received, particularly in respect of Common Fund received from parishes, detailed reviews of the LDF cash flows and forecasts show that it is expected that the LDF has sufficient cash levels to operate successfully for the foreseeable future. Therefore, taking account of the satisfactory levels of reserves and cash, the annual plan and the five-year financial plan, and our systems of financial and risk management, 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. 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. There is also an Archdeacon of London and an Archdeacon of Charing Cross, for the Two Cities area which is led by the Bishop of London.

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. In total, the PCCs across London have unrestricted income of in excess of c.£100m a year.

The LDF's activities are only one aspect of the vibrant and diverse mission of the church in London. At the turn of the year, we had 73 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 (until June 2020)
Director of Housing and Investment Property:	Mr William Hagger (from March 2020)
Director of Human Resources and Safeguarding:	Mrs Suzanne Long
Director of Finance and Operations:	Mr Richard Antcliffe
Director of Capital Vision:	Mr Angus Stephenson

Remuneration

The HR Committee (formerly named 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. 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 has incorporated the 'Charity Governance Code' as a key tool in its governance management framework. Each year the trustees, through its Audit and Risk Committee, works through the Code, building on the work of the previous year, to develop and embed the Code's principles and practices in the organisation's operations.

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 provision of stipend and housing to 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 2019.

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. 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.

Parishes are independently registered charities, and therefore distinct from the LDF. However, the support provided to parishes by the LDF directly contributes towards their mission and ministry, and therefore how they provide public benefit. Parishes across the Diocese carry out diverse activities, including provision of night shelter work, debt advice, specialised ministries and numerous community projects.

Committees

The Diocesan Synod has appointed the Bishop's Council as the Diocesan Mission and Pastoral Committee. The Council has delegated certain powers 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

Until autumn 2019, the Strategic Development Committee (SDC) advised, under delegated powers on behalf of the Bishop's Council, on major development area programmes and capital projects.

The SDC operated 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.

In light of the fact that all of the Strategic Development projects have come to an end and been handed over to the Property Department for day-to-day management, the Strategic Development Committee was dissolved in autumn 2019. When the 2030 Vision is finalised the need for a similar committee will be reviewed.

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.

Staff, volunteers and stakeholders

Staff incentives include a generous pension scheme, access to a free Employees Assistance Programme, and other benefits through the LDF's Wellbeing Strategy. Staff engagement occurs through regular staff briefings and a staff forum, comprising staff representatives and members of the Senior Management Group. Staff are asked to provide feedback on employer engagement as part of their annual Performance and Development Review. Regular staff social events are organised by the Staff Social Committee.

The LDF (as distinct from the parishes) has four regular volunteers who generously contribute their time and expertise to advance the mission of the LDF. Volunteers are invited to the staff briefings and staff social events.

Clergy, chaplains and members of PCCs are key stakeholders of the LDF. Support provided to and engagement with these groups is detailed within sections 4 and 5 of the Achievement and Performance section of this report.

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 directors 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.

A handwritten signature in blue ink that reads "James P Normand". The signature is written in a cursive style with a large initial 'J'.

James P Normand
Chair of the Diocesan Finance Committee
and Lay Vice-Chair of Bishop's Council
13 May 2020

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 2019 until 13 May 2020, the date of approval of this report:

Chair

The Rt Revd and Rt Hon Dame Sarah E Mullally
DBE BSc MSc DSc (Hon) Bishop of
London

Lay & Clerical Vice Chairs

Mr James P Normand,
Diocesan Synod House of Laity
The Revd Jody Stowell,
Diocesan Synod House of Clergy

Ex Officio

The Bishop of Stepney,
the Rt Revd Joanne Woolway Grenfell
(from 03/07/19)
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 of Hackney,
the Ven Elizabeth Adekunle
The Archdeacon of Middlesex,
the Ven Stephan J Welch
(until 31/12/19)
the Ven Richard Frank (from 20/04/20)
The Archdeacon of Hampstead,
the Ven John E I Hawkins
The Archdeacon of Northolt,
the Ven Duncan J Green
(until 31/10/19)
The Archdeacon of Charing Cross,
The Ven Adam Atkinson
(from 23/03/20)
The Dean of St Paul's Cathedral,
the Very Revd Dr David J Ison

Elected by the House of Laity, Diocesan Synod

Mr James Behrens
Mr George Huntley
Miss Susan Cooper
Mrs Sarah Finch

Nominated by the Bishop of London

Mr Richard N Perry

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 Kathryn Harrison
Mr Brian O'Donoghue
Mr Jeremy Thomas
Mr Christopher Longden
Mr Cedric Stephens

Stepney

The Revd James Hughesdon
The Revd Graham Hunter
Dr Philip Rice
Mrs Christina T Sosanya
Ms Josile Munro

Kensington

The Revd William Rogers
The Revd Andrew Downes
Mr David Hurst
Mrs Sarah Tett
Mr Kenneth Riley
Ms Catrin Lee

Edmonton

The Revd Christopher Smith
The Revd Jonathan Kester
Mr Inigo R M Woolf
Dr Christopher R M Ward
Miss Amanda McIntyre
Miss Abimbola Sanu

Willesden

The Revd Edmund A J Cargill Thompson
Mr John R Dolling
Mr Clive R Scowen
Mr Michael J Bithell
Mr Julian Duffus

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 13 May 2020

(also Members of the Bishop's Council)

The Archdeacon of London,
the Ven Luke J Miller
The Archdeacon of Hackney,
the Ven Elizabeth Adekunle
The Archdeacon of Middlesex,
the Ven Richard Frank
The Archdeacon of Hampstead,
the Ven John E I Hawkins
The Archdeacon of Northolt,
Vacant
The Archdeacon of Charing Cross,
The Ven Adam Atkinson
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 13 May 2020

(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

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

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 Luke J Miller
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

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 2019 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 2019 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 20, 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)

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

13 May 2020

Statement of Financial Activities – for the year to 31 December 2019

	Notes	Unrestricted Funds		Restricted Funds	Endowment Funds	Total 2019	Total 2018
		General	Designated				
		£m	£m				
Income and endowments from							
<i>Donations, legacies & grants</i>							
Common Fund		24.5	-	-	-	24.5	24.2
Parish reimbursements for clergy costs		3.8	-	-	-	3.8	3.7
Donations and legacies		0.5	-	2.0	-	2.5	1.1
Church Commissioners		-	-	2.5	-	2.5	1.9
City Church Fund		1.8	-	-	-	1.8	1.6
<i>Charitable activities</i>							
Operational property rental income		3.0	-	0.1	-	3.1	3.0
Parochial fees		0.4	-	-	-	0.4	0.5
<i>Investment Income</i>							
Dividends and interest receivable	11a	1.7	-	0.2	-	1.9	1.8
Investment property rentals	11b	4.2	0.1	0.1	-	4.4	4.0
<i>Other income</i>		-	0.6	1.3	-	1.9	1.2
Total income		39.9	0.7	6.2	-	46.8	43.0
Expenditure on							
<i>Raising funds</i>							
<i>Investment management costs</i>							
Rental portfolio costs-agent fees		0.4	-	-	-	0.4	0.3
Investment property repairs and maintenance		0.6	0.4	-	0.2	1.2	1.3
<i>Charitable activities</i>							
Ministry		23.3	0.4	3.6	-	27.3	25.1
Education and outreach		0.7	-	-	-	0.7	0.7
Parish and Area support services		1.5	0.2	0.4	-	2.1	1.7
Clergy housing and property costs		8.2	1.7	0.6	-	10.5	10.8
National Church		3.1	-	-	-	3.1	3.0
Grants to parishes and overseas	6	0.3	0.6	0.4	-	1.3	1.6
<i>Other expenditure</i>		-	1.1	0.1	-	1.2	1.2
Total expenditure	5	38.1	4.4	5.1	0.2	47.8	45.7
Net income/(expenditure) before investment gains		1.8	(3.7)	1.1	(0.2)	(1.0)	(2.7)
Realised gains on tangible fixed assets		-	0.4	1.7	1.2	3.3	4.1
Net gains/(losses) on investments	8	0.7	4.0	1.1	2.0	7.8	(4.0)
Net incoming resources for the year		2.5	0.7	3.9	3.0	10.1	(2.6)
Transfers between funds	13d	(2.0)	2.8	(1.5)	0.7	-	-
Other recognised gains/(losses)							
Pension deficit movement		-	5.7	-	-	5.7	0.1
Unrealised gains on tangible fixed assets	7a & 7b	-	0.9	0.2	2.9	4.0	4.0
Net movement in funds for the year		0.5	10.1	2.6	6.6	19.8	1.5
Reconciliation of funds:							
Funds at 1 January 2019		3.1	140.6	21.0	288.3	453.0	451.5
Funds at 31 December 2019		3.6	150.7	23.6	294.9	472.8	453.0

The Cash Flow Statement and Notes on pages 29 to 58 form part of these financial statements.

Balance Sheet – as at 31 December 2019

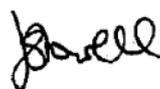
Company number: 150856

		Unrestricted Funds		Restricted	Endowment	Total	Total
	Notes	General	Designated	Funds	Funds	2019	2018
		£m	£m	£m	£m	£m	£m
Fixed Assets							
Operational property	7a	-	73.0	2.7	247.7	323.4	322.2
Investment property	7b	-	65.8	7.4	30.6	103.8	99.7
Non-property investments	8	3.6	23.5	8.8	14.1	50.0	40.5
Fixtures and fittings		0.2	-	-	-	0.2	0.1
		3.8	162.3	18.9	292.4	477.4	462.5
Current Assets							
Debtors	10a	2.2	2.2	0.4	-	4.8	6.5
Cash at bank		0.8	0.2	4.9	2.5	8.4	10.3
		3.0	2.4	5.3	2.5	13.2	16.8
Creditors							
Amounts falling due within one year	12	(3.2)	(1.3)	(0.6)	-	(5.1)	(6.3)
Net Current Assets		(0.2)	1.1	4.7	2.5	8.1	10.5
Total assets less current liabilities		3.6	163.4	23.6	294.9	485.5	473.0
Creditors – amounts falling due after one year							
Pension scheme liabilities	15	-	(4.2)	-	-	(4.2)	(11.5)
Other creditors	12	-	(8.5)	-	-	(8.5)	(8.5)
Net Assets		3.6	150.7	23.6	294.9	472.8	453.0
Funds							
General		3.6	-	-	-	3.6	3.1
Designated	13a	-	150.7	-	-	150.7	140.6
Restricted	13b	-	-	23.6	-	23.6	21.0
Endowment	13c	-	-	-	294.9	294.9	288.3
Total Funds		3.6	150.7	23.6	294.9	472.8	453.0

The financial statements on pages 27 to 58 were approved, and authorised for issue, by the Diocesan Bishop's Council on 13 May 2020.



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 2019

	2019	2018
	£m	£m
Income	46.8	43.0
Expenditure	(47.6)	(45.2)
Net (expenditure) before investment gains	(0.8)	(2.2)
Net gains/(losses) on investments	5.8	(2.4)
Realised gains on property assets	2.1	4.1
Net income /(expenditure) for the year	7.1	(0.5)
Other comprehensive income:		
Unrealised gains on property assets	1.1	3.3
Net movement on defined benefit pension schemes	5.7	0.1
Total comprehensive income	13.9	2.9

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 27 with movements in endowment funds excluded to comply with company law.

Cash flow statement – for the year 31 December 2019

		2019	2018
		£m	£m
	Notes		
Net cash inflow/(outflow) from operating activities	14a	0.3	(11.1)
Net cash (outflows)/inflows from investing activities	14b	(2.2)	11.0
(Reduction) in cash in the year		(1.9)	(0.1)
Cash and cash equivalents			
As at 1 January		10.3	10.4
As at 31 December		8.4	10.3

The notes on pages 30 to 58 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 (SORP 2015) (Second Edition, effective 1 January 2019) 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. The financial statements are prepared on a going concern basis (see page 15).

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 15)

1.3 Funds

The LDF has various types of fund for which it is responsible and which require separate disclosure. Note 13 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 13a)

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 13b)

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 13c)

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)

Expenditure

Explanation

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 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.

(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. This means 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 Financial instruments

Financial assets measured at fair value comprise listed investments. Financial assets measured at amortised cost comprise contributions to the Common Fund, rent receivable, loans to parishes, loans to individuals and other debtors. Financial liabilities measured at amortised cost comprise parish loans payable, grants payable and other creditors. Financial liabilities measured at fair value comprise Church Commissioners' value linked loans.

1.9 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 2019 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.

Notes to the financial statements (continued)**1.10 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 61 with supporting notes on pages 62 to 64. The custodian trustee funds have been subject to a non-statutory audit and the audit report thereon covering pages 60 to 64 is to be found on page 65.

2. Post balance sheet events

As a result of the global Covid-19 pandemic, global markets have seen significant reductions in share values. The value of LDF holdings as at 31 March 2020 stood at £41.1m, a reduction from year end values of 18%. LDF investments are held with a view to long term growth and income generation. In addition, Initial indications from LDFs investment managers suggest that active management of the funds should actively manage the risks and as such no adjustment has been made to the values as at 31 December 2019.

3. Net incoming resources for the financial year

The net incoming resources for the financial year is stated after charging	2019	2018
	£'000	£'000
Depreciation (release)/charge – operational property	-	(143)
Depreciation – fixtures, fittings and equipment	31	24
	<u>31</u>	<u>(119)</u>
Auditors' Remuneration (including VAT)		
Statutory audit	27	27
Non-Audit Services:		
■ Tax advice	2	6
■ Non-statutory review of Custodian Trusts	2	2
	<u>31</u>	<u>35</u>

4. Staff and Clergy Costs

<i>Costs of lay staff</i>	2019	2018
	£'000	£'000
Wages and Salaries	3,528	3,422
Employer's National Insurance	336	334
Employer's Pension contributions	752	716
	<u>4,616</u>	<u>4,472</u>
Charge to pension deficit (Lay staff pension scheme)		
<i>See note 15(a)</i>	(23)	-
	<u>4,593</u>	<u>4,472</u>

The number of lay employees employed on diocesan business, and funded out of unrestricted general funds, was 72 (2018: 72). A further 36 lay employees (2018: 37) were funded from restricted or designated funds. Therefore, the total number of lay employees was 108 (2018: 109).

The Full Time Equivalent average number of lay people employed on diocesan business, and funded out of unrestricted general funds, was 64 (2018: 62). A further 24 Full Time Equivalent lay employees (2018: 26) were funded from restricted or designated funds. Therefore, the Full Time Equivalent average number of people employed was 88 (2018: 88).

Notes to the financial statements (continued)**4. Staff and Clergy Costs (continued)**

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

	2019	2018
	No	No
£110,001 - £120,000	-	1
£100,001 - £110,000	1	2
£90,001 - £100,000	1	1
£80,001 - £90,000	-	-
£70,001 - £80,000	3	2
£60,001 - £70,000	<u>1</u>	<u>1</u>

Emoluments, above, is defined as gross salary.

Aggregate employer normal pension contributions for all the higher-paid employees overleaf were £102,696 (2018: £105,698) payable to various pension schemes, of which £53,521 was payable to defined contribution pension schemes (2018: £68,520). There were 2 (2018: 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 £422,636 (2018: £495,313), Employer's NI of £49,026 (2018: £52,452) and Employer's pension contributions of £83,087 (2018: £80,182). Expenses reimbursed amounted to £4,416 (2018: £2,212).

Clergy costs

As at 31 December 2019 there were 3 individuals (2018: 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 2019, costs for those individuals who were included on the clergy payroll at any point in the year included gross stipends of £81,218 (2018: £109,397), employer's NI of £7,126 (2018: £9,856) and employer's pension contributions of £28,920 (2018: £37,842).

In addition, in 2019 there were 26 ordained clergy (2018: 22) who, whilst undertaking ministerial work, were required to be included in the LDF payroll. In total for 2019, their costs included gross stipends of £592,946 (2018: £539,855), employer's NI of £55,909 (2018: £51,819) and employer's pension contributions of £188,661 (2018: £154,517). These costs are excluded from the cost of lay staff on page 34.

Clergy holding parochial or archidiaconal posts

(including Common Fund clergy, off-Common Fund clergy and chaplains.)

	2019	2018
	£'000	£'000
Gross stipends	14,142	13,883
Employer's National Insurance contributions	1,155	1,151
Employer's pension contributions	5,147	5,008
	<u>20,444</u>	<u>20,042</u>
Average number of total stipendiary clergy posts	529	532
Number of total stipendiary clergy posts at 31 December	528	530

Notes to the financial statements (continued)**5. Governance costs and the allocation of Support Costs between Charitable Activities**

	2019	2018		
	£'000	£'000		
Support costs (allocated below)				
Salary and employment costs	1,978	1,852		
Office costs	494	464		
Governance costs	350	328		
	2,822	2,644		
Resources Expended	Before			
	allocation of			
	support	Support	Total	Total
	costs	costs	2019	2018
	£'000	£'000	£'000	£'000
Raising funds				
<i>Investment management costs</i>				
Rental portfolio costs – agents fees	384	-	384	283
Investment property repairs and maintenance	1,131	64	1,195	1,265
Fundraising	6	-	6	4
	1,521	64	1,585	1,552
<i>Charitable activities</i>				
Ministry	26,335	915	27,250	25,128
Education and outreach	483	226	709	677
Parish and area support services	1,159	925	2,084	1,743
Clergy housing and property costs	9,846	612	10,458	10,818
National Church	3,086	-	3,086	2,966
Grants to parishes and overseas	1,270	80	1,350	1,635
Other expenditure	1,227	-	1,227	1,155
	44,927	2,822	47,749	45,674

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 £350,000 (2018: £328,000) have been allocated on the same basis. Finally, residual administration costs are apportioned in proportion to expenditure.

Notes to the financial statements (continued)**6. Grants to Parishes and Overseas**

Funding source:	General funds £'000	Designated funds £'000	Restricted funds £'000	Endowment funds £'000	2019 £'000	2018 £'000
<i>Grants to Parishes from:</i>						
Core funds	234	20	58	-	312	320
Area pastoral funds	-	349	-	-	349	453
Bishop of London's Mission Fund	-	264	-	-	264	383
Funds held for parish benefit	-	7	252	-	259	331
	234	640	310	-	1,184	1,487
<i>Overseas:</i>						
Angola and Mozambique (ALMA) and Lent projects	-	-	98	-	98	58
Grant administration allocation	80	-	-	-	80	75
	314	640	408	-	1,362	1,620

Grants from core funds represent funds awarded from primarily general fund sources such as Archdeacons Discretionary funds and other monies held to support parishes. The above monies funded grant awards to 96 institutions (2018: 107)

7a. 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 38).

Notes to the financial statements (continued)**7a. 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 2019	80,002	5,144	85,146	2,989	2,880	230,148	30,638	263,666	351,801
Additions	220	-	220	-	-	5,566	1,012	6,578	6,798
Transfers	1,450	-	1,450	-	-	(1,450)	-	(1,450)	-
Disposals	(4,763)	-	(4,763)	(257)	-	-	(710)	(710)	(5,730)
At 31 December 2019	76,909	5,144	82,053	2,732	2,880	234,264	30,940	268,084	352,869
Depreciation									
As 1 January 2019	8,763	349	9,112	-	426	17,327	2,757	20,510	29,622
Charge/(release) for the year	-	-	-	-	-	-	-	-	-
Transfers	-	-	-	-	-	-	-	-	-
Disposals	(99)	-	(99)	-	-	-	(145)	(145)	(244)
At 31 December 2019	8,664	349	9,013	-	426	17,327	2,612	20,365	29,378
Net Book Value									
At 31 December 2019	68,245	4,795	73,040	2,732	2,454	216,937	28,328	247,719	323,491
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

Notes to the financial statements (continued)**7a. 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 2019, the value of these properties was £8,514,000 (2018: £8,514,000). The valuation as at 31 December 2019 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 2019, the LDF had £0.4m of capital commitments (2018: £0.6m) in relation to capital work on major developments planned for 2020 and onwards.

7b. 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
	£'000	£'000	£'000	£'000	£'000	£'000
At cost or valuation						
At 1 January 2019	54,735	7,050	61,785	7,174	30,678	99,637
Additions	3,108	-	3,108	-	370	3,478
Transfers	-	-	-	-	-	-
Disposals	-	-	-	(2)	(3,339)	(3,341)
Revaluation	864	-	864	224	2,884	3,972
At 31 December 2019	58,707	7,050	65,757	7,396	30,593	103,746
Depreciation						
As 1 January 2019	-	-	-	-	-	-
Transfers	-	-	-	-	-	-
At 31 December 2019	-	-	-	-	-	-
Fair Value						
At 31 December 2019	58,707	7,050	65,757	7,396	30,593	103,746
Fair value						
At 31 December 2018	54,735	7,050	61,785	7,174	30,678	99,637

The trustees' policy is that freehold properties held for investment purposes are included at the trustees' best estimate of market value. In 2019 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)**8. Non-Property Investments**

	General funds £'000	Designated funds £'000	Restricted funds £'000	Endowment funds £'000	2019 £'000	2018 £'000
Market value at 1 January 2019	2,926	19,587	6,136	11,906	40,555	38,958
Additions (at cost)	-	2,143	2,677	224	5,044	6,017
Disposals	-	(2,147)	(1,083)	(24)	(3,253)	(472)
Net (losses)/gains on revaluations	679	3,956	1,061	2,014	7,709	(3,948)
Market value at 31 December 2019	3,605	23,539	8,791	14,120	50,055	40,555

Non-property investments are represented by:

	2019 £'000	2018 £'000
M&G Charifund	23,740	20,292
CBF Global Equity Income Fund	17,534	14,227
OLIM Charity Value and Income Fund	-	2,922
CBF Investment Fund	8,781	3,091
CBF Fixed Interest Securities Fund	-	23
	50,055	40,555

CBF investments are valued by the CCLA.

The historic cost of the investments held at 31 December 2019 was £30,285,000 (2018: £28,038,000).

9. 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.

10a. Debtors

	General funds £'000	Designated funds £'000	Restricted funds £'000	Endowment funds £'000	2019 £'000	2018 £'000
Contributions to the Common Fund	120	-	-	-	120	217
Rent receivable	1,285	-	160	-	1,445	1,105
Prepayments and accrued income	427	105	260	-	792	2,410
	1,832	105	420	-	2,357	3,732
<i>Loans to Parishes</i>						
Diocesan Bishop's Council awarded	-	979	-	-	979	1,358
Area Council awarded	-	727	-	-	727	709
	-	1,706	-	-	1,706	2,067
Loans to individuals	25	361	-	-	386	297
Other debtors	304	-	-	-	304	417
	2,161	2,172	420	-	4,753	6,513

Notes to the financial statements (continued)**10a. Debtors (continued)**

<i>Movements in Loans to Parishes</i>	2019	2018
	£'000	£'000
As at 1 January 2019	2,067	2,291
Additions (new loans and interest)	265	729
Repayments	<u>(626)</u>	<u>(953)</u>
As at 31 December 2019	<u>1,706</u>	<u>2,067</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 2019 was £1,373,000 (2018: £1,414,000).

10b. 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 a trustee of both charities during the year, being 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.
- 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 (2018: £180,000) and a contribution towards the cost of staff time of £7k (2018: £13k). At 31 December 2019 other creditors included £5k for payroll items relating to the LDBS (2018: other debtors - £6k).

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:

	2019	2018
	£'000	£'000
Accommodation - rent	131	131
House services and meeting rooms	<u>207</u>	<u>201</u>
	<u>338</u>	<u>332</u>

Notes to the financial statements (continued)**10b. Related Parties (continued)***Trustees' expenses and remuneration*

In 2019 the LDF reimbursed a total of £22,403 to 12 members of the Bishop's Council (2018: £33,962 to 18 members). The vast majority of these 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 2019, a further £12,028 (2018: £6,613) was paid to 9 trustees, representing removal grants for clergy and other clergy grants. These amounts are in line with the LDF's usual practice regarding clergy expenses 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 15 (full time equivalent: 15) other members of the clergy in 2019 who were members of the Bishop's Council (2018: 16 members; full time equivalent: 16).

	2019	2018
	£'000	£'000
Gross Stipends	453	445
Employer's National Insurance contributions	38	39
Employer's pension contribution	156	154
	<u>647</u>	<u>638</u>

Under the Repair of Benefice Buildings Measure 1972 the Diocese is responsible for the upkeep of parsonages. 11 members of Bishop's Council during the year (2018: 16) were housed in parsonages by virtue of their clerical office. Two employees (2018: 4) were housed in a parsonage, though not by virtue of their employment.

A further 7 members of Bishop's Council and Diocesan Finance Committee (2018: 8) and 11 employees who are also clergy, including chaplains (2018: 14), were housed in properties owned by the London Diocesan Fund.

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

11a. Dividends and Interest Receivable

	General	Designated	Restricted	Endowment	2019	2018
	funds	funds	funds	funds	£'000	£'000
	£'000	£'000	£'000	£'000	£'000	£'000
Dividends	1,552	19	253	-	1,824	1,729
Cash and deposit interest	76	4	5	-	85	81
Fixed interest investments	-	-	-	-	-	1
Loan interest	22	-	-	-	22	27
	<u>1,650</u>	<u>23</u>	<u>258</u>	<u>-</u>	<u>1,931</u>	<u>1,838</u>

Notes to the financial statements (continued)

11b. Investment Property

Rentals

	General funds £'000	Designated funds £'000	Restricted funds £'000	Endowment funds £'000	2019 £'000	2018 £'000
Investment property rentals	4,191	165	106	-	4,462	3,956

12. Creditors

	General funds £'000	Designated funds £'000	Restricted funds £'000	Endowment funds £'000	2019 £'000	2018 £'000
Amounts falling due within one year:						
Parish Loans Payable	-	216	-	-	216	783
Grants Payable	-	779	-	-	779	763
Other Creditors	673	305	535	28	1,541	2,010
Accruals and deferred income	2,539	12	20	-	2,571	2,704
	3,212	1,312	555	28	5,107	6,260

Amounts falling due after one year:

Church Commissioners Value						
Linked Loans	-	8,514	-	-	8,514	8,514

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)

13a. Designated Funds	At 1 January 2019 £'000	Income* £'000	Expenditure £'000	Unrealised Gains/(Losses) £'000	Transfers £'000	At 31 December 2019 £'000
Capital Vision 2020	1,398	285	(398)	-	(250)	1,035
Richard Chartres Fund for London	4	25	(20)	-	-	9
Capital Strategy Fund	3,401	-	(1,846)	1,083	(728)	1,910
Operational Property	63,905	-	-	-	618	64,523
Investment Property	61,785	-	-	864	3,108	65,757
Parsonage Reserve	9,084	(111)	(49)	331	(5,566)	3,689
Fund Operational Property Reserve	717	305	(7)	1,892	1,859	4,766
Investment Property Reserve	1,187	336	(234)	-	1,192	2,481
Inspection and Maintenance Funds	173	-	-	-	137	310
Designated Trusts	1,170	20	(7)	103	(527)	759
Mission Opportunity	221	-	(70)	25	-	176
Bishop of London's Mission Fund	186	6	(263)	-	250	179
Clergy Training and Support	420	15	(68)	53	-	420
Area Pastoral Funds	1,238	5	(350)	106	367	1,366
Area Bank Accounts	132	150	(157)	-	-	125
Diocesan Loan Capital	4,272	-	-	362	-	4,634
Strategic Development Reserve	1,836	152	(691)	-	733	2,030
Clergy Pension Deficit Reserve	(10,513)	-	(205)	5,761	1,535	(3,422)
Lay Church Workers Pension Fund Deficit Reserve	-	-	-	(23)	23	-
Total Designated Funds	140,616	1,188	(4,365)	10,557	2,751	150,747

*Income includes realised gains/(losses)

Note 13d

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)

13a. 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 £64.5m, £73.0m is represented by actual properties which are partially offset by (£8.5m) of Value Linked Loans creditors (as described in note 12). This fund also includes the revaluation reserve of £5.5m (2018: £5.5m).

Investment Property

Investment property comprises over 50 freehold and leasehold properties, with a year-end fund value of £65.8m (2018: £61.8m) 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.

Inspection and Maintenance Funds

This fund comprises the Quinquennial Fund, with a year-end fund value of £310k (2018: £173k), and the Ingoing Works Fund with a year-end fund value of £nil (2018: £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 78, a below average number of parsonages in 2019, so a transfer of £137k was made to Quinquennial Fund from the General Fund to help pay for future works. 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, such as unconscious bias training, leadership courses and individual coaching and mentoring sessions. 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)**13a. 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. See note 15(b) for more detail on the movement on this fund.

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.

13b. Restricted Funds	At 1 January 2019 £'000	Income * £'000	Expenditure £'000	Unrealised Gains/(Losses) £'000	Transfers £'000	At 31 December 2019 £'000
Sole Trust Expendable Funds	6,339	1,972	(415)	932	(82)	8,746
Closed Church Buildings Fund	317	1,532	(584)	130	(333)	1,062
Closed Church Buildings Operational Property	2,989	-	-	-	(258)	2,731
Closed Church Buildings Investment Property	7,174	-	-	222	-	7,396
Closed Church Buildings Investment Reserve	3,504	461	(11)	-	(1,400)	2,554
Area Church Building Fund	-	-	-	-	590	590
Strategic Development funds	295	1,741	(1,841)	-	-	195
Projects restricted fund	345	1,989	(1,989)	-	2	347
Bishops' secretaries fund	1	285	(286)	-	-	-
Total Restricted Funds	20,964	7,980	(5,126)	1,284	(1,481)	23,621

*Income includes realised gains.

Note 13d

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 13c. 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, and therefore decisions on the use of the fund are taken in accordance with the Measure and with the target estimates of the future maintenance of those buildings.

Notes to the financial statements (continued)**13b. Restricted Funds** (continued)*Closed Church Buildings Operational and Investment Property*

This fund represents the net book value of closed church buildings property (see note 7).

Closed Church Buildings Investment Reserve

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

Area Church Building Fund

This reserve comprises net funds released after the sales of closed churches, having been set up in 2019. The fund will be used to reinvest in open or new church buildings to help repair, develop and create church buildings that support mission and ministry across the Diocese. Within this fund, funds are allocated to specific Episcopal areas.

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.

13c. Endowment Funds

	At 1 January 2019 £'000	Income* £'000	Expenditure £'000	Unrealised Gains/(Losses) £'000	Transfers £'000	At 31 December 2019 £'000
Expendable Endowment						
Glebe Operational Property Fund	27,881	-	-	-	448	28,329
Glebe Investment Property Fund	30,678	-	-	2,884	(2,969)	30,593
Glebe Investment Fund	9,414	996	(6)	1,144	(1,047)	10,501
Glebe Investment Property Reserve	76	162	(178)	-	(31)	29
Parsonage House Capital	215,275	-	-	-	4,115	219,390
Permanent Endowment						
Sole Trust Permanent Endowment	5,021	1	-	869	200	6,091
Total Endowment Funds	288,345	1,159	(184)	4,897	716	294,933

Note 13d

**Income includes realised gains.*

Notes to the financial statements (continued)**13c. Endowment Funds (continued)***Glebe Operational and Investment Property Fund*

This represents the net book value of glebe property with movements shown in note 7. 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 (£28.3m) and investment (£30.6m) property.

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.

Parsonage House Capital

This fund represents the net book value of freehold and leasehold benefice houses (see note 7).

Sole Trust Permanent Endowment

This fund represents those amounts held under the LDF's sole trusteeship where the capital is not expendable.

13d. Transfer between funds – detailed breakdown of movements*Statement of Financial Activities transfers analysed:*

	General	Designated	Restricted	Endowment	Total	Reference
	£'000	£'000	£'000	£'000	£'000	
Parsonage additions	-	(4,116)	-	4,116	-	i
Transfer of budgeted items in the General Fund to various designated funds	(376)	376	-	-	-	ii
Net transfers (to)/from designated funds at year-end	(1,691)	1,691	-	-	-	iii
Net transfers (to)/from restricted funds at year-end	81	1,400	(1,481)	-	-	iv
Net transfers (to)/from endowment funds at year-end	-	3,400	-	(3,400)	-	v
	(1,986)	2,751	(1,481)	716	-	
		<i>Note 13a</i>	<i>Note 13b</i>	<i>Note 13c</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

Notes to the financial statements (continued)**14. Notes to the cash flow statement**

	2019	2018
	Total	Total
	£'000	£'000
14a. Reconciliation of operating (deficit) to operating cash flows		
Operating (deficit)	(669)	(2,758)
Depreciation release	31	(119)
Decrease in debtors	1,760	3,755
(Decrease) in creditors	(1,153)	(4,802)
Non-cash movement in pension liability	9,817	1,657
Investment and rental income	(9,451)	(8,760)
	<u>335</u>	<u>(11,027)</u>
	2019	2018
	Total	Total
	£'000	£'000
14b. Gross cash flows		
Cash flows from investing activities		
Dividends and interest received	1,931	1,839
Rental Income	7,520	6,921
Sale of property	7,002	17,270
Purchase of property	(10,276)	(9,575)
Other fixed asset purchases	(108)	-
Sale of investments	(3,253)	562
Purchase of investments	(5,044)	(6,019)
	<u>(2,228)</u>	<u>10,998</u>

14c. Analysis of changes in net funds

	At 31		At 31
	January	Cash	December
	2019	flows	2019
<i>Funds</i>	£'000	£'000	£'000
		Other	
		£'000	
Cash at bank and in hand	10,282	(1,893)	8,389
Value linked loans due after one year	(8,514)	-	(8,514)
	<u>1,768</u>	<u>(1,893)</u>	<u>125</u>

15. Pensions

	2019	2018
	Total	Total
	£'000	£'000
<i>Pension liabilities</i>		
Lay staff pensions (see note a below)	(822)	(988)
Clergy pensions (see note b below)	(3,422)	(10,513)
	<u>(4,244)</u>	<u>(11,501)</u>

Notes to the financial statements (continued)

15. Pensions (continued)

15(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.

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

The pensions costs charged to the SoFA during the year are contributions payable towards benefits and expenses accrued in that year (2019: £188k, 2018: £141k) plus the remaining movement in relation to the DBS deficit, giving a total charge of £165k for 2019 (2018: £141k).

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

A valuation of 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. The next valuation of the scheme is currently being carried out as at December 2019

Following the valuation, the Employer has entered into an agreement with the Church Workers Pension Fund to pay a contribution rate of 33.6% of pensionable salary and expenses of £16,300 per year. In addition, deficit payments of £188,666 per year have been agreed for 6.25 years from 1 April 2018 in respect of the shortfall in the Employer sub-pool. Section 28.11A of FRS 102 requires agreed deficit recovery payments to be recognised as a liability and this obligation has been recognised as a liability within the Employer’s financial statements, being £822k in 2019 (2018: £988k).

Notes to the financial statements (continued)**15. Pensions (continued)****15(b). Clergy pensions**

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

	December 2019	December 2018	December 2017
Discount rate	1.2%	2.0% pa	0.0% 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.

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 550 members (2018: 547) 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 as 31 December 2018. The 2018 valuation revealed a deficit of £50m, based on assets of £1,818m and a funding target of £1,868m, assessed using the following assumptions:

- An average discount rate of 3.2% p.a.;
- RPI inflation of 3.4% p.a. (and pension increases consistent with this);
- Increase in pensionable stipends of 3.4% p.a.;
- Mortality in accordance with 95% of the S3NA_VL tables, with allowance for improvements in mortality rates in line with the CMI2018 extended model with a long term annual rate of improvement of 1.5%, a smoothing parameter" of seven and an initial addition to mortality improvements of 0.5% pa.

Following the 31 December 2018 valuation, a recovery plan was put in place until 31 December 2022 and the deficit recovery contributions (as a percentage of pensionable stipends) are as set out in the table below.

% of pensionable stipends	January 2018 to December 2020	January 2021 to December 2022
Deficit repair contributions	11.9%	7.1%

As at 31 December 2017 and 31 December 2018 the deficit recovery contributions under the recovery plan in force at that time were 11.9% of pensionable stipends until December 2025. As at 31 December 2019 the deficit recovery contributions under the recovery plan in force were as set out in the above table.

For senior office holders, pensionable stipends are adjusted in the calculations by a multiple, as set out in the Scheme's rules. Section 28.11A of FRS 102 requires agreed deficit recovery payments to be recognised as a liability. The movement in the balance sheet liability over 2018 and over 2019 is set out in the table below.

Notes to the financial statements (continued)**15. Pensions (continued)****15(b). Clergy pensions (continued)**

	2019	2018
	£'000	£'000
Balance sheet liability at 1 January	10,513	11,935
Deficit contribution paid	(1,535)	(1,485)
Interest cost (recognised in SOFA)	205	157
Remaining charge to the balance sheet liability*	<u>(5,761)</u>	<u>(94)</u>
Balance sheet liability at 31 December	<u>3,422</u>	<u>10,513</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 2019	December 2018	December 2017
Discount rate	1.1% pa	2.1% pa	1.4% pa
Price inflation	2.8% pa	3.1% pa	3.0% pa
Increase to total pensionable payroll	1.3% pa	1.6% pa	1.5% 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.

16. 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 2019 there were 47 members (2018: 48) who were liable to contribute £1 each in the event of the company being wound up.

Notes to the financial statements (continued)

17. Prior year comparatives

(a). Statement of Financial Activities for the year to 31 December 2018

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

Notes to the financial statements (continued)

17. Prior year comparatives (continued)

(b). Balance Sheet as at 31 December 2018

	Unrestricted Funds		Restricted	Endowment	Total
	General	Designated	Funds	Funds	2018
	£m	£m	£m	£m	£m
Fixed Assets					
Operational property	-	76.0	3.0	243.2	322.2
Investment property	-	61.8	7.2	30.7	99.7
Non-property investments	2.9	19.6	6.1	11.9	40.5
Fixtures and fittings	0.1	-	-	-	0.1
	3.0	157.4	16.3	285.8	462.5
Current Assets					
Debtors	2.1	3.9	0.5	-	6.5
Cash at bank	1.3	1.9	4.5	2.6	10.3
	3.4	5.8	5.0	2.6	16.8
Creditors					
Amounts falling due within one year	(3.3)	(2.6)	(0.3)	(0.1)	(6.3)
Net Current Assets	0.1	3.2	4.7	2.5	10.5
Total assets <u>less</u> current liabilities	3.1	160.6	21.0	288.3	473.0
Creditors – amounts falling due after one year					
Pension scheme liabilities	-	(11.5)	-	-	(11.5)
Other creditors	-	(8.5)	-	-	(8.5)
Net Assets	3.1	140.6	21.0	288.3	453.0
Funds					
General	3.1	-	-	-	3.1
Designated	-	140.6	-	-	140.6
Restricted	-	-	21.0	-	21.0
Endowment	-	-	-	288.3	288.3
Total Funds	3.1	140.6	21.0	288.3	453.0

Notes to the financial statements (continued)**17. Prior year comparatives** (continued)**(c). Debtors**

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

(d). Dividends and Interest Receivable

	General funds £'000	Designated funds £'000	Restricted funds £'000	Endowment funds £'000	2018 £'000
Dividends	1,405	84	240	-	1,729
Cash and deposit interest	69	8	4	-	81
Fixed interest investments	-	-	1	-	1
Loan interest	27	-	-	-	27
	1,501	92	245	-	1,838

(e). Investment Property Rentals

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

Notes to the financial statements (continued)**17. Prior year comparatives** (continued)**(f). Creditors**

	General funds £'000	Designated funds £'000	Restricted funds £'000	Endowment funds £'000	2018 £'000
Amounts falling due within one year:					
Parish Loans Payable	-	783	-	-	783
Grants Payable	-	763	-	-	763
Other Creditors	593	1,099	258	60	2,010
Accruals and deferred income	2,687	-	17	-	2,704
	3,280	2,645	275	60	6,260
Amounts falling due after one year:					
Church Commissioners Value					
Linked Loans	-	8,514	-	-	8,514
	-	8,514	-	-	8,514

Notes to the financial statements (continued)

17. Prior year comparatives (continued)

(g). Designated funds

	At 1 January 2018	Income*	Expenditure	Unrealised Gains/(Losses)	Transfers	At 31 December 2018
	£'000	£'000	£'000	£'000	£'000	£'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

(h). Restricted Funds

	At 1 January 2018	Income*	Expenditure	Unrealised Gains/(Losses)	Transfers	At 31 December 2018
	£'000	£'000	£'000	£'000	£'000	£'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

Notes to the financial statements (continued)**17. Prior year comparatives** (continued)**(i). 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

Custodian Trusts – Custodian Trustee Report and Non-Statutory Financial Statements for the year ended 31 December 2019

The following pages do not form part of the statutory financial statements of the London Diocesan Fund for the year ended 31 December 2019

Contents	Page
Report of the Custodian Trustee	60
Non-Statutory Financial Statements	61
Notes to the Custodian Trusts Financial Statements	62
Independent Auditors' Report to the Custodian Trustee of the Funds	65

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 2019.

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 some 117 separate trusts (120 in 2018). 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 £0.5m (2018: £0.6m)

Funds continue to be expended in line with the purposes for which they were intended, with £0.9m expended for charitable purposes during 2019 (2018: £1.9m). 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 2019 was £19.3m (2018: £17.4m). The increase of £1.9m from the prior year is mainly attributable to an increase in the market value of share funds.

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

13 May 2020

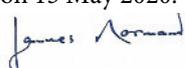
Non-Statutory Financial Statements of the Custodian Trusts
Statement of Financial Activities – for the year ended 31 December 2019

	Permanent Endowment Fund £m	Restricted Capital Fund £m	Restricted Unexpended Income £m	Total 2019 £m	Total 2018 £m
Income and endowments from:					
Investment income	-	-	0.1	0.1	0.2
Income direct to beneficiaries	-	-	0.4	0.4	0.4
Total income	-	-	0.5	0.5	0.6
Expenditure on:					
Income paid to beneficiaries	-	-	(0.4)	(0.4)	(0.4)
Objects of the trusts	(0.1)	(0.3)	(0.1)	(0.5)	(1.5)
Total expenditure	(0.1)	(0.3)	(0.5)	(0.9)	(1.9)
Net (expenditure) before investment gains	(0.1)	(0.3)	-	(0.4)	(1.3)
Net (losses)/gains on investment assets	2.1	0.2	(0.1)	2.2	(0.7)
Net (resources expended)/incoming resources for the year	2.0	(0.1)	(0.1)	1.8	(2.0)
Transfers between funds	(0.4)	0.4	-	-	-
Additional new resources	0.1	-	-	0.1	0.1
Net movement in funds for the year	1.7	0.3	(0.1)	1.9	(1.9)
Reconciliation of funds:					
Funds at 1 January 2019	13.8	2.6	1.0	17.4	19.3
Funds at 31 December 2019	15.5	2.9	0.9	19.3	17.4

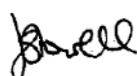
Custodian Trusts Balance Sheet – as at 31 December 2019

	Notes	Total 2019 £m	Total 2018 £m
Assets			
Fixed Asset Investments	2	18.3	16.5
Current Asset Investments	3	1.0	0.9
Net Assets		19.3	17.4
Funds			
Permanent Endowment	2	15.5	13.8
Restricted - Capital	2	2.9	2.6
Restricted – Unexpended Income	3	0.9	1.0
		19.3	17.4

The notes on pages 62 to 64 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 13 May 2020.



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 2019

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 117 trusts (120 in 2018).

The Balance Sheet as at 31 December 2019 has been prepared, together with a Statement of Financial Activities, which analyses the movement in funds. Comparative figures for 2018 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 2019	Additions	Disposals	Unrealised Gains/(Losses)	Other Asset/ Liability Movements and Transfers	31 December 2019
	£'000	£'000	£'000	£'000	£'000	£'000
Listed Investments	113	-	-	7	2	122
M&G Charifund	3,727	75	(140)	624	-	4,286
Investments held by CCLA:						
CBF Fixed Interest	156	-	(137)	-	-	19
CBF Investment Fund	7,944	82	(209)	1,449	(54)	9,212
CBF Property Fund	140	-	-	(4)	-	136
CBF Deposit Fund	1,785	340	(30)	-	(340)	1,755
Other Assets/(Liabilities)	1	-	-	-	-	1
	13,866	497	(516)	2,076	(392)	15,531

Fixed Asset Investments represented by Expendable Capital

M&G Charifund	228	-	-	38	-	266
Investments held by CCLA:						
CBF Fixed Interest	159	-	-	4	-	163
CBF Investment Fund	1,681	40	(297)	308	18	1,750
CBF Deposit Fund	527	-	(264)	-	341	604
	2,595	40	(561)	350	359	2,783
Total Fixed Assets	16,461	537	(1,077)	2,426	(33)	18,314

Notes to the Custodian Trusts Financial Statements (continued)

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

	1 January 2019 £'000	Additions £'000	Disposals £'000	Unrealised Gains/(Losses) £'000	Other Asset/ Liability Movements and Transfers £'000	31 December 2019 £'000
Listed Investments	4	-	-	-	(3)	1
M&G Charifund	50	1	(1)	-	-	50
Investments held by CCLA:						
CBF Investment Fund	141	5	-	27	4	177
CBF Deposit Fund	636	126	(134)	-	(3)	625
	831	132	(135)	27	(2)	853

Current Asset Investments represented by Unexpended Income from Expendable Capital Assets

	1 January 2019 £'000	Additions £'000	Disposals £'000	Unrealised Gains/(Losses) £'000	Other Asset/ Liability Movements and Transfers £'000	31 December 2019 £'000
Investments held by CCLA:						
CBF Investment Fund	47	-	-	9	-	56
CBF Deposit Fund	52	16	(15)	-	3	56
	99	16	(15)	9	3	112
Other Assets/(Liabilities)	3	-	-	-	2	5
Total Current Assets	933	148	(150)	36	3	970
TOTAL	17,394	685	(1,227)	2,462	(30)	19,284

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 2019 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 59, 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 2019 and of their incoming resources and application of resources for the year then ended.



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

13 May 2020

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