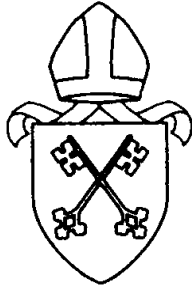


**Trustees'  
Report and  
Accounts  
31 December 2007**

**Voluntary Schools Fund of the  
Gloucester Diocesan Board of Education  
Bishop Headlam Fund**



## Contents

### trustees

Ven Hedley Ringrose (Chairman) †  
Philip Perks (Vice-Chairman) ‡  
Jo Grills †  
Marjory Entwistle ‡  
Janie Fentem ‡  
Revd John Holder ‡  
Revd Richard Mitchell ‡  
Tim Winder ‡  
Alison Lock Δ  
Revd Timothy Hastie-Smith ‡  
Revd Peggy Ludlow ‡  
Bob Pattenden ‡  
Dr Alison Primrose ‡  
Jennifer Bury ‡  
Anne Taylor ‡  
Jan Thompson ‡  
Peter Remmer Δ  
Steve Taylor Δ  
Revd David Francis ‡  
Martin Spoor Δ

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\* ex-officio  
† Bishop's nominee  
‡ elected  
Δ co-opted

### principal officers

Phil Metcalf – *Director and Secretary*  
Rob Stephens – *Buildings Advisor*  
Benjamin Preece Smith – *Director of Finance*

### Independent examiner

A T H Edwards - FCA  
Mazars LLP  
Clifton Down House  
Beaufort Buildings, Clifton Down  
Clifton, Bristol BS8 4AN

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### solicitor

Christopher Peak – *Registrar*  
Diocesan Registry  
34 Brunswick Road  
Gloucester GL1 1JJ

Voluntary Schools Fund of the Gloucester  
Diocesan Board of Education- Registered  
charity number 1043116

Bishop Headlam Fund - Registered charity  
number 1049016

### registered office

Church House  
College Green  
Gloucester GL1 2LY

### bankers

National Westminster Bank plc  
21 Eastgate Street  
Gloucester GL1 1NH

Barclays Bank PLC  
PO Box 288 Britannia Warehouse  
The Docks  
Gloucester  
GL1 2YJ

# Trustees' report

for the year ended 31 December 2007

## Principal activity

The principal objective of the Voluntary Schools Fund ("the VSF") is to make grants for projects in voluntary schools in the diocese, and to provide advice and guidance to schools in the Diocese. The VSF also acts as agents for school governors in planning build and repair contracts, and funds the projects pending receipt of grants from the Department for Education and Skills.

The Bishop Headlam Fund is for the provision or improvement of voluntary schools in the Diocese.

## Organisation

The VSF and the Bishop Headlam Fund are separate registered charities. However, the two charities are reported together as they have trustees in common and their respective objectives are so similar.

The governing instrument of the Voluntary Schools Fund is a resolution of the Gloucester Diocesan Board of Education adopted on 3 May 1994 made pursuant to sections 287(2) and 287(5) of the Education Act 1993.

The governing instrument of the Bishop Headlam Fund is a Charity Commission Scheme dated July 1986.

The sole trustee of both charities is the Gloucester Diocesan Board of Education, constituted according to the schedule to the Boards of Education Measure 1991. Its membership comprises:

- The Bishop of Gloucester, ex-officio
- Two Bishop's nominees, one of which must be a suffragan bishop or archdeacon
- No less than fourteen or more than eighteen members elected by Synod. Of these, at least two must be beneficed clergy, six must be lay persons and six must be members of Synod
- No less than four or more than eight members co-opted by the Board

Elections, nominations and co-options take place every three years. The current triennium will run until December 2007.

The doubt over the legality of governing instruments was finally clarified with the Charity Commission in March 2005, and the charities name, the Voluntary Schools Fund of Gloucester Diocesan Council of Education, was amended to the Voluntary Schools Fund of Gloucester Diocesan Board of Education in conjunction with the conclusions of the Charity Commission.

The work of the charities is discharged through staff employed by the Gloucester Diocesan Board of Finance ("GDBF"), who are funded in whole or in part by the charities by means of grants.

## Review of activities and achievements

The new shared Catholic/C of E secondary school in Cheltenham on the old St Benedict's Catholic sports college site opened as Christ College in September 2007. The VSF also supported the Chaplaincy needs of the two new secondary schools by making grants to both Christ College and Bishops' College.

The Buildings department coordinated around £2.3 million worth of capital building improvements on many of our 43 C of E aided primary schools. This included the building of a new hall at both St Andrew's Chedworth and Woodchester. In addition a 2 million refurbishment project was commenced at St David's Moreton, due to the severe flood damage that occurred in July. Until the project is complete the entire school is housed in temporary accommodation. The sale of Twigworth C of E Primary School went through in July, with the asset returning to the DBE as trustees once the issue of dilapidations is resolved. The DBE will then consider how to make best use of the asset.

30 C of E primary schools underwent inspections in the programme Statutory Inspection of Anglican Schools (SIAS). This was an increased number over the previous year's inspections. We are very grateful to our team of SIAS inspectors who are rated very highly by schools when they fill out their SIAS evaluation forms.

The REsource Centre continued to expand; introducing three new publications (Exploring Holy Communion in Primary Schools, Experience Christmas, and Resourcing Christmas). In 2007 there was 16,720 loans by the REsource Centre to 570 various users.

### **Financial resources**

Income levels are down by 16.5% compared with last year. Overall the VSF funds made a loss of £77k, whilst the Bishop Headlam fund made a surplus of £110k, leading to an overall surplus of £33k. The loss in the VSF funds was in part due to a loss being made on the VSF capital funds investment assets.

The Balance sheet continues to have large cash at bank (£2.1m) and Creditor (£2m) figures, due the DFC Direct system. In both cases just over £1m relates to the three instalments from the DFC direct for the year, less payments already made. Unfortunately Debtors increased from £827k to £903k, instead of dropping as was expected. This rise in Debtors highlights potential problems with cash flow should the need to repay all the Funds Creditors. The trustees are aware of this, and are actively looking at selling or reinvesting investment assets, in order to maintain an adequate source of liquid assets.

Despite a poor return on investment (increase of £17.5k), funds still stand at a total of £6.4m. The trustees consider that these are sufficient to allow the charities to continue the present level of activity, and to allow for investment in a new school should the opportunity arise.

### **Internal controls**

The trustee has overall responsibility for the charities' system of internal financial control. The day to day safeguarding of the charities' assets and the making of transactions is carried out on behalf of the charities by the GDBF. The trustees therefore rely on the system of internal control employed by the GDBF. The monitoring and review of this system is undertaken on behalf of the GDBF by its Audit Committee. The controls include documented procedures and a system of delegation of authority throughout the organisation. The Audit Committee recently completed a review of the system as part of its risk management exercise. A continuous process of monitoring and improvement is maintained. However, the system can provide only a reasonable assurance against significant errors or fraud.

### **Risk management**

The trustees are conscious of their responsibilities to evaluate and monitor the risks to which the charities are exposed, and a continuous review of risks is undertaken by staff. The trustees review the documented result of this review in each forthcoming year.

### **Reserves policy**

The Voluntary Schools Fund capital account is derived from the sale of closed schools. It generates an income and is used for the provision and improvement of church schools. The support offered to voluntary aided school governors depends on the size and number of projects. Consequently, no specific reserve level has been set for the capital fund.

The Voluntary Schools Fund income account represents accumulated income that has not been spent. However, the level of grants and expenditure on management expenses now made from the fund absorb most of the income so that further accumulation of income is limited. Because the accumulated reserve is needed to help generate the income needed to maintain the current level of activity, policy is to maintain the current reserve level and only allow such accumulation of income as is needed to maintain the real value of the reserve.

The Bishop Headlam Fund is retained entirely to contribute to the costs of a new aided secondary school. Once the costs involved in this project are known, this policy will be reviewed.

### **Investment policy & performance**

The Assets Committee of the Gloucester Diocesan Board of Finance manages the investments of the charities. In accordance with the Trustee Act 2000, this relationship is formalised in a management agreement that stipulates that the management of the charities' investments shall be exercised in accordance with a policy statement that sets out three main objectives:

- To produce sufficient income for the fund's budgeted expenditure whilst at least preserving the real value of the underlying investments
- To maintain sufficient liquidity for the funding of capital projects in schools
- To hold capital funds in investments which may be liquidated in a planned manner over a period of no more than 18 months

All non-cash investments are made in CBF Funds, which are common investment funds managed by CCLA Investment Management Limited. Performance during the year was satisfactory in relation to market trends. Capital growth of 12.5% and an income yield of 3.3% were achieved on the Voluntary Schools Fund, and capital growth of 9.4% and an income yield of 3.4% on the Bishop Headlam Fund. The differences in performance are accounted for by the holding of different mixes of investment, as the funds have different investment objectives. From May 2003, all investment income from the Bishop Headlam Fund has been transferred to a cash investment, to yield a higher amount of interest. This accounts for the low income yield on the Bishop Headlam Fund.

**Trustees' responsibilities in respect of the financial statements**

The trustees are required by charity law to prepare financial statements, based on applicable accounting standards, which give a true and fair view of the state of affairs of the charities as at the end of the financial year and of the result for the year and which comply with the Charities Act 1993.

The trustees ensure that, in preparing the financial statements, suitable accounting policies have been used and applied consistently, and reasonable and prudent judgments and estimates have been made. The trustees have a reasonable expectation that the charities have adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the accounts.

The trustees are also responsible for ensuring that adequate systems of internal control are in operation, for maintaining adequate accounting records, for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities.

**Independent Examiners**

Mr A T H Edwards has expressed his willingness to continue to act as independent examiner to the trustees.

Signed on behalf of the trustees

Ven Hedley Ringrose  
Chairman

# Independent Examiner's Report

for the year ended 31 December 2007

## Independent Examiner's report to the trustees of the Voluntary Schools Fund & Bishop Hedlam Fund

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I report on the financial statements of the Trust for the year ended 2007, which comprise the Statement of Financial Activities, the Balance Sheet and related notes.

This report is made solely to the trustee in accordance with sections 43 & 44 of the Charities Act 1993. My work has been undertaken so that I might state to the charity's trustee those matters I am required to state to them in an independent examiner's report and for no other purpose. To the fullest extent permitted by law, I do not accept or assume responsibility to anyone other than the charity and the charity's trustee for my examination work, for this report, or for the opinions I have formed.

### Respective responsibilities of charity trustee and examiner

The charity's trustee is responsible for the preparation of the financial statements. The charity's trustee considers that an audit is not required for this year (under section 43(2) of the Charities Act 1993 (the 1993 Act)) and that an independent examination is needed.

It is my responsibility:

- To examine the financial statements (under section 43(3)(a) of the 1993 Act);
- To follow the procedures laid down in the General Directions given by the Charity Commissioners (under section 43(7)(b) of the 1993 Act); and
- To state whether particular matters have come to my attention.

### Basis of independent examiner's report

My examination was carried out in accordance with the General Directions given by the Charity Commissioners. An examination includes a review of the accounting records kept by the charity and a comparison of the financial statements presented with those records. It also includes a consideration of any unusual items or disclosures in the financial statements, and seeking explanations from you as trustee concerning any such matters. The procedures undertaken do not provide all the evidence that would be required in an audit, and consequently I do not express an audit opinion on the view given by the financial statements.

### Independent examiner's statement

In connection with my examination, no matter has come to my attention:

- (1) which gives me reasonable cause to believe that in any material respect the requirements
- To keep accounting records in accordance with section 41 of the 1993 Act; and
  - To prepare financial statements which accord with the accounting records and comply with the accounting requirements of the 1993 Act
- have not been met; or
- (2) to which, in my opinion, attention should be drawn in order to enable a proper understanding of the accounts to be reached.

**A T H Edwards - FCA**  
**Chartered Accountant**

**Mazars LLP**  
CHARTERED ACCOUNTANTS  
and Registered Auditors  
Clifton Down House  
Beaufort Buildings  
Clifton Down  
Clifton  
Bristol BS8 4AN

## Accounting policies

These financial statements have been prepared in accordance with the Statement of Recommended Practice (SORP) "Accounting and Reporting by Charities" issued in March 2005, and applicable Accounting Standards in the United Kingdom. The principal accounting policies adopted are as follows:

### *a* Accounting convention

The financial statements are prepared under the historical cost convention, modified to include the revaluation of investments.

The trustees have decided not to prepare a voluntary cash flow statement as they do not consider that this would serve any useful purpose.

### *b* Closed schools

Closed schools entering the Fund are recognised at the time the relevant order made under section 554 of the Education Act 1996 comes into force, or in the case of schools vested in the Trustee by an order made under section 86 of the Education Act 1944 or section 2 of the Education Act 1973, when the school closes. The incoming resource is shown in the Statement of Financial Activities at valuation on the same basis as that on which properties are included in the balance sheet.

### *c* Investment income

This is included in the financial statements when received.

### *d* Grants

Grants are made towards projects in voluntary schools and also for the provision of advice and guidance to schools.

### *e* Freehold properties

Freehold properties held for the direct charitable purposes of the Voluntary Schools Fund are classified as tangible fixed assets. These include properties let to the Gloucestershire County Council for use as schools. These are included at a carrying value determined by the Trustees in 1997 based on the generated income stream. The transitional arrangements allowed under Financial Reporting Standard 15 "Tangible Fixed Assets" (FRS15) have been followed, and no periodic valuations are carried out.

Properties held as investments are stated at valuation. The valuation is carried out by the Trustees with the assistance of independent professional advice as required. The original valuation was made in May 1995 and has been reviewed by the Trustees at the balance sheet date.

### *f* Depreciation

No depreciation is provided on investment properties in accordance with Statement of Standard Accounting Practice number 19 (SSAP19). Depreciation has not been provided on properties classified as tangible fixed assets. The Trustees consider that their remaining useful life is so long, and their residual value remains so high, that any depreciation would not be material. An impairment review is carried out by the Trustees at each balance sheet date, and any permanent diminution in value is provided for.

### *g* Investments

All investments are classified as fixed assets, and are stated at valuation. For shares in Central Board of Finance of the Church of England managed funds this is the bid price ruling at the balance sheet date. For investments listed on the stock exchange, the mid-price at close of business of the last working day of the year is used.

Changes in the value of investments are shown in the Statement of Financial Activities as unrealised gain and losses.

### *h* Insurance

The arrangements under Financial Reporting Standard 12 "Provisions, Contingent Liabilities and Contingent Assets" (FRS12) have been followed, allowing the insurance receipts to be regarded as reimbursements, so that they can be offset against the related expenditure charged in the statement of financial activities.

# Statement of financial activities

for the year ended 31 December 2007

	Notes	VSF capital fund £	VSF income fund £	Bishop Headlam Fund £	<b>Total 2007 £</b>	<i>Total 2006 £</i>
<b>Incoming resources</b>						
Rents		-	42,388	-	<b>42,388</b>	29,370
Investment income		-	127,984	68,416	<b>196,400</b>	199,035
Other		-	27,419	-	<b>27,419</b>	16
Total incoming resources		-	197,791	68,416	<b>266,207</b>	228,421
<b>Resources expended</b>						
Charitable expenditure:						
grants payable -						
school premises	1	21,071	-	-	<b>21,071</b>	20,063
advice & guidance to schools	2	-	110,807	-	<b>110,807</b>	104,566
Chaplaincy grants		-	20,000	-	<b>20,000</b>	-
costs re closed schools	3	-	2,316	-	<b>2,316</b>	1,799
management & administration	4	-	95,511	1,028	<b>96,539</b>	77,488
Sundry expenses		-	-	-	-	6
Total resources expended		21,071	228,634	1,028	<b>250,733</b>	203,922
<b>Net (outgoing)/incoming resources</b>		(21,071)	(30,843)	67,388	<b>15,474</b>	24,499
Unrealised gains/(losses) on investment assets	6	(38,861)	13,465	42,944	<b>17,548</b>	493,725
Net movement in funds		(59,932)	(17,378)	110,332	<b>33,022</b>	518,224
Funds brought forward at 01.01.07		2,875,498	1,589,766	1,918,139	<b>6,383,403</b>	5,865,179
Funds carried forward at 31.12.07	10	2,815,566	1,572,388	2,028,471	<b>6,416,425</b>	6,383,403

# Balance sheet

at 31 December 2007

	Notes	Total 2007 £	Total 2006 £
<b>Fixed assets</b>			
Tangible assets	5	312,575	312,575
Investments	6	5,052,612	5,002,129
		<b>5,365,187</b>	<b>5,314,704</b>
<b>Current assets</b>			
Debtors: amounts falling due after more than 1 year	7	-	-
Debtors: amounts falling due within 1 year	7	903,257	827,183
Cash at bank and in hand		2,142,778	1,859,244
		<b>3,046,035</b>	<b>2,686,427</b>
<b>Creditors</b>			
Amounts falling due within 1 year	8	(1,994,797)	(1,617,728)
<b>Net current assets</b>		<b>1,051,238</b>	<b>1,068,699</b>
<b>Total assets less current liabilities</b>		<b>6,416,425</b>	<b>6,383,403</b>
<b>Net assets</b>		<b>6,416,425</b>	<b>6,383,403</b>
<b>Reserves</b>			
VSF Capital	10	2,815,566	2,875,498
VSF Income	10	1,572,388	1,589,766
Bishop Headlam Fund	10	2,028,471	1,918,139
		<b>6,416,425</b>	<b>6,383,403</b>

The accounts on pages 6 to 12 were approved by the trustees and are signed on their behalf by

Ven Hedley Ringrose  
Chairman

# Notes to the accounts

at 31 December 2007

	<b>Total 2007</b>	<i>Total 2006</i>
	£	£
<b>1 Grants for school projects</b>		
<i>Grants over £1,000 were made for capital projects to the Governors of the following schools:</i>		
Woodchester	<b>14,828</b>	-
Horsley	<b>5,998</b>	1,059
Hillesley	-	7,200
Brimscombe	-	3,300
Winchcombe	-	2,852
Cheltenham, Christchurch	-	1,039
Grants below £1,000	<b>245</b>	4,613
<b>Total</b>	<b>21,071</b>	<b>20,063</b>

	<b>2007</b>	<i>2006</i>
	£	£
<b>2 Advice &amp; guidance to schools</b>		
<i>The following grants were made to the Gloucester Diocesan Board of Finance to fund posts which provide advice and guidance to schools as follows:</i>		
Director of Education	24,586	23,744
RE Resource staff	20,944	19,002
Advisors and administrative support staff	65,277	61,820
	<b>110,807</b>	<b>104,566</b>

	<b>2007</b>	<i>2006</i>
	£	£
<b>3 Costs re closed schools</b>		
Insurance	<b>2,316</b>	1,799

	<b>2007</b>	<i>2006</i>
	£	£
<b>4 Management and administration</b>		
Management charge for Buildings Advisor and support staff	46,517	41,923
Management charge for administration	45,183	25,251
Audit fee	1,583	1,745
Legal and professional fees	1,028	7,476
Honorarium	2,228	1,093
	<b>96,539</b>	<b>77,488</b>

The management charges are paid to the Gloucester Diocesan Board of Finance (GDBF), which employs the Buildings Advisor and his administrative support staff, and which provides office services to the charity.

No remuneration or expenses were paid by the Fund to any of the trustees.

## Notes to the accounts

at 31 December 2007

	Freehold property £	2007 £	2006 £
<b>5 Tangible fixed assets</b>			
<i>Cost or valuation:</i>			
At 1 January 2007	312,575	<b>312,575</b>	312,575
Additions	-	-	-
At 31 December 2007	<b>312,575</b>	<b>312,575</b>	312,575
<i>Net book value:</i>			
At 1 January 2007	312,575	<b>312,575</b>	312,575
Additions	-	-	-
At 31 December 2007	<b>312,575</b>	<b>312,575</b>	312,575

	Investment properties £	Investments £	2007 Total £	2006 Total £
<b>6 Fixed asset investments</b>				
Market value at 1 January 2007	159,924	4,842,205	<b>5,002,129</b>	4,448,217
Additions	-	32,935	<b>32,935</b>	60,187
Disposals	-	-	-	-
Unrealised investment gains	-	17,548	<b>17,548</b>	493,725
Market value at 31 December 2007	<b>159,924</b>	<b>4,892,688</b>	<b>5,052,612</b>	5,002,129

	Due within 1 year		Due after 1 year	
	2007 £	2006 £	2007 £	2006 £
<b>7 Debtors</b>				
Due from the DFES	596,419	575,019	-	-
Due from school Governing Bodies	300,855	210,499	-	-
Loans to Governing Bodies	-	43,242	-	40,092
Other	5,983	1,573	-	-
	<b>903,257</b>	<b>827,183</b>	-	40,092

	2007 £	2006 £
<b>8 Creditors</b>		
School sale proceeds awaiting disbursement	<b>409,498</b>	388,331
Governors' deposits	<b>7,705</b>	7,705
DFC Direct	<b>1,457,213</b>	1,141,860
Other	<b>120,381</b>	79,832
	<b>1,994,797</b>	1,617,728

All creditors are due within one year of the balance sheet date.

## 9 Connected charities

The charitable objectives of the Fund are pursued in co-operation with the Gloucester Diocesan Board of Finance (GDBF), a registered charity which acts as the financial executive to the Gloucester Diocesan Synod. The GDBF funds the activities of the Gloucester Diocesan Board of Education, which provides education services to schools in the Diocese. The Fund makes grants to the GDBF to fund posts which are to provide assistance to church schools in the Diocese with buildings and to provide advice on the RE curriculum and assist with inspections. The GDBF also provides accounting and administration services to the Fund for which a management charge is made.

Details of the grants made in the year are shown in notes 1 and 2 above.

The Fund finances build and repair contracts on behalf of school governors. In so doing, the Fund acts as agent of the school governors, and the financing is therefore not included in the Fund's financial statements. Acting in this capacity, the Fund made payments during the year to contractors on behalf of aided schools in respect of capital and repair projects of £2,059k. Against this the Fund recovered grants from the DfES of £1,212k and contributions from school governors of £181k. The balance is accounted for by grants made by the Fund as detailed in note 1 above totalling £21k.

## 10 Analysis of net assets by fund

*Fund balances at 31 December 2007 are represented by:*

	VSF capital fund £	VSF income fund £	Bishop Headlam Fund £	Total 2007 £
Tangible fixed assets	312,575	-	-	312,575
Fixed asset investments	2,679,134	616,734	1,756,744	5,052,612
Debtors	-	903,257	-	903,257
Cash	-	1,869,941	272,837	2,142,778
Creditors	-	(1,994,797)	-	(1,994,797)
Inter-fund indebtedness	(176,143)	177,253	(1,110)	-
Total	2,815,566	1,572,388	2,028,471	6,416,425

*Unrealised gains included above:*

On investments	1,167,847	396,131	1,109,198	2,673,176
On investment properties	19,625	-	-	19,625
	1,187,472	396,131	1,109,198	2,692,801

*Reconciliation of movements in unrealised gains on investments:*

Unrealised gains at 1 January 2007	1,226,333	382,666	1,066,254	2,675,253
Add net gain on revaluation in year	(38,861)	13,465	42,944	17,548
Unrealised gains at 31 December 2007	1,187,472	396,131	1,109,198	2,692,801

Inter-fund indebtedness arises as a result of transactions being effected through the VSF Income Fund that relate to other funds. The indebtedness is cleared periodically by transferring assets between funds.

The Voluntary Schools Fund is a uniform statutory trust for educational purposes established under the Education Act 1993, and represents the consolidation of educational trusts relating to closed church schools in the Diocese of Gloucester. The purposes to which the capital and income of the Fund may be applied are set out in schedule 17 of the Education Act 1993. These are broadly as follows:

**INCOME:** provision of advice and guidance, inspection services and employment of staff to administer the Fund

**CAPITAL AND INCOME:** erection, improvement and maintenance of relevant schools and teachers' houses.

The Bishop Headlam Fund originated from an appeal launched by Bishop Headlam in 1937 to build new secondary schools. The purposes to which it may be applied were widened by a Charity Commission scheme in 1986, and now broadly correspond to those specified above for the capital and income of the Voluntary Schools Fund, but excluding maintenance.

## **11 Contingent asset**

The fund holds the residual sale proceeds, after making the agreed contribution to the new school, of the old school at Wotton-under-Edge. The destination of this money is awaiting determination by the Charity Commission, and there is a possibility that the fund may benefit from part or all of this money. The Trustees consider that the outcome of the determination is sufficiently uncertain not to recognise these funds as income. The total amount being held is £240k and an equivalent liability is included in the balance sheet under creditors due within 1 year.