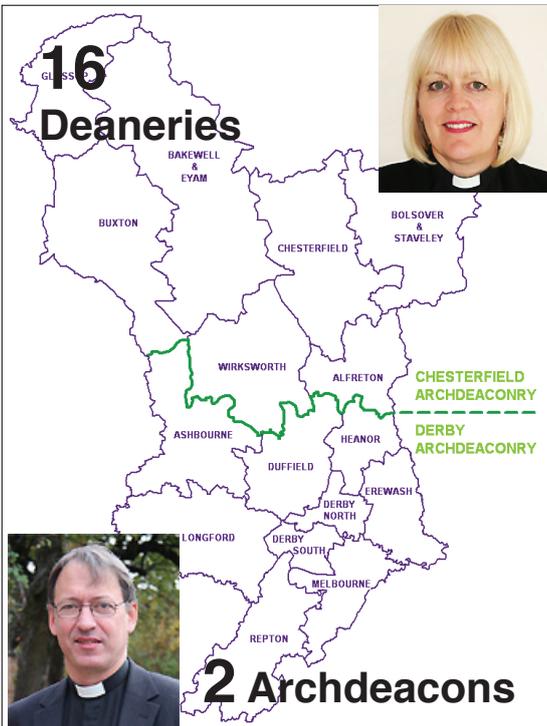


# Diocese of Derby Annual Report & Financial Statements 2013



More than  
**16,500**

people worshipping in  
our churches each week



# THE DERBY DIOCESAN BOARD OF FINANCE LIMITED

## ANNUAL REPORT & FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31st DECEMBER 2013

The trustees, who are also directors for the purposes of company law, present their combined trustees' report and directors' report, together with the audited financial statements, for the year ended 31st December 2013.

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# THE DERBY DIOCESAN BOARD OF FINANCE LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS  
31st DECEMBER 2013

## DEPUTY CHAIR'S FOREWORD

2013 was the start of a period of transition for the Board of Finance as new governance structures were introduced and embraced following a review of our structures.

In terms of the operating position, the board recorded a deficit of £174,000, some £89,000 better than the budgeted shortfall for the year. The value of the board's financial investment assets increased by £2.7 million.

The main source of the Board's incoming resources is the Common fund (Parish Share), which after a considerable effort from the leadership team attained 91.3% of budget and the Board extends its grateful thanks to all those who worked so hard to recover the position to that of the previous year, despite the challenging economic climate.

A key challenge is how to improve the overall level of Common fund contributions moving forward in the hope that the shortfall of circa £425,000 in 2013 is reduced. This along with working with PCC's in a more proactive manner is essential as we all work together to further Gods kingdom in the Diocese.

On behalf of the board, I would like to thank colleagues at Church House along with clergy, churchwardens and PCC's for their work during the year. The Board exists to serve them and in turn greatly appreciates their support.



**Mr Mark Titterton**  
**Deputy Chair of the Board of Finance**

**3<sup>rd</sup> April 2014**

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# THE DERBY DIOCESAN BOARD OF FINANCE LIMITED

## ANNUAL REPORT FOR THE YEAR ENDED 31<sup>ST</sup> DECEMBER 2013

### I. REFERENCE AND ADMINISTRATIVE DETAILS OF THE DIOCESE OF DERBY

The Derby Diocesan Board of Finance Limited is a Charitable Trust Company Limited by Guarantee and not having a share capital.

(Company No 229700 England, Registered Charity No 249767)

### FROM 9<sup>TH</sup> NOVEMBER 2013, MEMBERSHIP OF THE BOARD CONSISTS OF THE MEMBERS OF THE DERBY DIOCESAN SYNOD

|                          |  |
|--------------------------|--|
| <b>PRESIDENT</b>         | The Bishop of Derby<br>The Rt Revd Dr Alastair Redfern |
| <b>REGISTERED OFFICE</b> | Church House, Full Street, Derby DE1 3DR               |
| <b>Telephone</b>         | Derby 01332 388650                                     |

For a list of direct dial telephone extensions see the website or the Diocesan Directory.

|                |                            |
|----------------|----------------------------|
| <b>Email</b>   | finance@derby.anglican.org |
| <b>Website</b> | www.derby.anglican.org     |

### BISHOP'S COUNCIL AND STANDING COMMITTEE OF THE DIOCESAN SYNOD (BEING THE FINANCIAL EXECUTIVE OF THE DIOCESAN SYNOD AND THE BOARD OF DIRECTORS OF THE BOARD OF FINANCE FROM 9<sup>TH</sup> NOVEMBER 2013)

In accordance with the Companies Act 2006 and the Statement of Recommended Practice "Accounting and Reporting by Charities" issued in March 2005 (SORP 2005), the trustees (for the purposes of charity law) and directors (for the purposes of company law) during the year and as at the date of signing were as follows:

#### EX-OFFICIO

|   |   |
|---|---|
| The Right Reverend the Lord Bishop of Derby                               | Chair from 4 <sup>th</sup> February to 5 <sup>th</sup> September 2013<br>and from 9 <sup>th</sup> November 2013<br>from 9 <sup>th</sup> November 2013 |
| The Right Reverend the Lord Bishop of Repton                              |   |
| The Venerable the Archdeacon of Chesterfield                              |   |
| The Venerable the Archdeacon of Derby                                     |   |
| The Very Revd the Dean of Derby   | from 9 <sup>th</sup> November 2013  |
| The Chair of the House of Clergy of the Diocesan Synod – The Revd P Davey | from 9 <sup>th</sup> November 2013  |
| The Chair of the House of Laity of the Diocesan Synod – Mrs C McMullen    | from 9 <sup>th</sup> November 2013  |
| The Deputy Chair of the Diocesan Board of Finance - Mr M Titterton        |   |
| Board Member  | from 30 <sup>th</sup> May 2013  |
| Chair of the Diocesan Board of Finance                                    | from 5 <sup>th</sup> September to 9 <sup>th</sup> November 2013   |
| Deputy Chair of the Diocesan Board of Finance                             | from 9 <sup>th</sup> November 2013  |
| The Chair of the Diocesan Mission and Pastoral Committee +                | from 9 <sup>th</sup> November 2013  |
| The Chair of the Diocesan Board of Education +                            | from 9 <sup>th</sup> November 2013  |

+ The Right Reverend the Lord Bishop of Repton

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## THE DERBY DIOCESAN BOARD OF FINANCE LIMITED

### FROM 9<sup>th</sup> NOVEMBER, ELECTED BY THE DERBY DIOCESAN SYNOD

Two clergy members from each Archdeaconry and nine lay members, at least three from each Archdeaconry

#### CLERGY (4)

##### Chesterfield Archdeaconry (2)

The Revd K Ball  
The Revd J Hudghton

##### Derby Archdeaconry (2)

The Revd A Dring  
The Revd P Taylor

#### LAITY (9)

##### Chesterfield Archdeaconry (at least 3)

Mr P Collard (General Synod)  
Mr J Cooper (from 15<sup>th</sup> April 2013) and  
Diocesan Treasurer (from 30<sup>th</sup> May 2013)  
Canon D B Iliffe

##### Derby Archdeaconry (at least 3)

Mrs M Goddard (General Synod)  
Mr K Jeffrey  
Mr P F Vincent

### MEMBERS OF THE BOARD OF FINANCE (TRUSTEES) PRIOR TO 9<sup>th</sup> NOVEMBER:

Those marked \* were members of the Executive Council and Directors of the Company until 15<sup>th</sup> April.

#### EX-OFFICIO

The Right Reverend the Lord Bishop of Derby\*  
The Right Reverend the Lord Bishop of Repton  
The Venerable the Archdeacon of Chesterfield\*  
The Venerable the Archdeacon of Derby.\*

#### NOMINATED BY THE BISHOP

The Chair of the Board of Finance – Mr B Dollamore\* to 3<sup>rd</sup> February 2013  
Mr M Titterton from 5<sup>th</sup> September 2013

#### CO-OPTED TO THE BOARD

Mr R H Powell\* (Diocesan Treasurer) to 15<sup>th</sup> April 2013

### ELECTED BY DIOCESAN SYNOD (2 Clerical and 1 Lay Vacancy), Mr G Kirkbride

#### ELECTED BY DEANERY SYNODS

##### Deanery

Alfreton  
Bakewell/Eyam  
Bolsover/Staveley  
Buxton  
Chesterfield  
Glossop  
Wirksworth  
Ashbourne  
Derby North

##### Clerical

The Revd M Jacques  
The Revd C A Thrower  
The Revd D B Cooke  
(Vacancy)  
The Revd M Barnes  
(Vacancy)  
The Revd Canon D Truby\*  
The Revd P Taylor\*  
The Revd Canon E Jones

##### Lay

Mr E W Latham\*  
Mr J Cooper  
Mr J Whybrow  
Mr P Leyland  
Mr P Lord  
Mr P Collard  
(Vacancy)  
Mr PJ Phillips  
Mr P J Saville\* (to 5<sup>th</sup> February 2013)  
Mr M Titterton (from 30<sup>th</sup> May 2013)  
Mr B Daykin  
Mr K Jeffery  
Mrs J Walker\*  
Mrs J Wilkinson  
Mr B Druce  
Mr N Cork  
Mr M John

Derby South  
Duffield  
Heanor  
Erewash  
Longford  
Melbourne  
Repton

The Revd P Walley  
(Vacancy)  
(Vacancy)  
The Revd P Davey  
(Vacancy)  
(Vacancy)  
The Revd M M Mookerji

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# **THE DERBY DIOCESAN BOARD OF FINANCE LIMITED**

## **PRINCIPAL OFFICERS AND ADVISORS**

Diocesan Secretary

Mr R J Carey (to 25<sup>th</sup> January 2013)  
Mrs M A Cole (from 1st September 2013)

Diocesan Registrar, Bishop's Legal Secretary  
& Legal Adviser to the Board of Finance

Mrs N Waldron BA TEP

Acting Diocesan Secretary

Mr N G F Sherratt  
(25<sup>th</sup> January to 31<sup>st</sup> August)

## **BANKERS**

National Westminster Bank  
7 Market Place, Derby

## **INVESTMENT ADVISORS**

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

## **SOLICITORS**

Eddowes Waldron Solicitors  
12 St Peter's Churchyard, Derby

## **SURVEYORS** (to Parsonages Committee)

Sir William Baird and Partners  
St Michael's House, Queen Street, Derby

## **SURVEYORS** (to Parsonages Committee)

Barlow and Associates Ltd  
7 Vernon Street, Derby

## **INSURERS**

Ecclesiastical Insurance Group,  
Gloucester

## **LAND AGENTS**

Smiths Gore  
2-3 Sherbrook House, Swan Mews, Lichfield

## **MINERAL SURVEYORS**

Coke Turner & Co  
The Millyard, Rowsley, Matlock

## **AUDITORS**

Mazars LLP  
Chartered Accountants & Registered Auditors  
Cartwright House, Tottle Road, Nottingham

## **THE DERBY DIOCESAN BOARD OF FINANCE LIMITED**

### **2. PUBLIC BENEFIT**

The Directors of the Derby Diocesan Board of Finance (DBF) are aware of the Charity Commission's guidance on public benefit in The Advancement of Religion for the Public Benefit and have had regard to it in their administration of the DBF.

The Directors believe that, by promoting the work of the Church of England in the Diocese of Derby, it helps to promote the whole mission of the Church (pastoral, evangelistic, social and ecumenical) more effectively, both in the Diocese as a whole and in its individual parishes, and that in doing so it provides a benefit to the public by:

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

### **3. SUMMARY INFORMATION ABOUT THE STRUCTURE OF THE CHURCH OF ENGLAND**

The Church of England is organised as two provinces, each led by an archbishop (Canterbury for the Southern Province and York for the Northern). Each province comprises dioceses of which there are 43 in total.

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

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

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

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

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

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

The Church Commissioners manage the historic assets of the Church of England, spending most of their income on pensions for the clergy. The costs of episcopal administration through the diocesan and suffragan bishops are met by the Church Commissioners.

The Church of England Pensions Board was established by the Church Assembly in 1926 as the Church of England's pension's authority to administer the pension scheme for the clergy.

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## **THE DERBY DIOCESAN BOARD OF FINANCE LIMITED**

Subsequently it has been given wider powers, in respect of discretionary benefits and accommodation both for those retired from stipendiary ministry and for widow(er)s of those who have served in that ministry, and to administer pension schemes for lay employees of Church organisations.

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

### **Derby Cathedral**

The cathedral church is legally constituted as a separate charity currently exempt from Charity Commission registration and supervision. Copies of its annual report and financial statements may be obtained from the Cathedral Administrator, Derby Cathedral Office, Cathedral Centre, 18-19 Iron Gate, Derby DE1 3GP.

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

## **THE DIOCESE OF DERBY**

### **Diocesan Synod**

The statutory governing body of the Diocese is the Diocesan Synod which is elected with representation across the Diocese with broadly equal numbers of clergy and lay people meeting together in Diocesan Synod with the diocesan bishop, the suffragan bishop and archdeacons.

Its role is to:

- consider matters affecting the Church of England in the Diocese;
- act as a forum for debate of Christian opinion on matters of religious or public interest;
- advise the Bishop where requested;
- deal with matters referred by General Synod; and
- provide for the financing of the Diocese.

### **Deanery Synods**

Deanery Synods have two houses, laity and clergy, and their role is to:

- respond to requests from General Synod;
- give effect to the decisions made by the Diocesan Synod;
- consider matters affecting the Church of England by drawing together the views of the parishes within the deanery;
- act as a channel of communication to express the views of parishes to Diocesan Synod and thence to General Synod;
- raise with Diocesan Synod such matters as it considers appropriate; and
- elect members of the deanery to the Diocesan Synod and in respect of the House of Laity elect lay members of the Diocese to General Synod.

### **The Bishop's Council (and Standing Committee of the Diocesan Synod)**

Under the constitution of the Diocesan Synod, Bishop's Council has the following functions:

- to plan the business of the Synod, to prepare the agenda for its sessions and to circulate to members information about matters for discussion;
- to initiate proposals for action by the Synod and to advise it on matters on policy which are placed before it;
- to advise the President, being the Diocesan Bishop, on any matters which he may refer to the Committee;

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## **THE DERBY DIOCESAN BOARD OF FINANCE LIMITED**

- subject to the directions of the Synod, to transact the business of the Synod when the Synod is not in session;
- to appoint members of committees or nominate individuals for election to committees, subject to the directions of the Synod; and
- to carry out such functions as the Synod may delegate to it.

### **Parochial Church Council (PCC)**

The PCC is the elected governing body of an individual parish which broadly is the smallest pastoral area in the Church of England. Typically each parish has one parish church. The PCC is made up of the vicar (or rector) as chair, the churchwardens and a number of elected and ex-officio members. Each PCC is a charity, and is currently excepted from registration with the Charity Commission, subject to the Charities Act 2006, under which those PCCs with gross income over £100,000 for the year are required to register. Except where shown, the transactions of PCCs do not form part of these financial statements. Financial statements of an individual PCC are prepared by the relevant PCC treasurer.

### **Parishes and Benefices**

A benefice is a parish or group of parishes served by an incumbent who typically receives a stipend and the benefit of free occupation and use of a parsonage house from the Diocese for carrying out spiritual duties.

### **Deanery and Archdeaconry**

A deanery is a group of parishes over which a Rural Dean has oversight and an archdeaconry is a group of deaneries for which an Archdeacon is responsible.

The Diocese is then the principal pastoral and in turn financial and administrative resource of the Church of England, encompassing the various archdeaconries under the spiritual leadership of the Diocesan Bishop.

## **4. STRUCTURE, GOVERNANCE AND MANAGEMENT**

The Diocese of Derby is one of 43 administrative units of the Church of England, covering the whole of Derbyshire and a few parishes on the fringes of the county in Staffordshire. It is administered through the Derby Diocesan Board of Finance Limited (the Board of Finance), a charitable trust company limited by guarantee.

The Diocese is arranged as two archdeaconries, Chesterfield covering the north part with seven deaneries and Derby the south with nine deaneries. In total there are some 255 parishes.

### **DIOCESAN GOVERNANCE**

Diocesan governance is by Diocesan Synod which is an elected body with representation from all parts of the Diocese. Membership consists of ex-officio members, including the Bishops and Archdeacons, clergy members elected by the houses of clergy in Deanery Synods, lay persons elected by the houses of laity in Deanery Synods. The standing committees have the right to nominate persons for co-option by the House of Clergy or the House of Laity or otherwise to determine who else may nominate such persons but in other respects the procedure for co-opting members shall be determined by the respective houses. The Diocesan Synod usually meets three to four times a year.

Many of Diocesan Synod's responsibilities have been delegated to Bishop's Council as the Standing Committee of Diocesan Synod.

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# **THE DERBY DIOCESAN BOARD OF FINANCE LIMITED**

## **COMPANY STATUS**

The company, Derby Diocesan Board of Finance Limited, was formed to manage the financial affairs and hold the assets of the Diocese. It was incorporated on 16<sup>th</sup> April 1928 as a charitable trust company limited by membership guarantees (No. 229700) and its governing documents are the Memorandum and Articles of Association. The Board of Finance is registered with the Charity Commission (No. 249767).

## **Change in Governance**

During 2013 there was a change to the governance structure of the Board of Finance (as amended by Special Resolution on 4<sup>th</sup> July 2013).

The objects, for which the Board of Finance is established, are set out in Clause 3 of the Board's Memorandum of Association, dated April 1928. The primary object (or purpose) is to act as the financial executive of the Diocesan Synod. In addition it is to act as the Parsonages Board for the Diocese, to act as the Diocesan Committee of the Diocese for the purposes of any Act of Parliament or Measure passed by the General Synod of the Church of England and to promote and assist the work and purposes of the Church in the Diocese and in particular to organise and provide funds in aid of the work of the Church.

Every member of Diocesan Synod is a member of the Board of Finance for company law purposes and has a personal liability limited to £1 under their guarantee as company members in the event of its being wound up. The members of Bishop's Council, the Standing Committee of Diocesan Synod, comprise the Board of Trustees of the Board of Finance – they are its Directors under company law.

## **DECISION-MAKING STRUCTURE**

During 2013 the governance structure changed the structure and make-up of the Board of Finance and therefore there were a number of changes in the Directors and trustees of the company during the year.

The new Board of Finance wishes to place on record its appreciation to all previous Directors and members of the Board of Finance for their dedicated service over the past years.

Since November 2013, policy is now decided by the Bishop's Council, and strategic delivery of policy is the responsibility of the Diocesan Secretary. Bishop's Council may delegate any of its powers to the Business Committee.

## **COMMITTEE STRUCTURE**

### **Bishop's Council**

Since 9<sup>th</sup> November 2013 the members of the Bishop's Council are the Board of Trustees and Directors of the Company. Bishop's Council consists of eight ex-officio members (the Diocesan and Suffragan Bishops; two Archdeacons; the Dean; the Chairs of the House of Clergy and House of Laity; the Deputy Chair of the Board of Finance; the Chair of the Board of Education; The Chair of the Diocesan Mission and Pastoral Committee), four clergy elected by the House of Clergy from among their number (two from each of the Archdeaconry of Chesterfield and Derby) and nine lay persons elected by the members of the House of Laity (with at least three from each Archdeaconry) The maximum number of Directors shall not exceed 30.

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## THE DERBY DIOCESAN BOARD OF FINANCE LIMITED

Other statutory committees include:

**Parsonages Committee**, which is responsible for determining policy and making major decisions concerning the management of parsonage houses in each benefice, including setting the policy for buying, repairing, maintaining and disposing of all parsonage houses, team vicarages and houses owned by the Board of Finance.

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

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

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

In addition to the statutory committees Bishop's Council has set up the **Business Committee**, which has written terms of reference, to advise it on all missional and financial matters. The Business Committee meets regularly, approximately six times each year, and will work closely with the Diocesan Secretary. The Business Committee will advise the Bishop's Council, in the discharge of the trustees' responsibilities for accounting policy, internal control, financial reporting and risk management. In addition it will provide strategic advice on the management of the Board of Finance's investment assets. The **Glebe Management Committee** is specifically tasked under the Endowments and Glebe Measure 1976 to manage diocesan glebe holdings to augment the diocesan stipends fund.

### APPOINTMENT OF TRUSTEES

The trustees are the members of Bishop's Council and Directors of the company.

Trustees are given induction training when first appointed and receive ongoing training, as appropriate.

#### **Trustees' responsibilities in relation to the preparation of the financial statements (pages 23 to 41)**

The trustees, as Directors, are responsible for preparing the Annual 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. Under that law the trustees have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the charity and the incoming resources and application of resources, including the net income or expenditure for the 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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume the charity will continue in operation.

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## **THE DERBY DIOCESAN BOARD OF FINANCE LIMITED**

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

In accordance with company law, as the company's Directors, we certify that:

- so far as we are aware, there is no relevant audit information of which the company's auditors are unaware; and
- as the Directors of the company we have taken all the steps that we ought to have taken in order to make ourselves aware of any relevant audit information and to establish that the charity's auditors are aware of that information.

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

### **RELATED PARTIES**

#### **General Synod, Church Commissioners and Archbishops' Council**

The Board of Finance has to comply with Measures passed by the General Synod of the Church of England and is required to make certain annual payments to the Archbishops' Council towards the running costs of the National Church. The stipends of the Diocesan and Suffragan Bishops and cathedral clergy are borne by the Church Commissioners and are not reflected in these financial statements.

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

The Board of Finance is required by Measure to be custodian trustee in relation to PCC property, but the Company has no control over PCCs, which are independent charities and operate under the Parochial Church Councils (Powers) Measure 1956. The accounts of PCCs and deaneries do not form part of these financial statements.

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

#### **Other charities**

#### **Derby Diocesan Board of Education**

The Derby Diocesan Board of Education (DBE) is the statutory education authority for the Church in the Diocese. Its purpose is to promote and assist in the promotion of education in the Diocese, consistent with the faith and practice of the Church of England including the promotion of religious education and worship in schools within the Diocese. In addition, its purpose is to promote church schools in the Diocese and to advise governors of such schools. Whilst the DBE is incorporated, the DBF provides significant resources to the DBE to facilitate the shared vision for mission and ministry with children and young people.

The Board of Finance co-operates with certain other charities in pursuit of its charitable objects and details of payments to these are to be found in note 16 to the financial statements.

### **PENSION SCHEME**

The Board of Finance currently funds a closed defined benefit pension scheme for a former employee of the Board of Finance.

## **THE DERBY DIOCESAN BOARD OF FINANCE LIMITED**

For all other eligible employees the Board of Finance contributes to a defined contribution pension scheme nominated by the employee.

Further details are contained in note 22 on page 34 of the financial statements.

### **RISK MANAGEMENT**

The trustees confirm that the major risks, to which the Board of Finance is exposed, as identified by the trustees and staff, have been reviewed and that systems and procedures have been established to manage those risks. The trustees delegate to the Business Committee the task of ensuring that risks are reviewed and managed as part of the risk management strategy. Diocesan departments have defined the risks in their areas, reported on the measures in place to manage and monitor these risks and implemented procedures and controls designed to minimise any potential impact on the Board of Finance should any of the risks materialise. A risk register has been compiled.

The Business Committee reviews the risk register periodically and reports to trustees whether it is satisfied with its findings and makes recommendations as to areas for further work in subsequent years. The trustees review the risk register at least annually as part of the corporate risk management strategy.

## **5. OBJECTIVES AND ACTIVITIES**

### **AIMS AND OBJECTIVES**

The Board of Finance resources the Christian tasks of mission and ministry through some 255 parishes and other networks.

The focus for 2013 was to become more effective witnesses to the light and life of Christ and six priorities were identified which were:

- Mission Action Planning
- Communication
- Living a Common Life
- Serving Local Communities
- Vocation
- Education

There was also recognition that some changes were needed if the Diocese was to focus on mission in order to shape real growth under God, rather than manage decline.

The 2013 plan was set against this background and was designed to focus on these six priorities whilst reshaping the governance of the Diocese in order that we can look towards the future and be set up to grow and flourish. The Diocese continues to work to ensure that there is the appropriate provision of stipendiary parish clergy across the Diocese. It is also recognised that if the Diocese is to grow and flourish that there is a need to develop changing patterns of ministry deployment with a focus outwards to local communities.

The Board of Finance's strategy is to maintain the sound financial structure needed to continue supporting the clergy through the payment of stipends, managing parsonages and other ministerial

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## **THE DERBY DIOCESAN BOARD OF FINANCE LIMITED**

housing and also by providing facilities and resources to support the ministry of clergy and lay people in parishes across the Diocese.

The key activities may be summarised as:

- mission and ministry in the parishes (includes all clergy training, housing, stipends, pension and all other expenditure supporting parish based ministry)
- contributing to national church institutions (mainly by grant support)
- education funding by providing grants to the Diocesan Board of Education
- increasing collaboration and partnership both within and across parish boundaries and with local communities
- releasing funds for mission through the Local Mission Fund

### **STATUTORY FUNCTIONS**

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

It is the Diocesan Authority for parochial and other trusts and incorporates the functions and responsibilities of the Diocesan Parsonages Board.

The trustees are custodian trustees in relation to PCC property.

### **GRANT-MAKING (BENEFICIARY-SELECTION) POLICY**

Grants are made to the National Church to cover a proportion of its central costs and also to cover the cost of training for ministry (see note 16 on page 32 of the financial statements). Grants are paid to other connected charities and to other charitable projects which appear to the Board of Finance to support the furtherance of the Board of Finance's objects.

### **RESERVES POLICY**

The Board of Finance has considerable responsibilities including the remuneration of 140 stipendiary clergy, the upkeep of nearly 200 houses and the employment of 36 full or part time staff. Most of the Board of Finance's income is voluntary and the Board of Finance has noted that two thirds of its voluntary income is from share and the balance made up of grant income from the Church Commissioners and income from investments and other sources.

To cover irregular share receipts the Board of Finance has a minimum free reserves target equivalent to unrestricted fund expenditure over three months, £2.2million, to be held for cash flow. This target level of reserves and policy will be reviewed annually at the same time that the annual budget and future forecast of income and expenditure are considered.

The aim of Bishop's Council is to ensure that financial plans over a three-year period are in step with the ability to raise income and that spending plans are affordable. The Board also aims to keep share increases to a minimum and to continue with our Local Mission Fund. The overall aim of the Board must be long-term financial sustainability.

At 31st December 2013, the Board of Finance's free reserves were £3.1million (see balance sheet on page 25 of the financial statements) and had reduced by £0.1million during the year.

### **INVESTMENT POLICIES AND STRATEGY**

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

**Ethical investment** - this includes ensuring that investments are held in companies which have high standards of corporate governance and act in a responsible way towards stakeholders. All investment managers are mandated to follow ethical considerations as determined by the Church of England Ethical Investment Advisory Group.

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## **THE DERBY DIOCESAN BOARD OF FINANCE LIMITED**

**Long-term responsibilities** – the Board of Finance manages its investment assets with the principal aim of generating income to achieve the maximum contribution possible to clergy stipends, whilst maintaining the real value of diocesan capital but with the possible need to realise investments to meet operational needs. The trustees are aware of their long-term responsibilities particularly in respect of endowed funds and as a result follow a correspondingly prudent approach to investment decisions.

### **Financial investment strategy**

The current strategy, which is under review, is to manage investments for sustainable income and to achieve modest capital growth over the longer term. The Board recognises that performance in this area is vital to the direct relief of the demands on share. Financial investments are held with CCLA Investment Management Ltd (for the Church of England).

### **Glebe investments**

Glebe investments are held for the purpose of raising income to achieve the maximum contribution possible to clergy stipends on an ongoing basis. Investments are mainly held in agricultural land and financial investments with CCLA Investment Management Ltd.

### **Unrestricted, restricted and endowment fund investments**

Unrestricted and restricted fund investments are invested to balance income, liquidity and the maintenance of capital. Funds which may be needed for working capital in the short-term are held as deposits with CCLA Investment Management Ltd and the Board of Finance's bankers National Westminster Bank.

### **GOING CONCERN**

After making enquiries the trustees are satisfied that the Board of Finance has adequate resources to continue to operate as a going concern for the foreseeable future and have prepared the financial statements on that basis.

## **6. STRATEGIC REPORT**

The Trustees as Directors of the Company have approved the following Strategic Report.

### **2013 ACHIEVEMENTS AND PERFORMANCE**

#### **Financial plans in the 2013 budget set out to:**

- achieve budget based on 100% of share being allocated and paid and £263,176 being transferred from the Special Reserves fund
- have no increase in share from 2012
- retain the same number of stipendiary and advisors' posts
- the introduction of Pioneer Ministry
- provide for an increase in stipends and salaries of 2%
- continue to allocate the Church Commissioners funding to the Local Mission fund

#### **Achievements other than financial**

2013 has seen the start of transition for the Diocese as it moved towards a new governance structure which is designed for the future development of mission and ministry in the Diocese. A new Diocesan Secretary was appointed in September 2013 and an administration review highlighted the challenges for administration, IT and the Church House Building.

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## **THE DERBY DIOCESAN BOARD OF FINANCE LIMITED**

Our churches are increasingly outward looking and are continuing to embrace Mission Action Planning. There is an increasing awareness for the need for change to meet the opportunities and challenges around us, plus a willingness amongst many to engage with new approaches to being church. This is reflected in the diocesan attendance figures which indicate that the pattern of year on year decline has been arrested and there are signs of overall growth beginning to occur.

A real highlight of the year was a Diocesan Day Conference with the Archbishop of York entitled “Working together in the Kingdom of God”, giving us an opportunity to explore the opportunities for mission and growth.

There have been a number of successes during the year including:

- development of a new diocesan website
- communications to support various diocesan initiative and communications training for local churches
- introduction of Clergy Role Descriptions through 22 workshops
- organising some highly effective learning events including our annual clergy conference, the launch of the Leading your Church into Growth (LYCiG) training programme for lay and clergy and the Hope 14: Inspiring Christian Community Engagement Event
- continuing development of our partnerships in the public space to explore local issues including the Redfern Commission, the Hunger Summit and the Bishop parliamentary event for sixth-form students
- launch of the St Thomas Centre – an ecumenical project which includes a food bank centre
- 123 people receiving a Bishop’s Badge which recognises their ministry
- vocations – a healthy increase in the number of people exploring their vocation for ordination training and lay ministry. This resulted in 12 people being recommended for training for ordination and 3 for reader training. In addition we licensed 10 new readers
- launch of the new tourism strategy including the new tourism website, [www.derbyshirechurches.org.uk](http://www.derbyshirechurches.org.uk), with a successful launch event at Ashbourne with The Rt Hon Lord Hattersley as guest speaker
- launch of the new visitor signage kit which was well received by parishes and effectively used to promote our first diocesan Open Churches Day in September
- Fresh Expression and pioneer ministry continue to flourish with the appointment of 2 new pioneer ministers
- Mission Action Planning continues with the development of a number of Deanery Mission Action plans during 2013

### **FINANCIAL REVIEW**

#### **OVERALL FINANCIAL POSITION**

Incoming resources before revaluation adjustments totalled £8.9million (2012 - £8.8million) and resources expended amounted to £9.1million (2012 - £8.6million). The Statement of Financial Activities (SOFA) for the year shows net outgoing resources of £0.2million before net gains and losses on the sale and revaluation of investment assets (2012 – incoming resources, £0.2million).

After the addition of net unrealised gains on investment assets of £3.3million (2012 - £2.1million) and deduction of actuarial gains on the defined benefit pension scheme of £35,000 (2012 – actuarial losses of £60,000), the net increase in funds amounted to £3.1million (2012 – £2.3million).

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During the year, total fund balances increased from £66million as restated to £69million and there was an overall net cash inflow of £0.5million (2012 – cash outflow £0.9million).

### PERFORMANCE AGAINST BUDGET

The annual budget is presented to Diocesan Synod for approval and sets out the framework for our financial decision-making. The 2013 budget plan was for a deficit with a transfer from the Special Reserves fund of £263,176.

*(the budget in the tables below has been revised to include the Parsonages Board budget and to show stipend costs gross).*

| <b>MANAGEMENT ACCOUNTS 2013<br/>(Including Parsonages Board)</b> | Budget (revised)<br>£ | Actual<br>£      | Difference<br>£  |
|--|-----------------------|------------------|------------------|
| <b>INCOME</b>  |                       |                  |                  |
| Share  | 4,876,357             | 4,451,277        | (425,080)        |
| Contributions from Church Commissioners                          | 1,565,385             | 1,565,385        | -                |
| Net returns on investments                                       | 1,200,400             | 1,314,098        | 113,698          |
| Parochial fees, chaplaincy income                                | 360,000               | 439,187          | 79,187           |
| Allchurches Trust Ltd  | 100,000               | 126,886          | 26,886           |
| All other income   | 1,000                 | 33,284           | 32,284           |
|  | <b>8,103,142</b>      | <b>7,930,117</b> | <b>(173,025)</b> |

The 2013 budget plan was for overall total share to be held at the same level as 2012 and for 100% to be paid. The Board of Finance received 91.3% of share due for the year (2012 – 91.6%). The Board is taking steps to support parishes through the provision of treasurer training, stewardship events and advice.

A total of £1.6million came from the National Church Institutions for stipend support, indicating the Board of Finance's dependence on this valuable source of income.

Returns on investments performed better than the budget plan particularly net rental income from residential properties.

Parochial fee income was substantially better than the budget plan following the changes in the level of the Statutory fees, as from 1<sup>st</sup> January 2013, set by General Synod.

The Allchurches Trust Ltd annual distribution amounted to £127,000 against a budget of £100,000 and the Board of Finance acknowledges with thanks the receipt of this grant.

| <b>MANAGEMENT ACCOUNTS 2013<br/>(Including Parsonages Board)</b> | Budget (revised)<br>£ | Actual<br>£      | Difference<br>£ |
|--|-----------------------|------------------|-----------------|
| <b>EXPENDITURE</b>   |                       |                  |                 |
| A. National Church work  | 417,336               | 409,009          | 8,327           |
| B. Parochial clergy stipends & housing                           | 6,061,784             | 5,992,859        | 68,925          |
| C. Support and sector ministry                                   | 1,196,869             | 1,038,485        | 158,384         |
| D. Resource management   | 667,829               | 661,217          | 6,612           |
| E. Additions to financial resources & contingencies              | 22,500                | 2,520            | 19,980          |
|  | <b>8,366,318</b>      | <b>8,104,090</b> | <b>262,228</b>  |

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## THE DERBY DIOCESAN BOARD OF FINANCE LIMITED

On average the number of ministers was 1.7 full time equivalent posts below the budget plan leading to a saving of £69,000.

The differences in Section C “Support & sector ministry” and Section D “Resource management” arise largely due to vacancies in posts.

| <b>MANAGEMENT ACCOUNTS 2013<br/>(Including Parsonages Board)</b> | Budget (revised)<br>£ | Actual<br>£      | Difference<br>£ |
|--|-----------------------|------------------|-----------------|
| TOTAL INCOME   | 8,103,142             | 7,930,117        | (173,025)       |
| TOTAL EXPENDITURE  | (8,366,318)           | (8,104,090)      | 262,228         |
| <b>DEFICIT PER MANAGEMENT ACCOUNTS</b>                           | <b>(263,176)</b>      | <b>(173,973)</b> | <b>89,203</b>   |

### MANAGEMENT ACCOUNTS RECONCILIATION TO STATUTORY ACCOUNTS

|   |                        |
|---|------------------------|
| <b>Deficit per Management Accounts 2013</b>           | <b>£<br/>(173,973)</b> |
| <b>Other unrestricted funds movement:</b>             |                        |
| Special Reserve fund transfer (2013 budget, £263,176) | (252,262)              |
| FRS 17 pension costs adjustments                      | 6,310                  |
| Other designated fund movement (net)                  | (1,470)                |
| Transfers from/(to) Diocesan Pastoral account:        |                        |
| for purchase of 2 corporate houses                    | 486,725                |
| of sale proceeds from 2 corporate houses              | (305,248)              |
| Gains on investment assets                            | 374,390                |
| Actuarial gain on defined benefit pension scheme      | 34,933                 |
| <b>Net movement in unrestricted funds</b>             | <b>169,405</b>         |

Per statement of financial activities on page 23 of the financial statements

### REVIEW OF THE STATUTORY ACCOUNTS

#### Statement of financial activities (SOFA)

Total unrestricted fund income amounted to £8.2million (2012 - £8.2million) with the largest part coming from share income. The Board of Finance places on record its appreciation to all those in deaneries and parishes that made this possible.

A total of £1.6million came from the National Church Institutions (2012 – £1.5million) underlining the fact that the Board of Finance is very much dependent on this source of income. Unrestricted fund expenditure amounted to £8.6million (2012 - £8.2million) with £7.7million (2012 - £7.6million) meeting the cost of resourcing ministry and mission.

Total restricted income amounted to £430,000 (2012 - £340,000) and restricted fund expenditure amounted to £550,000 (2012 - £380,000). The Board of Finance endeavours to make use of the restricted income funds at its disposal in supporting planned budgeted expenditure where restrictions allow.

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## THE DERBY DIOCESAN BOARD OF FINANCE LIMITED

### Local Mission Fund

The Local Mission Fund receives income from the Church Commissioners Parish Mission Funding which is given to dioceses for the specific purpose of enabling 'distinctive mission opportunities'.

A total of 33 grants were made to parishes and other organisations during 2013 and these amounted to £186,429.

The fund has a year-end balance of £218,000 (2012 - £260,000) and will be used to meet future grant awards totalling £194,484.

### BALANCE SHEET

#### TANGIBLE ASSETS – FREEHOLD HOUSES

A total of 4 houses were sold during the year generating £850,000 (2012 – 1 house sold, £400,000) and 2 houses purchased costing £490,000 (2012 – 3 houses purchased costing £1,150,000).

#### INVESTMENT PERFORMANCE

Stock markets around the advanced world rebounded in 2013 with the American equity markets registering their strongest year since 1997. European stock markets also experienced their strongest annual performance since 2009, as fears of a Euro zone breakup abated and the single currency area finally emerged from recession. In the UK, the FTSE 100 index finished the year up 14 per cent, its best performance in four years. The flipside of the recovery of equity markets was a fall in demand for perceived safe assets. Gold registered its largest annual decline in 30 years in 2013 and the prices of American and British sovereign bonds also fell back.

The value of the Board's financial investment assets increased by £2.7million in 2013 (2012 – increase in valuation of £1.9million).

The table below summarises the value of investments held with each manager:

| Investments held with:                                 | 2013          |     | 2012          |     |
|--|---------------|-----|---------------|-----|
|  | £000          | %   | £000          | %   |
| <b>CCLA Investment Management Ltd</b>                  |               |     |               |     |
| The CBF Church of England Investment Fund              | 26,014        | 78% | 23,293        | 77% |
| The CBF Church of England Property Fund                | 1,831         | 6%  | 1,836         | 6%  |
|  | <b>27,845</b> |     | <b>25,129</b> |     |
| <b>Smiths Gore (Glebe land agents)</b>                 | <b>5,296</b>  | 16% | <b>5,200</b>  | 17% |
| <b>Total fixed asset investments per balance sheet</b> | <b>33,141</b> |     | <b>30,329</b> |     |

#### CCLA Investment Management Ltd

At the balance sheet date, the vast majority of the Board's investment with CCLA was in CBF Church of England Investment Fund income shares together with a holding of CBF Church of England Property Fund income shares. Their performance is shown in the table below:

| CBF Church of England Funds          | 2013        |              | 2012        |              | Change        |                |
|--------------------------------------|-------------|--------------|-------------|--------------|---------------|----------------|
|                                      | Basic value | Distribution | Basic value | Distribution | Basic value % | Distribution % |
| <b>Investment Fund income shares</b> | 1276.68p    | 49.72p       | 1135.17p    | 48.51p       | +12.5%        | +2.5%          |
| <b>Property Fund income shares</b>   | 110.86p     | 8.26p*       | 111.16p     | 8.94p        | -0.3%         | N/A            |

\* a change to the payment schedule in 2013 has distorted annual comparison.

The Fund Manager of the CBF Church of England Investment Fund comments as follows:

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“The Investment Fund continues to be heavily weighted to equities and away from bonds. This tactical asset allocation has added value and helped relative performance”.

In respect of the CBF Church of England Property Fund, the Fund Manager comments:  
“Sector conditions have changed over the course of 2013 with a gradual but broad based pick-up in capital values now underway. With recent acquisitions completed each yielding 7% and 9% respectively, the Fund remains one of the highest yielding UK property funds available to charities”.

### **Smiths Gore (glebe land agents)**

Holdings in the portfolio are predominantly agricultural in nature, amounting to approximately 1,300 acres.

As at 31<sup>st</sup> December 2013 agricultural property has been valued by the Board and is based on a desktop valuation provided by Smiths Gore, the glebe land agents, and other small miscellaneous holdings by Mr N Sherratt, Assistant Secretary (Property).

The current valuation of the portfolio is £5.3 million (2012 – at director’s valuation of £5.2million). There was one sale of land during the year generating £210,000 (2012 – 2 sales of land generated £60,000).

### **Equity (value-linked) loans**

Equity loans have been used to purchase houses for ministers on a shared equity basis.

In the event of a sale of any of the houses purchased with value-linked loans, the whole, or a proportionate part, of the net sale proceeds would go to the Church Commissioners.

Total value-linked loans advanced at 31<sup>st</sup> December 2013 amounted to £328,000 for 6 loans (2012 - £328,000, 6 loans).

## **PRIOR YEAR ADJUSTMENT**

A change in a number of accounting policies has given rise to prior year adjustments as follows (see note 37 on page 41 of the financial statements).

- a) The re-classification of funds held as “restricted” that are “designated” and the aggregation of funds previously disclosed as creditors, or by way of note to the financial statements.
- b) The creation of a “Benefice Houses fund” and inclusion of benefice houses as functional fixed assets at cost or deemed cost on the Board’s balance sheet.

This is in recognition of Financial Reporting Standard 5 “Reporting the Substance of Transactions” and practice as set out in the ‘Diocesan Annual Report and Financial Statements Guide’ and because:

- the Board carries both obligations and (reversionary) benefits of ownership;
- there is usually no distinction between the various categories of housing for the large insurance, repair and maintenance element which appears under the ministry heading in the majority of diocesan financial statements; and
- accountability and stewardship go hand in hand.

It must be understood that whilst this change in policy gives rise to a substantial increase in the Board’s balance sheet, benefice houses are functional fixed assets and as such are used to house ministers. Only following pastoral reorganisation, effected by a pastoral scheme, may a benefice house be transferred to diocesan glebe (to generate income for

## **THE DERBY DIOCESAN BOARD OF FINANCE LIMITED**

stipends) or to the Board to be held as corporate property. Where both practical and pastoral reasons allow, houses are let to generate an income for the Board.

- c) The extension of the “cut-off” date for receipts of share. This has been moved to 31<sup>st</sup> January to allow PCCs time to pay their 2013 commitments in full. Receipts of share received after the 31<sup>st</sup> December are recorded as debtors.
- d) The inclusion of glebe houses as functional fixed assets at cost or deemed cost and the inclusion of glebe investment property at valuation.

### **PLANS FOR FUTURE PERIODS**

As we start with our new governance structure, we are developing our vision, values and purpose. This will include the continuation of our current guiding principle and the trustees will continue to set annual budgets that release funds to local mission and minimise the increase in share.

#### **The financial targets include plans to:**

- for 2014 having set a deficit budget of £260,000 aim to maintain ‘break-even’ budgets, spending no more than is received, having regard to the overall level of Reserves and the priorities for these
- target an annual increase in total share of no more than 3% (or, if necessary, inflation if this is higher) and continue to support parishes to achieve 100% payment of share
- seek ways to make provision for ongoing funds to resource creative mission projects which fit with our mission priorities
- maximise the effectiveness of people costs, including ongoing staff reviews
- meet responsibilities for ensuring an adequate clergy remuneration package, including pension costs, according to future national decisions
- continually review the number of stipendiary posts according to the diocesan deployment plans, the numbers available and the cost of provision
- support the Diocesan Board of Education as it develops the appropriate response to the challenge of academisation

#### **2014 events and future work includes:**

- establish new diocesan strategy and priorities with our plans, budgets and resources developed to focus on these. This includes the development of a strategic deployment plan for clergy and diocesan employees fit for our 2020 vision
- three year budgeting process established to deliver our future vision and priorities.
- support the Board of Education as they set up the new multi-academy trust to enable the Diocese to support all schools choosing to convert to academy status, including those that require the Diocese to act as an approved sponsor
- review and enhance opportunities for DBE and DBF to work together where this is mutually beneficial through efficient management of resource, including staffing
- develop the work started with the Redfern Commission and further develop the partnership links and our life in the public space
- continue to develop our Mission Action Planning and through this identify ways of serving our local communities as we seek to share in God’s mission
- develop our Deaneries and the leadership structures to enable local mission

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## **THE DERBY DIOCESAN BOARD OF FINANCE LIMITED**

- continue to develop our vocations strategy to further encourage and enable a sustained increase in vocations to SSM and Reader as well as ordained ministry
- implement the new governance structures and review and refine where required
- Invest in Church House so that it becomes the Parish Resource Centre which can provide increased support for our local church communities
- administrative review implemented, developing our processes across the Diocesan Offices and investing in IT
- introduce new financial processes including management of accounts, management information, review of share and income generation
- full review of our stewardship strategy, developing appropriate support for our parishes and raise awareness of the issues of share, as we move towards a common fund
- introduce new faculty process across the Diocese

### **PRINCIPAL RISKS AND UNCERTAINTIES**

The Board of Finance has delegated the responsibility for identifying and monitoring risk to the Business Committee who recognise this as one of their key responsibilities.

#### **Governance and strategic risk**

The key risk is that of maintaining our reputation and good name. We work to ensure that good communication plans and processes are in place and that appropriate public relations guidance is given to our senior staff. In addition we also work to ensure that we adhere to the statutory requirements of both the Companies and the Charities Acts. Our Memorandum and Articles of Association has recently been updated and we are regularly monitoring and reviewing our actions to ensure that our new governance structures are fully in place and are operating effectively.

#### **Operational**

Our key risk in this area is the employment and retention of high calibre clergy and lay employees to the Diocese. We take this seriously and have plans in place to ensure that we are a diocese where clergy want to come and work because we value people and look to develop each individual in order that they might achieve their full potential.

#### **Financial**

Our key financial risk is the level of income received from share. In 2013 plans were put in place to raise awareness of the issue so that individual church members recognise what this money is used for and that it is vital to maintaining the mission and ministry in the Diocese. In addition we are working with parishes that are not paying their share in full and encouraging them to attain full payment of share as quickly as possible. In addition we carefully monitor our budgets and adjust accordingly.

#### **External factors affecting performance**

Every effort is made by the Board of Finance to hold down increases in share, which is contributed by parishes towards the ministry and other costs of the Diocese. A large part of the costs are clergy stipends and pensions, staff salaries and building maintenance costs, which all usually increase at a rate in excess of the Consumer Prices Index. In addition, the Board of Finance has to increase contributions to the clergy and closed lay staff pension schemes.

The Diocese of Derby is a less well-resourced diocese, financially, and is very much dependant on a proportionately larger share of voluntary income from the National Church compared to other well-resourced dioceses, some of whom receive no such support.

## THE DERBY DIOCESAN BOARD OF FINANCE LIMITED

### 7. FUNDS HELD AS CUSTODIAN TRUSTEE FOR OTHERS

The Board of Finance is custodian trustee for trust investment assets which are held separately from those of the Board of Finance. Detailed certificates of holdings as at 31<sup>st</sup> December 2013 were sent to parishes and other managing trustees of the respective charities at that date. The Board of Finance also holds Parochial Church Council (PCC) property as custodian trustee. Each PCC is a separate charity. The assets are held separately from those of the Board of Finance (see note 36 on page 41 of the financial statements).

### 8. PERSONNEL

It must be remembered that this report only deals with those who are employees of the Board of Finance and therefore although there have been a number of changes within parochial clergy these are not detailed here.

Within the Board of Finance there have been the following changes:

Four members of staff left during 2013 including the Diocesan Secretary, Mr R Carey, the Assistant Secretary (Finance), Mr A Harris. Mrs P Wood who was an Administrative Officer and Mr A Smith, a Property Assistant, both retired.

Four new members of staff joined the Church House team, Mrs T Pumfrey as Property Assistant, Miss J Armstrong as a Communications Assistant, the Revd M Mitton as Fresh Expressions Officer and Mr G Greenwood as Community Projects Officer. In addition Mrs M Cole moved from her role as Church Growth Officer and became the Diocesan Secretary in September 2013.

In November 2013, Mr D Meredith was seconded from Southwell and Nottingham Diocesan Board of Finance to oversee financial arrangements going forward including the production of the annual statutory financial statements.

The Board of Finance wishes to place on record its appreciation to these and all staff for their dedicated service over the past year as we move forward with a new governance structure in place.

**The trustees approve their Annual Report and, in their capacity as company directors, also approve the Strategic Report incorporated therein.**

**Signed on behalf of the trustees.**



Mrs Maureen Cole

**Diocesan Secretary**

**3<sup>rd</sup> April 2014**

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# THE DERBY DIOCESAN BOARD OF FINANCE LIMITED

## Independent Auditors' Report to the members of Derby Diocesan Board of Finance Ltd

We have audited the financial statements of Derby Diocesan Board of Finance Ltd for the year ended 31<sup>st</sup> December 2013 which comprise the Statement of Financial Activities, the Summary Income and Expenditure account, the Statement of Total Recognised Gains and Losses, the Balance Sheet, the Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

### Respective responsibilities of trustees and auditors

As explained more fully in the Trustees' Responsibilities Statement on pages 9 and 10, the trustees (who are also the directors of the charity for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors. This report is made solely to the charity's members, as a body. Our audit work has been undertaken so that we might state to the charity's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charity and the charity's members as a body for our audit work, for this report, or for the opinions we have formed.

### 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](http://www.frc.org.uk/auditscopeukprivate).

### Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the charity's affairs as at 31<sup>st</sup> December 2013 and of its incoming resources and application of resources, including its income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### Opinion on the other matter prescribed by the Companies Act 2006

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

### Matters on which we are required to report by exception

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

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



I Holder (Senior Statutory Auditor)

for and on behalf of Mazars LLP  
Chartered Accountants and Statutory Auditors  
Cartwright House, Tottle Road, Nottingham, NG2 1RT

4th

3<sup>rd</sup> April 2014

# THE DERBY DIOCESAN BOARD OF FINANCE LIMITED

STATEMENT OF FINANCIAL ACTIVITIES FOR THE YEAR ENDED 31st December 2013

|   | Note | Unrestricted funds<br>£ | Restricted funds<br>£ | Endowment funds<br>£ | Total funds<br>2013<br>£ | Total funds<br>2012<br>Restated<br>£ |
|---|------|-------------------------|-----------------------|----------------------|--------------------------|--------------------------------------|
| <b>Incoming resources</b>   |      |                         |                       |                      |                          |                                      |
| <b>Incoming resources from generated funds:</b>                                   |      |                         |                       |                      |                          |                                      |
| Voluntary income  |      |                         |                       |                      |                          |                                      |
| Share   | 2    | 4,451,277               | -                     | -                    | <b>4,451,277</b>         | 4,466,469                            |
| Archbishops' Council  | 3    | 1,565,385               | 141,470               | -                    | <b>1,706,855</b>         | 1,615,705                            |
| Other   | 4    | 139,486                 | -                     | -                    | <b>139,486</b>           | 115,660                              |
| Activities for generating funds   | 5    | 208,381                 | -                     | -                    | <b>208,381</b>           | 218,991                              |
| Investment income   | 6    | 1,145,461               | 205,471               | -                    | <b>1,350,932</b>         | 1,326,468                            |
| <b>Incoming resources from charitable activities</b>                              |      |                         |                       |                      |                          |                                      |
| Statutory fees, chaplaincy income & other contributions                           | 7    | 654,671                 | 85,127                | -                    | <b>739,798</b>           | 811,073                              |
| Other incoming resources  | 8    | 8,100                   | -                     | 298,297              | <b>306,397</b>           | 262,423                              |
| <b>Total incoming resources</b>   |      | <b>8,172,761</b>        | <b>432,068</b>        | <b>298,297</b>       | <b>8,903,126</b>         | 8,816,789                            |
| <b>Resources expended</b>   |      |                         |                       |                      |                          |                                      |
| <b>Costs of generating funds:</b>   |      |                         |                       |                      |                          |                                      |
| Investment management costs   | 9    | 74,019                  | -                     | -                    | <b>74,019</b>            | 113,663                              |
| <b>Charitable activities</b>  |      |                         |                       |                      |                          |                                      |
| Contributions to Archbishops' Council   | 10   | 417,336                 | -                     | -                    | <b>417,336</b>           | 416,196                              |
| Resourcing ministry and mission   | 11   | 7,734,675               | 269,987               | -                    | <b>8,004,662</b>         | 7,591,032                            |
| Board of Education & diocesan projects  | 12   | 296,234                 | 280,022               | -                    | <b>576,256</b>           | 446,107                              |
| <b>Governance costs</b>   | 13   | 28,659                  | -                     | -                    | <b>28,659</b>            | 22,488                               |
| <b>Other resources expended</b>   | 14   | 43,233                  | -                     | -                    | <b>43,233</b>            | -                                    |
| <b>Total resources expended</b>   |      | <b>8,594,156</b>        | <b>550,009</b>        | <b>-</b>             | <b>9,144,165</b>         | 8,589,486                            |
| <b>Net incoming/(outgoing) resources before transfers</b>                         |      | (421,395)               | (117,941)             | 298,297              | <b>(241,039)</b>         | 227,303                              |
| Gross transfers between funds   | 17   | 181,477                 | 360,820               | (542,297)            | -                        | -                                    |
| <b>Net incoming/(outgoing) resources before other recognised gains and losses</b> |      | <b>(239,918)</b>        | <b>242,879</b>        | <b>(244,000)</b>     | <b>(241,039)</b>         | 227,303                              |
| <b>Other recognised gains/(losses)</b>  |      |                         |                       |                      |                          |                                      |
| Gains on investment assets  |      | <b>374,390</b>          | <b>71,233</b>         | <b>2,830,086</b>     | <b>3,275,709</b>         | 2,083,293                            |
| Actuarial gain/(loss) on defined benefit pension scheme                           | 22   | 34,933                  | -                     | -                    | <b>34,933</b>            | (59,776)                             |
| <b>Net movement in funds</b>  | 19   | <b>169,405</b>          | <b>314,112</b>        | <b>2,586,086</b>     | <b>3,069,603</b>         | 2,250,820                            |
| <b>Reconciliation of funds</b>  |      |                         |                       |                      |                          |                                      |
| <b>Total funds at 1 January 2013</b>  |      | <b>8,995,435</b>        | <b>21,151,843</b>     | <b>943,550</b>       | <b>31,090,828</b>        | 29,065,782                           |
| <b>Prior year adjustments</b>   | 37   | <b>5,078,328</b>        | <b>(17,852,258)</b>   | <b>47,449,741</b>    | <b>34,675,811</b>        | 34,450,037                           |
| <b>Total funds at 1 January 2013 (restated)</b>                                   |      | <b>14,073,763</b>       | <b>3,299,585</b>      | <b>48,393,291</b>    | <b>65,766,639</b>        | 63,515,819                           |
| <b>Total funds at 31 December 2013</b>  |      | <b>14,243,168</b>       | <b>3,613,697</b>      | <b>50,979,377</b>    | <b>68,836,242</b>        | 65,766,639                           |

Income & expenditure all relates to continuing operations.

The notes on pages 27 to 41 form part of these accounts

# THE DERBY DIOCESAN BOARD OF FINANCE LIMITED

SUMMARY INCOME AND EXPENDITURE ACCOUNT AND  
STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES  
for the year ended 31st December 2013

| <b>SUMMARY INCOME AND EXPENDITURE ACCOUNT</b>                         | <b>2013</b>         | <b>2012</b>             |
|---|---------------------|-------------------------|
|   | £                   | £                       |
|   |                     | Restated                |
| Gross income (less endowment)   | 8,604,829           | 8,503,743               |
| Gross expenditure (less endowment)                                    | <u>(9,144,165)</u>  | <u>(8,571,935)</u>      |
| <b>Net expenditure for the year before investment asset disposals</b> | <b>(539,336)</b>    | (68,192)                |
| Endowment fund transfer   | 542,297             | (124,890)               |
| <b>Net income/(expenditure) for the year</b>                          | <b><u>2,961</u></b> | <b><u>(193,082)</u></b> |

Detailed analysis of the income, expenditure, gains and losses on investment assets and movements in funds is provided in the Statement of Financial Activities on page 23 and in notes 2 to 16.

| <b>STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES</b>          | <b>2013</b>           | <b>2012</b>         |
|--|-----------------------|---------------------|
|  | £                     | £                   |
|  |                       | Restated            |
| Net surplus/(deficit) for the financial year                   | 2,961                 | (193,082)           |
| Actuarial gains/(losses) on the defined benefit pension scheme | 34,933                | (59,776)            |
| Net unrealised gains on revaluation of other assets            | 3,275,709             | 2,083,293           |
| Less unrealised gain on endowment funds                        | (2,830,086)           | (1,826,460)         |
| <b>Total recognised gain for the year</b>                      | <b><u>483,517</u></b> | <b><u>3,975</u></b> |

Detailed analysis of actuarial gains/(losses) on the defined benefit pension scheme is provided in note 22.

The notes on pages 27 to 41 form part of these accounts

# THE DERBY DIOCESAN BOARD OF FINANCE LIMITED

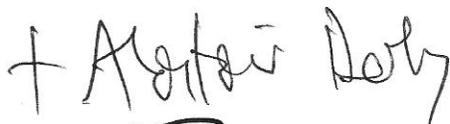
BALANCE SHEET  
as at 31st December 2013

COMPANY NUMBER 229700

|   | Note | 2013       |                   | 2012       |                   |
|---|------|------------|-------------------|------------|-------------------|
|   |      | £          | £                 | £          | £                 |
| <b>FIXED ASSETS</b>                           |      |            |                   | Restated   | Restated          |
| Tangible assets                               | 24   | 30,763,698 |                   | 30,861,355 |                   |
| Investments                                   | 25   | 33,140,659 |                   | 30,328,773 |                   |
|   |      |            | 63,904,357        |            | 61,190,128        |
| <b>CURRENT ASSETS</b>                         |      |            |                   |            |                   |
| Debtors                                       | 26   | 324,448    |                   | 309,962    |                   |
| Cash at bank and in hand                      |      | 5,481,075  |                   | 4,975,015  |                   |
|   |      | 5,805,523  |                   | 5,284,977  |                   |
| <b>CREDITORS</b>                              |      |            |                   |            |                   |
| Amounts falling due within one year           | 27   | (322,256)  |                   | (115,841)  |                   |
| <b>NET CURRENT ASSETS</b>                     |      |            | 5,483,267         |            | 5,169,136         |
| <b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>  |      |            | 69,387,624        |            | 66,359,264        |
| Creditors due after more than one year        | 28   |            | (328,000)         |            | (328,000)         |
| <b>NET ASSETS EXCLUDING PENSION LIABILITY</b> |      |            | 69,059,624        |            | 66,031,264        |
| Defined benefit pension scheme liability      | 22   |            | (223,382)         |            | (264,625)         |
| <b>NET ASSETS INCLUDING PENSION LIABILITY</b> |      |            | <u>68,836,242</u> |            | <u>65,766,639</u> |
| <b>THE FUNDS OF THE CHARITY</b>               |      |            |                   |            |                   |
| <b>Endowment funds</b>                        | 33   |            | 50,979,377        |            | 48,393,291        |
| <b>Restricted income funds</b>                | 34   |            | 3,613,697         |            | 3,299,585         |
| <b>Unrestricted income funds</b>              |      |            |                   |            |                   |
| Accumulated fund                              |      | 670,434    |                   | 512,348    |                   |
| Working Capital fund                          |      | 1,031,537  |                   | 1,031,537  |                   |
| Special Reserve fund                          |      | 1,368,586  |                   | 1,620,848  |                   |
|   |      | 3,070,557  |                   | 3,164,733  |                   |
| Designated funds                              | 35   | 11,395,993 |                   | 11,173,655 |                   |
|   |      | 14,466,550 |                   | 14,338,388 |                   |
| Defined benefit pension scheme liability      | 22   | (223,382)  |                   | (264,625)  |                   |
|   |      |            | 14,243,168        |            | 14,073,763        |
| <b>TOTAL CHARITY FUNDS</b>                    |      |            | <u>68,836,242</u> |            | <u>65,766,639</u> |

Approved by the Board of Directors on 3rd April 2014 (and signed on its behalf):

Bishop of Derby



Director

Mark Titterton



Director

The notes on pages 27 to 41 form part of these accounts

# THE DERBY DIOCESAN BOARD OF FINANCE LIMITED

## CASH FLOW STATEMENT

for the year ended 31st December 2013

|   | Note      | 2013      |                | 2012          |                  |
|---|-----------|-----------|----------------|---------------|------------------|
|   |           | £         | £              | £<br>Restated | £<br>Restated    |
| <b>Net outgoing resources before transfers</b>                  | <b>a)</b> |           | (1,690,334)    |               | (1,620,796)      |
| <b>Returns on investments and servicing of finance</b>          |           |           |                |               |                  |
| Interest paid   |           |           | 20,818         |               | 20,271           |
| Returns on investments  |           |           | 1,350,932      |               | 1,326,468        |
| <b>Capital expenditure and financial investments</b>            |           |           |                |               |                  |
| Purchases of fixed assets:                                      |           |           |                |               |                  |
| Tangible assets   |           | (486,725) |                | (1,154,711)   |                  |
| Investment assets   |           | -         | (486,725)      | (33,072)      | (1,187,783)      |
| <b>Sales of fixed assets:</b>                                   |           |           |                |               |                  |
| Tangible assets   |           | 847,545   |                | 402,422       |                  |
| Investment assets   |           | 463,824   | 1,311,369      | 144,984       | 547,406          |
| <b>Financing</b>  |           |           |                |               |                  |
| Increase/(decrease) in other debt, due after more than one year |           |           | -              |               | -                |
| <b>Increase/(decrease) in cash during year</b>                  | <b>b)</b> |           | <b>506,060</b> |               | <b>(914,434)</b> |

### Notes to the Cash Flow Statement

|  |                            | 2013<br>£          | 2,012<br>£<br>Restated      |
|--|----------------------------|--------------------|-----------------------------|
| a) Reconciliation of net outgoing resources to net cash outflow from operating activities: |                            |                    |                             |
| Net outgoing resources before revaluations   |                            | (504,203)          | (35,120)                    |
| FRS 17 pension scheme adjustment   |                            | (6,310)            | 5,282                       |
| Interest paid  |                            | (20,818)           | (20,271)                    |
| Returns on investments   |                            | (1,350,932)        | (1,326,468)                 |
| (Increase) in debtors  |                            | (14,486)           | (111,583)                   |
| Increase/(decrease) in creditors: current liabilities                                      |                            | 206,415            | (132,636)                   |
| Net outgoing resources before transfers  |                            | <b>(1,690,334)</b> | <b>(1,620,796)</b>          |
| b) Analysis of change in net funds (cash)  |                            |                    |                             |
|  | As at<br>1st Jan 2013<br>£ | Cashflows<br>£     | As at<br>31st Dec 2013<br>£ |
| Cash at bank and in hand   | <b>4,975,015</b>           | <b>506,060</b>     | <b>5,481,075</b>            |

The notes on pages 27 to 41 form part of these accounts

# THE DERBY DIOCESAN BOARD OF FINANCE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2013

### I. Accounting policies

#### **Basis of accounting**

The financial statements are prepared on the historical cost and accruals bases of accounting, modified by the investments, which are included at market value. The financial statements are also prepared in accordance with the Companies Act 2006, applicable Accounting Standards and the Statement of Recommended Practice "Accounting and Reporting by Charities" published in March 2005, as interpreted by the Diocesan Annual Report and Financial Statements Guide. A summary of the material accounting policies and estimation techniques adopted follows.

To comply with Financial Reporting Standard 5 "Reporting the Substance of Transactions" the funds consolidated into the balance sheet include the benefice houses fund, the stipends fund capital account and the diocesan pastoral account.

#### **Fund accounting**

Fund balances are split between unrestricted (accumulated, working capital, special reserve and designated funds), restricted and endowment funds.

**Unrestricted funds** are freely available for any purpose within the company's objects, at the discretion of the Board.

**Designated funds** are those funds set aside by the Board for a specific purpose over whose use and purpose the Board has discretion.

**Restricted funds** are income funds subject to conditions imposed by the donor as specific terms of trust, or else by legal measure.

**Endowment funds** are those held on trust to be retained for the benefit of the charity as a capital fund. In the case of the endowment funds administered by the Board (Stipends Fund Capital (glebe funds) and Benefice Houses), there are powers to convert capital into income and, as a result, these funds are classified as expendable endowment. Endowment funds where there is no provision for expenditure of capital are classified as permanent endowment.

Trusts where the Board acts merely as custodian trustee with no control over the management of the funds are not included in the financial statements.

#### **Incoming resources**

All incoming resources are included in the Statement of Financial Activities (SOFA) when the Board is legally entitled to them as income or capital respectively, ultimate receipt is reasonably certain and the amount to be recognised can be quantified with reasonable accuracy.

Share contributions are included on a receipts basis except that contributions received shortly after the financial year-end explicitly relating to the period under review are included as debtors.

The Stipends Fund Capital account is governed by the Diocesan Stipends' Fund Measure 1953, as amended, and the use of the income is restricted for clergy stipends. However, the income is fully expended within the year of receipt and the legal restrictions, therefore, are satisfied. It is on this basis that the income and the normally much larger related expenditure are both included in the unrestricted column of the Statement of Financial Activities for the sake of greater clarity and simplicity in financial reporting.

# THE DERBY DIOCESAN BOARD OF FINANCE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2013

### **Resources expended**

All expenditure is accounted for on the accruals basis. In respect of housing maintenance, the policy is only to provide for work started or completed before the year-end.

Grants payable are charged in the year when the offer is conveyed to the recipient except in those cases where the offer is conditional on the recipient satisfying performance or other discretionary requirements to the satisfaction of the Board, such grants being recognised as expenditure when the conditions attached are fulfilled. Grants offered subject to such conditions which have not been met at the year end are noted as contingent liabilities, but not accrued as expenditure.

Where costs cannot be directly attributed to particular headings they have been allocated or apportioned to activities on a basis consistent with use of the resources. Central support costs are apportioned on the basis of the estimated usage of resources at Church House. The apportionment in 2013 can be summarised as follows:

|                                 |       |
|---------------------------------|-------|
| Resourcing ministry and mission | 95.0% |
| Diocesan projects               | 1.5%  |
| Governance                      | 3.5%  |

### **Tangible fixed assets and depreciation**

#### **Freehold & leasehold houses and houses subject to value-linked loan**

The primary purpose of residential property held in the benefice houses fund, stipends fund capital account (glebe) and as corporate houses is to house ministers and all such properties are held as functional fixed assets. Residential property is not held for investment purposes i.e. to generate an income or for capital gain.

Freehold houses and houses subject to value-linked loan are shown at cost, or deemed cost, where historic cost values are not readily available. Deemed cost values have been calculated with reference to the midpoint of the applicable council tax band as determined in 1996.

Where the Board acquires property on its own account, the expenditure is capitalised. Gains or losses arising from sales of corporate property are dealt with through the designated fund (corporate properties fund).

No provision for depreciation is provided in respect of freehold houses. Impairment reviews are carried out annually and each house is fully maintained with a view to ensuring that the total residual value is not less than the amount stated in the financial statements. Accordingly, any depreciation would be immaterial.

#### **Benefice houses**

The Board has followed the requirements of Financial Reporting Standard No 5, in its accounting treatment for benefice houses (parsonages). FRS 5 requires the accounting treatment to follow the substance of arrangements rather than their strict legal form. The Board is formally responsible for the maintenance and repair of such properties and has some jurisdiction over their future use or potential sale if declared redundant, in the meantime legal title is vested in the incumbent. The Directors therefore consider the most suitable accounting policy to be to capitalise such properties as expendable endowment assets and to carry them at their historic or deemed cost (on the same basis as noted above).

#### **Depreciation of other tangible fixed assets**

No provision for depreciation is provided in respect of Church House, as it is fully maintained with a view to ensuring that the total residual value is not less than the amount stated in the financial statements. Accordingly, any depreciation would be immaterial.

# THE DERBY DIOCESAN BOARD OF FINANCE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2013

Computer hardware and software, office equipment, furniture & fittings have been written off to date. A new policy on depreciation for items costing £1,000 has been adopted and the following rates of depreciation apply.

Depreciation on office equipment is calculated to write off the cost of each asset over its expected useful life by equal annual instalments at the following rates, (% p.a. on cost): -

|                                |                    |               |
|--------------------------------|--------------------|---------------|
| Computer hardware and software | 33 $\frac{1}{3}$ % | straight line |
| Furniture & fittings           | 10%                | straight line |
| Other office equipment         | 20%                | straight line |

Items costing less than £1,000 are not capitalised.

### **Valuation of investment securities**

Investment securities have been valued at their market value by the directors using, for investments managed in-house, the market prices reported for the year-end in the Financial Times and, for investments managed externally by CCLA Investment Management Ltd as at 31<sup>st</sup> December 2013.

The CCLA Central Board of Finance Investment Fund income shares were valued at 1267.78p per share (2012 – 1135.17p per share).

### **Investment property**

Glebe agricultural land is valued as at 31<sup>st</sup> December by Smiths Gore, Chartered Surveyors, who manage the portfolio.

For allotments and other miscellaneous holdings a valuation is provided by the Assistant Secretary (Property) (an employee of the Derby Diocesan Board of Finance Limited) on an annual basis.

### **Gains and losses on fixed assets**

Realised gains and losses on non-investment properties are included within net incoming resources for the year.

Unrealised gains and losses on investment properties are included as part of other recognised gains and losses together with both realised and unrealised gains and losses on investment assets.

### **Finance and operating leases**

Operating lease rentals are charged to the Statement of Financial Activities when they are paid.

### **Prior year adjustments**

A change in a number of accounting policies has given rise to prior year adjustments as follows (see Note 37 on page 41).

- a) The re-classification of funds held as “restricted” that are “designated” and the aggregation of funds previously disclosed as creditors, or by way of note to the financial statements.
- b) The creation of a “Benefice Houses fund” and inclusion of benefice houses as functional fixed assets at cost or deemed cost.
- c) The extension of the “cut-off” date for receipts of share. This has been moved to 31<sup>st</sup> January to allow PCCs time to pay their 2013 commitments in full. Receipts of share received after the 31<sup>st</sup> December are recorded as debtors.
- d) The inclusion of glebe houses as functional fixed assets at cost or deemed cost and the inclusion of glebe investment property at valuation.

# THE DERBY DIOCESAN BOARD OF FINANCE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2013

|   | Unrestricted funds | Restricted funds | Endowment funds | Total funds 2013 | Total funds 2012 Restated |
|---|--------------------|------------------|-----------------|------------------|---------------------------|
|   | £                  | £                | £               | £                | £                         |
| <b>2. Share</b>   |                    |                  |                 |                  |                           |
| Chesterfield Archdeaconry   | 2,091,390          | -                | -               | 2,091,390        | 2,098,816                 |
| Derby Archdeaconry  | 2,291,781          | -                | -               | 2,291,781        | 2,326,096                 |
|   | <b>4,383,171</b>   | -                | -               | <b>4,383,171</b> | <b>4,424,912</b>          |
| In respect of previous years  | 68,106             | -                | -               | 68,106           | 41,557                    |
|   | <b>4,451,277</b>   | -                | -               | <b>4,451,277</b> | <b>4,466,469</b>          |
| Total share receipts represent 91.3% of the allocation (2012 - 91.6%) |                    |                  |                 |                  |                           |
| <b>3. Voluntary income from Archbishops' Council</b>                  |                    |                  |                 |                  |                           |
| Selective allocation  | 1,565,385          | -                | -               | 1,565,385        | 1,479,845                 |
| Parish Mission Fund   | -                  | 141,470          | -               | 141,470          | 135,860                   |
|   | <b>1,565,385</b>   | <b>141,470</b>   | -               | <b>1,706,855</b> | <b>1,615,705</b>          |
| <b>4. Other voluntary income</b>                                      |                    |                  |                 |                  |                           |
| Allchurches Trust distribution  | 126,886            | -                | -               | 126,886          | 115,660                   |
| Grants  | 12,600             | -                | -               | 12,600           | -                         |
|   | <b>139,486</b>     | -                | -               | <b>139,486</b>   | <b>115,660</b>            |
| <b>5. Income from activities for generating funds</b>                 |                    |                  |                 |                  |                           |
| Rental income   | 205,544            | -                | -               | 205,544          | 216,514                   |
| Sale of publications  | 2,837              | -                | -               | 2,837            | 2,477                     |
|   | <b>208,381</b>     | -                | -               | <b>208,381</b>   | <b>218,991</b>            |
| <b>6. Investment income</b>   |                    |                  |                 |                  |                           |
| Dividends receivable  | -                  | -                | -               | -                | -                         |
| Central Board of Finance Investment Funds                             | 887,233            | 132,978          | -               | 1,020,211        | 995,203                   |
| Central Board of Finance Property Funds                               | 85,651             | 63,501           | -               | 149,152          | 136,434                   |
| Interest on cash deposits   | -                  | -                | -               | -                | -                         |
| Central Board of Finance Deposit Funds                                | 17,090             | 8,992            | -               | 26,082           | 42,415                    |
| National Westminster Bank   | 332                | -                | -               | 332              | 480                       |
| Rents receivable (glebe land and buildings)                           | 155,155            | -                | -               | 155,155          | 151,936                   |
|   | <b>1,145,461</b>   | <b>205,471</b>   | -               | <b>1,350,932</b> | <b>1,326,468</b>          |
| <b>7. Incoming resources from charitable activities</b>               |                    |                  |                 |                  |                           |
| Statutory fees and chaplaincy income                                  | 439,188            | -                | -               | 439,188          | 366,919                   |
| Contributions to sector minister and other chaplaincy posts           | 12,896             | -                | -               | 12,896           | 13,883                    |
| Church Commissioners  | 21,095             | -                | -               | 21,095           | 17,551                    |
| Other contributions and income  | 181,492            | 85,127           | -               | 266,619          | 412,720                   |
|   | <b>654,671</b>     | <b>85,127</b>    | -               | <b>739,798</b>   | <b>811,073</b>            |
| <b>8. Other incoming resources</b>                                    |                    |                  |                 |                  |                           |
| Gain on disposal of properties  | 8,100              | -                | 298,297         | 306,397          | 262,423                   |
|   | <b>8,100</b>       | -                | <b>298,297</b>  | <b>306,397</b>   | <b>262,423</b>            |
| <b>Total incoming resources</b>                                       | <b>8,172,761</b>   | <b>432,068</b>   | <b>298,297</b>  | <b>8,903,126</b> | <b>8,816,789</b>          |

# THE DERBY DIOCESAN BOARD OF FINANCE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2013

|  | Unrestricted<br>funds<br>£ | Restricted<br>funds<br>£ | Endowment<br>funds<br>£ | Total funds<br>2013<br>£ | Total funds<br>2012<br>£<br>Restated |
|--|----------------------------|--------------------------|-------------------------|--------------------------|--------------------------------------|
| <b>9. Investment management costs</b>                                |                            |                          |                         |                          |                                      |
| Glebe land agents' fees and other expenses                           | 41,986                     | -                        | -                       | 41,986                   | 80,975                               |
| Other agents' commission and expenditure                             | 32,033                     | -                        | -                       | 32,033                   | 32,688                               |
|  | <b>74,019</b>              | <b>-</b>                 | <b>-</b>                | <b>74,019</b>            | <b>113,663</b>                       |
| <b>10. Contributions to Archbishops' Council</b>                     |                            |                          |                         |                          |                                      |
| Training for ministry  | 179,985                    | -                        | -                       | 179,985                  | 180,687                              |
| National Church responsibilities                                     | 172,935                    | -                        | -                       | 172,935                  | 178,305                              |
| Retired clergy housing costs (CHARM)                                 | 56,089                     | -                        | -                       | 56,089                   | 52,538                               |
| Pooling of ordinand candidates' costs                                | 8,327                      | -                        | -                       | 8,327                    | 4,666                                |
|  | <b>417,336</b>             | <b>-</b>                 | <b>-</b>                | <b>417,336</b>           | <b>416,196</b>                       |
| <b>11. Expenditure on resourcing ministry and mission</b>            |                            |                          |                         |                          |                                      |
| Stipendiary ministers  |                            |                          |                         |                          |                                      |
| Stipends, salaries and national insurance                            | 3,724,127                  | 16,911                   | -                       | 3,741,038                | 3,560,192                            |
| Pension contributions  | 1,235,292                  | -                        | -                       | 1,235,292                | 1,188,878                            |
| Housing costs  | 882,490                    | 211,428                  | -                       | 1,093,918                | 1,136,827                            |
| Removal, resettlement and other expenses                             | 76,719                     | 41,327                   | -                       | 118,046                  | 150,119                              |
|  | <b>5,918,628</b>           | <b>269,666</b>           | <b>-</b>                | <b>6,188,294</b>         | <b>6,036,016</b>                     |
| Support for ministry   | 1,816,047                  | 321                      | -                       | 1,816,368                | 1,555,016                            |
|  | <b>7,734,675</b>           | <b>269,987</b>           | <b>-</b>                | <b>8,004,662</b>         | <b>7,591,032</b>                     |
| <b>12. Expenditure on Board of Education &amp; diocesan projects</b> |                            |                          |                         |                          |                                      |
| Board of Education   | 274,154                    | -                        | -                       | 274,154                  | 265,664                              |
| Derby Cathedral  | 15,450                     | -                        | -                       | 15,450                   | 15,000                               |
| Church of North India Partnership                                    | 750                        | -                        | -                       | 750                      | 750                                  |
| Clergy Widows & Orphans  | -                          | 5,000                    | -                       | 5,000                    | 3,000                                |
| Diocesan projects  | 5,880                      | 186,429                  | -                       | 192,309                  | 156,254                              |
| Parishes   | -                          | 88,593                   | -                       | 88,593                   | 5,439                                |
|  | <b>296,234</b>             | <b>280,022</b>           | <b>-</b>                | <b>576,256</b>           | <b>446,107</b>                       |
| <b>13. Governance costs</b>  |                            |                          |                         |                          |                                      |
| Audit fees   | 12,900                     | -                        | -                       | 12,900                   | 7,200                                |
| Diocesan Synod & preparation of statutory returns etc.               | 15,759                     | -                        | -                       | 15,759                   | 15,288                               |
|  | <b>28,659</b>              | <b>-</b>                 | <b>-</b>                | <b>28,659</b>            | <b>22,488</b>                        |
| <b>14. Other resources expended</b>                                  |                            |                          |                         |                          |                                      |
| Loss on sale of fixed assets   | 43,233                     | -                        | -                       | 43,233                   | -                                    |
|  | <b>43,233</b>              | <b>-</b>                 | <b>-</b>                | <b>43,233</b>            | <b>-</b>                             |
| <b>Total resources expended</b>                                      | <b>8,594,156</b>           | <b>550,009</b>           | <b>-</b>                | <b>9,144,165</b>         | <b>8,589,486</b>                     |

# THE DERBY DIOCESAN BOARD OF FINANCE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2013

| <b>15. Analysis of resources expended</b><br>(including allocation of support costs) | Activities<br>undertaken<br>directly<br>£ | Grant<br>funding of<br>activities<br>£ | Support<br>costs<br>£ | Total<br>2013<br>£ |
|--|---|--|-----------------------|--------------------|
| Investment management costs  | 74,019                                    | -                                      | -                     | 74,019             |
| Contributions to Archbishops' Council  | -   | 417,336                                | -                     | 417,336            |
| Resourcing ministry and mission  | 7,632,292                                 | -                                      | 372,370               | 8,004,662          |
| Board of Education & diocesan projects   | -   | 570,376                                | 5,880                 | 576,256            |
| Governance costs   | 14,940                                    | -                                      | 13,719                | 28,659             |
| Other resources expended   | 43,233                                    | -                                      | -                     | 43,233             |
|  | <b>7,764,484</b>                          | <b>987,712</b>                         | <b>391,969</b>        | <b>9,144,165</b>   |

| <b>16. Analysis of grants</b>       | Grants<br>to<br>parishes<br>£ | Grants<br>to<br>other<br>organisations<br>£ | Total<br>Grants<br>2013<br>£ | Total<br>Grants<br>2012<br>Restated<br>£ |
|-------------------------------------|-------------------------------|---|------------------------------|--|
| <b>Unrestricted fund</b>            |                               |   |                              |  |
| Derby Diocesan Board of Education   | -                             | 274,154                                     | 274,154                      | 265,664                                  |
| Derby Cathedral Chapter             | -                             | 15,450                                      | 15,450                       | 15,000                                   |
| Church of North India Partnership   | -                             | 750   | 750                          | 750                                      |
| <b>Restricted income funds</b>      |                               |   |                              |  |
| Local Mission fund                  | 115,964                       | 70,465                                      | 186,429                      | 150,525                                  |
| Clergy Widows & Orphans             | -                             | 5,000                                       | 5,000                        | 3,000                                    |
| Stafford Legacy (Church Trust Fund) | 88,593                        | -   | 88,593                       | 5,439                                    |
|                                     | <b>204,557</b>                | <b>365,819</b>                              | <b>570,376</b>               | <b>440,378</b>                           |

Diocesan departments also made payments in the course of their work to 41 individuals, totalling £188,418 (2012 - 46 individuals, totalling £211,573), in respect of removals, resettlement & first appointment grants to ministers and ordination candidates' financial support.

| <b>17. Analysis of transfers between funds</b>                                      | Unrestricted<br>funds<br>£ | Restricted<br>funds<br>£ | Endowment<br>funds<br>£ | Total<br>2013<br>£ |
|---|----------------------------|--------------------------|-------------------------|--------------------|
| Transfer from Diocesan Pastoral account to finance purchase of corporate houses (2) | 486,725                    | (486,725)                | -                       | -                  |
| Transfer of corporate house sale proceeds (2) to Diocesan Pastoral account          | (305,248)                  | 305,248                  | -                       | -                  |
| Transfer of parsonage house sale proceeds (2) to Diocesan Pastoral account          | -                          | 542,297                  | (542,297)               | -                  |
|   | <b>181,477</b>             | <b>360,820</b>           | <b>(542,297)</b>        | <b>-</b>           |

# THE DERBY DIOCESAN BOARD OF FINANCE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2013

| 18. Operating deficit/surplus                            | 2013   | 2012  |
|--|--------|-------|
|  | £      | £     |
| The operating deficit/surplus is stated after charging:  |        |       |
| Operating leases   | 4,930  | 4,930 |
| Directors' and Officers' Liability (Indemnity) Insurance | 2,442  | 4,475 |
| Audit  | 12,900 | 7,200 |

| 19. Summary of fund movements       | As at 1st<br>January<br>2013<br>Restated | Incoming<br>resources   | Outgoing<br>resources     | Transfers        | Gains and<br>losses     | As at 31st<br>December<br>2013 |
|-------------------------------------|--|-------------------------|---------------------------|------------------|-------------------------|--------------------------------|
|                                     | £  | £                       | £                         | £                | £                       | £                              |
| <b>Endowment funds</b>              |  |                         |                           |                  |                         |                                |
| Expendable endowment                |  |                         |                           |                  |                         |                                |
| Benefice houses                     | 22,012,812                               | 298,297                 | -                         | (542,297)        | -                       | 21,768,812                     |
| Stipends Fund Capital (Glebe funds) | 23,653,068                               | -                       | -                         | -                | 2,511,471               | 26,164,539                     |
| Permanent endowment funds           | 2,727,411                                | -                       | -                         | -                | 318,615                 | 3,046,026                      |
|                                     | <u>48,393,291</u>                        | <u>298,297</u>          | <u>-</u>                  | <u>(542,297)</u> | <u>2,830,086</u>        | <u>50,979,377</u>              |
| <b>Restricted income funds</b>      |  |                         |                           |                  |                         |                                |
| Diocesan Pastoral account           | 1,312,210                                | 126,492                 | (211,428)                 | 360,820          | (1,221)                 | 1,586,873                      |
| Local Mission Fund                  | 263,132                                  | 141,470                 | (186,429)                 | -                | -                       | 218,173                        |
| Other restricted income funds       | 1,724,243                                | 164,106                 | (152,152)                 | -                | 72,454                  | 1,808,651                      |
|                                     | <u>3,299,585</u>                         | <u>432,068</u>          | <u>(550,009)</u>          | <u>360,820</u>   | <u>71,233</u>           | <u>3,613,697</u>               |
| <b>Unrestricted income funds</b>    |  |                         |                           |                  |                         |                                |
| Accumulated fund, Special Reserve   |  |                         |                           |                  |                         |                                |
| fund & Working Capital fund         | 3,164,733                                | 6,932,009               | (6,858,560)               | (375,101)        | 207,475                 | 3,070,556                      |
| Glebe funds                         | -  | 934,643                 | (934,643)                 | -                | -                       | -                              |
| Designated funds                    |  |                         |                           |                  |                         |                                |
| Corporate Properties fund           | 8,194,542                                | 8,100                   | (43,232)                  | 181,477          | 56,382                  | 8,397,269                      |
| Parsonages Board                    | 1,244,446                                | 233,073                 | (657,656)                 | 300,000          | -                       | 1,119,863                      |
| Other designated funds              | 1,734,667                                | 58,626                  | (100,065)                 | 75,101           | 110,533                 | 1,878,862                      |
|                                     | <u>14,338,388</u>                        | <u>8,166,451</u>        | <u>(8,594,156)</u>        | <u>181,477</u>   | <u>374,390</u>          | <u>14,466,550</u>              |
| Pension reserve                     | (264,625)                                | 6,310                   | -                         | -                | 34,933                  | (223,382)                      |
|                                     | <u>14,073,763</u>                        | <u>8,172,761</u>        | <u>(8,594,156)</u>        | <u>181,477</u>   | <u>409,323</u>          | <u>14,243,168</u>              |
| <b>Total funds</b>                  | <u><b>65,766,639</b></u>                 | <u><b>8,903,126</b></u> | <u><b>(9,144,165)</b></u> | <u><b>-</b></u>  | <u><b>3,310,642</b></u> | <u><b>68,836,242</b></u>       |

# THE DERBY DIOCESAN BOARD OF FINANCE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2013

### 20. Ministerial staffing costs

The Board meets the staffing costs of both stipendiary clergy and licensed lay ministers serving in the diocese, 137.6 full time equivalent (fte) posts at 31st December 2013 (2012 - 145.5 fte posts).

The Board participates in the Church of England Funded Pensions Scheme which has approximately 8,500 active members.

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

- An investment strategy of:
  - for investments backing liabilities for pensions in payment, an allocation to gilts, increasing linearly from 10% at 31st December 2012 to 2/3rds by 31st December 2029, with the balance in return-seeking assets; and
  - for investments backing liabilities prior to retirement, a 100% allocation to return-seeking assets.
- Investment returns of 3.2% p.a. on gilts and 5.2% p.a. on equities;
- RPI inflation of 3.2% p.a. (and pension increases consistent with this);
- increase in pensionable stipends 3.2% p.a. and
- post-retirement mortality in accordance with 80% of the SINMA and SINFA tables, with allowance made for improvements in mortality rates from 2003 in line with CMI core projections, with a long term annual rate of improvement of 1.5% for males and females.

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

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

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

### 21. Directors' remuneration & expenses

None of the directors received any emoluments from the Board in respect of services performed as directors (2012 - £nil). During the year 14 directors claimed reimbursement for travel or out of pocket expenses totalling £915 (2012 - 4 directors claimed expenses totalling £1,060).

During the year the Board made contributions to the Church Commissioners at the standard rate agreed by the Diocesan Synod towards the stipends, social security costs and pension contributions of the licensed clergy (with the exception of the Suffragan Bishop of Repton) who are directors of the Board and provided houses, including the payment of council tax and maintenance costs, as part of clergy normal remuneration. In the case of the Suffragan Bishop of Repton the Board provided the housing and paid council tax and housing maintenance costs; stipend and other expenses are payable by the Church Commissioners and not the Board.

### 22. Board of Finance staff remuneration

|   | 2013           | 2012           |
|---|----------------|----------------|
| Staff remuneration during the year was as follows:                      | £              | £              |
| Salaries  | 649,621        | 627,073        |
| Social security costs   | 56,815         | 50,482         |
| Other pension contributions   |                |                |
| Defined benefit scheme, 2013 - 1 employee (2012 - 1 employee)           | 7,478          | 28,053         |
| Defined contribution schemes, 2013 - 25 employees (2012 - 26 employees) | 37,789         | 42,865         |
|   | <b>751,703</b> | <b>748,473</b> |
| Average number of employees during the year:                            |                |                |
| Full-time   | 9.0            | 9.0            |
| Part-time (full-time equivalent)  | 11.2           | 12.9           |
|   | <b>20.2</b>    | <b>21.9</b>    |

The number of staff whose total emoluments (salary plus taxable benefits excluding pension contributions) exceeded £60,000 during the year is as follows:

|                   | 2013<br>(Number) | 2012<br>(Number) |
|-------------------|------------------|------------------|
| £60,001 - £70,000 | 1                | 1                |

# THE DERBY DIOCESAN BOARD OF FINANCE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2013

### 22. Board of Finance staff remuneration - continued

#### Funded defined benefit pension scheme

The Board operates a defined benefit pension scheme in respect of a former employee. The Board is required to follow Financial Reporting Standard (FRS) 17 'Retirement Benefits' in disclosing the financial position of the scheme.

The assets of the scheme are held separately from those of the Board of Finance, being invested with Engage Mutual Assurance Ltd. The assumptions which have the most significant effect on the results of the valuation are those relating to the rate of return on investments and rates of increase in pensions. The Board expects to contribute £8,700 to the scheme during the year to 31st December 2014, all of which is in respect of defined benefit arrangements. The FRS 17 liability value excludes any allowance for deferred taxation, defined contribution arrangements or discretionary increases under the scheme.

The main financial assumptions are:

|                          | <b>December<br/>2013 Basis</b> | <b>December<br/>2012 Basis</b> |
|--------------------------|--------------------------------|--------------------------------|
| Discount rate            | 4.6%                           | 4.1%                           |
| Inflation (RPI)          | 3.6%                           | 3.0%                           |
| LPI 5% pension increases | 3.5%                           | 2.9%                           |
| Revaluation in deferment | 3.6%                           | n/a                            |
| Salary increases         | n/a                            | 4.0%                           |

The mortality assumptions are based on 95% of the PCxA00 series tables with the long cohort projection subject to a minimum annual rate of improvement of 1.5% p.a. for males based on the member's year of birth.

Life expectancy at age 60:

|                          | <b>December<br/>2013 Basis</b> | <b>December<br/>2012 Basis</b> |
|--------------------------|--------------------------------|--------------------------------|
| Male currently aged 50   | 32.1                           | 31.9                           |
| Female currently aged 50 | 31.7                           | 31.7                           |
| Male currently aged 60   | 30.4                           | 30.2                           |
| Female currently aged 60 | 31.2                           | 31.1                           |

The assets in the Scheme are invested with Engage Mutual in deferred annuities and an endowment policy.

# THE DERBY DIOCESAN BOARD OF FINANCE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2013

### 22. Board of Finance staff remuneration - continued

#### Defined benefit pension scheme - continued

The overall expected return on assets assumption has been determined with reference to the underlying asset allocation on the assets held and the expected long term rate of return on those asset classes at the year end. The assets do not include any investment in the Board.

|   | 2013    | 2012    |
|---|---------|---------|
| Long term expected rate of return on the Scheme's assets, net of expenses | 5.00%   | 5.00%   |
| Insurance policies (£s)   | 349,977 | 304,214 |

The actual return on the Scheme's assets net of expenses over the year to 31st December 2013 was £29,746 (2012 - £11,135).

#### Amounts recognised in the balance sheet and Statement of Total Recognised Gains and Losses:

| Period to 31st December:                                | 2013             | 2012             | 2011             | 2010             | 2009             |
|---|------------------|------------------|------------------|------------------|------------------|
|   | £                | £                | £                | £                | £                |
| Present value of defined benefit obligation             | (573,359)        | (568,839)        | (470,523)        | (407,489)        | (350,511)        |
| Fair value of assets                                    | 349,977          | 304,214          | 270,957          | 232,189          | 204,065          |
| <b>Deficit</b>  | <b>(223,382)</b> | <b>(264,625)</b> | <b>(199,566)</b> | <b>(175,300)</b> | <b>(146,446)</b> |
| Experience gains on Scheme liabilities                  | 21,737           | 4,455            | 3,790            | 14,974           | 3,538            |
| Changes in assumptions used to value Scheme liabilities | (939)            | (59,855)         | (24,577)         | (33,134)         | (58,948)         |
| Experience adjustments on Scheme assets                 | 14,135           | (4,376)          | 9,410            | (384)            | (26,237)         |
| <b>Actuarial gains/(losses)</b>                         | <b>34,933</b>    | <b>(59,776)</b>  | <b>(11,377)</b>  | <b>(18,544)</b>  | <b>(81,647)</b>  |

#### Amounts recognised in the Statement of Financial Activities:

|                           | 2013            | 2012            |
|---------------------------|-----------------|-----------------|
|                           | £               | £               |
| Current service (cost)    | (3,417)         | (27,331)        |
| Interest (cost)           | (23,362)        | (22,587)        |
| Expected return on assets | 15,611          | 15,511          |
|                           | <b>(11,168)</b> | <b>(34,407)</b> |

#### Reconciliation of assets and defined benefit obligations:

| Fair value of assets:           | £              | Defined benefit obligations:                   | £              |
|---------------------------------|----------------|--|----------------|
| As at 1st January 2013          | 304,214        | As at 1st January 2013                         | 568,839        |
| Expected return on assets       | 15,611         | Current service cost                           | 3,417          |
| Employer contributions          | 17,478         | Interest cost                                  | 23,362         |
| Benefits paid                   | (1,461)        | Benefits paid                                  | (1,461)        |
| Actuarial gain on assets        | 14,135         | Actuarial (gain) on defined benefit obligation | (20,798)       |
| <b>As at 31st December 2013</b> | <b>349,977</b> | <b>As at 31st December 2013</b>                | <b>573,359</b> |

### 23. Related party transactions & controlling parties

Diocesan governance is by Diocesan Synod elected from both clergy and laity under the leadership of the Diocesan Bishop who is appointed by the Church of England nationally.



# THE DERBY DIOCESAN BOARD OF FINANCE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2013

| <b>26. Debtors</b>  |                                      | <b>2013</b>    | <b>2012</b><br>Restated |
|---|--------------------------------------|----------------|-------------------------|
|   |                                      | £              | £                       |
| Amounts due from PCCs (unsecured)   |                                      |                |                         |
| Share   |                                      | 117,274        | 108,009                 |
| Loans to parishes   |                                      | 28,138         | 28,538                  |
| Other debtors   |                                      | 109,530        | 104,012                 |
| Prepayments & accrued income  |                                      | 69,506         | 69,403                  |
| <b>Total debtors</b>  |                                      | <b>324,448</b> | <b>309,962</b>          |
| <b>Debtors comprise:</b>  | Amounts due within one year          | 296,710        | 278,945                 |
|   | Amounts due after more than one year | 27,738         | 31,017                  |
|   |                                      | <b>324,448</b> | <b>309,962</b>          |
| <b>27. Creditors</b>  |                                      |                |                         |
| <b>Amounts falling due within one year</b>  |                                      | <b>2013</b>    | <b>2012</b><br>Restated |
|   |                                      | £              | £                       |
| Sundry creditors  |                                      | 309,356        | 108,641                 |
| Accruals  |                                      | 12,900         | 7,200                   |
|   |                                      | <b>322,256</b> | <b>115,841</b>          |
| <b>28. Creditors</b>  |                                      |                |                         |
| <b>Amounts falling due after more than one year</b>   |                                      | <b>2013</b>    | <b>2012</b><br>Restated |
|   |                                      | £              | £                       |
| Value-linked loans for houses with the Church Commissioners (see note below)  |                                      | 328,000        | 328,000                 |
|   |                                      | <b>328,000</b> | <b>328,000</b>          |
| <b>Note</b>   |                                      |                |                         |
| Interest at the time of the advance is at the rate of 4% per annum (3% per annum on loans advanced on or before 31st December 1992) rising annually by the increase in the Retail Prices Index. Repayment becomes due when a property is sold (or the occupant ceases to be a qualifying person). |                                      |                |                         |
| In the event of a sale of any of the houses purchased with value-linked loans, the whole, or a proportionate part, of the net sale proceeds would go to the Church Commissioners.   |                                      |                |                         |
| <b>29. Contingent liabilities</b>   |                                      |                |                         |
| The Board is party to a mortgage with Derbyshire County Council totalling £20,000 (2012 - £20,000).   |                                      |                |                         |
| <b>30. Capital commitments</b>  |                                      | <b>2013</b>    | <b>2012</b><br>Restated |
|   |                                      | £000           | £000                    |
| Capital expenditure   |                                      |                |                         |
| Contracted for but not provided for in the Financial Statements   |                                      |                |                         |
| Purchase of computer hardware & software  |                                      | 3,127          | -                       |
| Improvements to parsonage houses  |                                      | 27,393         | 11,328                  |
|   |                                      | <b>30,520</b>  | <b>11,328</b>           |
| <b>31. Operating lease commitments</b>  |                                      | <b>2013</b>    | <b>2012</b>             |
| As at 31st December the Board had annual commitments under non-cancellable operating leases as set out below:   |                                      | £000           | £000                    |
| Operating leases which expire:  | Between 2 - 5 years                  | 4,930          | 4,930                   |
|   |                                      | <b>4,930</b>   | <b>4,930</b>            |

# THE DERBY DIOCESAN BOARD OF FINANCE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2013

### 32. Summary of assets per fund

|   | Fixed assets      |                   | Current assets   | Creditors        | Net assets        |
|---|-------------------|-------------------|------------------|------------------|-------------------|
|   | tangible          | investments       |                  |                  |                   |
|   | £                 | £                 | £                | £                | £                 |
| <b>Endowment funds</b> (see note 33)                          |                   |                   |                  |                  |                   |
| Expendable endowment funds                                    |                   |                   |                  |                  |                   |
| Benefice houses   | 21,768,812        | -                 | -                | -                | 21,768,812        |
| Stipends Fund Capital (Glebe funds)                           | 326,000           | 24,803,152        | 1,035,387        | -                | 26,164,539        |
| Permanent endowment funds                                     | -                 | 3,046,026         | -                | -                | 3,046,026         |
|   | <b>22,094,812</b> | <b>27,849,178</b> | <b>1,035,387</b> | <b>-</b>         | <b>50,979,377</b> |
| <b>Restricted income funds</b> (see note 34)                  |                   |                   |                  |                  |                   |
| Diocesan Pastoral account                                     | -                 | 451,237           | 1,135,636        | -                | 1,586,873         |
| Local Mission Fund  | -                 | -                 | 218,173          | -                | 218,173           |
| Other restricted income funds                                 | -                 | 1,664,410         | 144,241          | -                | 1,808,651         |
|   | <b>-</b>          | <b>2,115,647</b>  | <b>1,498,050</b> | <b>-</b>         | <b>3,613,697</b>  |
| <b>Unrestricted income funds</b>                              |                   |                   |                  |                  |                   |
| Accumulated fund, Special Reserve fund & Working Capital fund | -                 | 2,214,963         | 1,101,513        | (245,919)        | 3,070,557         |
| Designated funds (see note 35)                                |                   |                   |                  |                  |                   |
| Corporate Properties fund                                     | 8,668,886         | -                 | -                | (328,000)        | 8,340,886         |
| Parsonages Board  | -                 | 539,024           | 713,558          | (76,337)         | 1,176,245         |
| Other designated funds  | -                 | 421,847           | 1,457,015        | -                | 1,878,862         |
|   | <b>8,668,886</b>  | <b>3,175,834</b>  | <b>3,272,086</b> | <b>(650,256)</b> | <b>14,466,550</b> |
| Pension reserve   | -                 | -                 | -                | (223,382)        | (223,382)         |
|   | <b>8,668,886</b>  | <b>3,175,834</b>  | <b>3,272,086</b> | <b>(873,638)</b> | <b>14,243,168</b> |
| <b>Total funds</b>  | <b>30,763,698</b> | <b>33,140,659</b> | <b>5,805,523</b> | <b>(873,638)</b> | <b>68,836,242</b> |

### 33. Endowment funds

|                                     | As at 1st January 2013<br>Restated<br>£ | Incoming resources<br>£ | Resources expended<br>£ | Transfers<br>£   | Gains/(losses)<br>£ | As at 31st December 2013<br>£ |
|-------------------------------------|---|-------------------------|-------------------------|------------------|---------------------|-------------------------------|
| Expendable endowment                |   |                         |                         |                  |                     |                               |
| Benefice Houses fund                | 22,012,812                              | 298,297                 | -                       | (542,297)        | -                   | 21,768,812                    |
| Stipends Fund Capital (Glebe funds) | 23,653,068                              | -                       | -                       | -                | 2,511,471           | 26,164,539                    |
| Permanent endowment funds           |   |                         |                         |                  |                     |                               |
| Stafford Legacy (Church Trust fund) | 1,276,902                               | -                       | -                       | -                | 149,167             | 1,426,069                     |
| Clemson Legacy fund                 | 943,550                                 | -                       | -                       | -                | 110,225             | 1,053,775                     |
| Parsonages Board                    | 251,464                                 | -                       | -                       | -                | 29,376              | 280,840                       |
| Stipends Trusts                     | 187,766                                 | -                       | -                       | -                | 21,935              | 209,701                       |
| Partington Legacy                   | 67,729                                  | -                       | -                       | -                | 7,912               | 75,641                        |
|                                     | <b>48,393,291</b>                       | <b>298,297</b>          | <b>-</b>                | <b>(542,297)</b> | <b>2,830,086</b>    | <b>50,979,377</b>             |

**Benefice houses fund** - represents the value of benefice houses at the balance sheet date. These houses are used to provide accommodation for ministers. The Board is not free to dispose of the houses except in accordance with appropriate measures.

**Glebe funds** - represents the proceeds of the sale of glebe, parsonages transferred by Pastoral Scheme and gifts to the fund. The fund generates income for the payment of stipends and can be invested or applied to the capital purposes permitted by the Endowments and Glebe Measure 1976 and the Church of England (Miscellaneous Provisions) Measure 1992.

**Stafford Legacy (Church Trust Fund)** - capital to be held as permanent endowment with income available as to 10% to a specific parish in the diocese and 90% at the discretion of the Board of Finance.

**Clemson Legacy fund** - funds are for "the maintenance of services" and income is used to support the costs of stipendiary clergy.

**Parsonages Board** - represents permanent endowment of the Parsonages Board and income is used to finance the repair and maintenance of parsonage houses.

**Stipends Trusts** - historic permanent endowment trusts with income for stipends.

**Partington Legacy** - funds are for "general religious purposes" and annual income is mandated directly to unrestricted funds.

# THE DERBY DIOCESAN BOARD OF FINANCE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2013

| 34. Restricted income funds          | As at 1st<br>January 2013<br>Restated<br>£ | Incoming<br>resources<br>£ | Resources<br>expended<br>£ | Transfers<br>£ | Gains/<br>(losses)<br>£ | As at 31st<br>December<br>2013<br>£ |
|--------------------------------------|--|----------------------------|----------------------------|----------------|-------------------------|-------------------------------------|
| Diocesan Pastoral account            | 1,312,210                                  | 126,492                    | (211,428)                  | 360,820        | (1,221)                 | 1,586,873                           |
| Local Mission Fund                   | 263,132                                    | 141,470                    | (186,429)                  | -              | -                       | 218,173                             |
| Capital Resources fund               | 403,822                                    | 27,234                     | -                          | -              | (889)                   | 430,167                             |
| Milligan Pension fund                | 349,499                                    | 13,868                     | (5,000)                    | -              | 36,408                  | 394,775                             |
| Bishop Allen Legacy                  | 289,007                                    | 1,656                      | -                          | -              | -                       | 290,663                             |
| Stafford Legacy (Church Trust fund)  | 291,656                                    | 57,518                     | (88,593)                   | -              | -                       | 260,581                             |
| Poorer Clergy fund                   | 202,559                                    | 8,711                      | (8,687)                    | -              | 23,170                  | 225,753                             |
| Benham Legacy                        | 129,583                                    | 5,236                      | -                          | -              | 13,765                  | 148,584                             |
| Social Responsibility                | 56,175                                     | 321                        | (321)                      | -              | -                       | 56,175                              |
| Board of Readers                     | 1,942                                      | 11                         | -                          | -              | -                       | 1,953                               |
| Clemson Legacy fund                  | -  | 41,327                     | (41,327)                   | -              | -                       | -                                   |
| Stipends Trusts                      | -  | 8,224                      | (8,224)                    | -              | -                       | -                                   |
| <b>Total restricted income funds</b> | <b>3,299,585</b>                           | <b>432,068</b>             | <b>(550,009)</b>           | <b>360,820</b> | <b>71,233</b>           | <b>3,613,697</b>                    |

**Diocesan Pastoral account** - represents the proceeds of redundant churches and parsonages which have not yet been applied to the purposes permitted by the Pastoral Measure 1983. Parsonage house improvements are funded from the sale proceeds of redundant parsonage houses through the Diocesan Pastoral account.

**Local Mission Fund** - Parish Mission Funding made available by the Archbishops' Council for "the additional provision for the cure of souls in parishes where such assistance is most required, in such a manner as shall be conducive to the efficiency of the Established Church" set aside for mission development. Of the balance of £218,173 remaining, an amount of £194,484 has been committed to future projects.

**Capital Resources Fund** - proceeds of sale from two former parsonage houses available for property expenditure.

**Milligan Pension Fund** - for clergy pensions and retired clergy. An annual grant is paid to the Clergy Widows & Orphans fund.

**Bishop Allen Legacy** - for clergy welfare, ordination training, new halls and church repair. The Bishop in consultation with the Board of Finance may decide to use the funds for any charitable purpose.

**Stafford Legacy (Church Trust Fund)** - 10% of the permanent endowment income made available to a specific parish with the balance available for such charitable purposes as the Board in its absolute discretion shall decide.

**Poorer Clergy fund** - available for stipend support.

**Benham Legacy** - available for clergy pension contribution support.

**Social Responsibility** - historic balance of funds specifically available for 'social responsibility' purposes. Annual income is transferred to Mission & Ministry.

**Board of Readers** - historic balance of funds available for Readers and Reader training.

**Clemson Legacy fund** - funds are for "the maintenance of services" and is used to support the costs of stipendiary clergy.

**Stipend Trusts** - the funds are made up of a number of historic trusts the income of which is used to augment clergy stipends.

| 35. Designated funds          | As at 1st<br>January 2013<br>Restated<br>£ | Incoming<br>resources<br>£ | Resources<br>expended<br>£ | Transfers<br>£ | Gains/<br>(losses)<br>£ | As at 31st<br>December<br>2013<br>£ |
|-------------------------------|--|----------------------------|----------------------------|----------------|-------------------------|-------------------------------------|
| Corporate Properties fund     | 8,194,542                                  | 8,100                      | (43,233)                   | 181,477        | -                       | 8,340,886                           |
| Parsonages Board              | 1,244,446                                  | 233,073                    | (657,656)                  | 300,000        | 56,382                  | 1,176,245                           |
| Ordinands' Support fund       | 617,770                                    | 30,585                     | (100,065)                  | 100,000        | 44,125                  | 692,415                             |
| Watts Legacy                  | 568,471                                    | 24,899                     | -                          | (24,899)       | 66,408                  | 634,879                             |
| Morley fund                   | 548,426                                    | 3,142                      | -                          | -              | -                       | 551,568                             |
| <b>Total designated funds</b> | <b>11,173,655</b>                          | <b>299,799</b>             | <b>(800,954)</b>           | <b>556,578</b> | <b>166,915</b>          | <b>11,395,993</b>                   |

# THE DERBY DIOCESAN BOARD OF FINANCE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2013

### 35. Designated funds (continued)

**Corporate Properties fund** - represents property transferred at no cost and gains less losses on the sale of corporate houses. The fund is designated for use to finance corporate property.

**Parsonages Board** - amounts transferred from unrestricted funds set aside for purposes of the Diocesan Parsonages Board.

**Ordinands' Support fund (previously disclosed as a restricted fund)** - transfers from unrestricted funds made available for ordination candidates' support grants.

**Watts Legacy** - available for general purposes and designated for general income support.

**Morley fund** - proceeds from the sale of Morley Retreat House set aside with annual income to be made available for the Spirituality Group.

### 36. Funds held as custodian trustee on behalf of others

The Board of Finance holds investments on behalf of Parochial Church Councils (PCCs) and others as custodian trustee. Each year an annual statement of financial investments held by the Board of Finance in its capacity as custodian trustee is made available to PCCs. The market value of investments held on behalf of PCCs and others is £1.9million (2012 - market value £1.9million), and all such investments are held separately from those of the Board of Finance. Historic cost figures are not available.

### 37. Prior year adjustments

|   | 2012              |
|---|-------------------|
|   | £                 |
| <b>Balance of net assets per 2012 Statutory Accounts</b>                      | <b>31,090,828</b> |
| <b>Funds previously not aggregated/disclosed as creditors</b>                 |                   |
| Parsonage Board funds   | 1,521,048         |
| Special Reserve funds (disclosed as a creditor)                               | 1,620,848         |
| Local Mission fund (disclosed as a creditor)                                  | 263,132           |
| <b>Funds held as Custodian &amp; Managing Trustee (benefitting the Board)</b> |                   |
| <b>Permanent endowment funds</b>  |                   |
| Stipends Trusts   | 187,766           |
| Stafford Legacy (Church Trust Fund)   | 1,276,902         |
| <b>Restricted income funds</b>  |                   |
| Bishop Allen Legacy   | 289,007           |
| Social Responsibility   | 56,175            |
| Stafford Legacy   | 291,656           |
| Board of Readers  | 1,942             |
| <b>Freehold property added at cost or deemed cost</b>                         |                   |
| Benefice houses   | 22,012,812        |
| Glebe houses  | 326,000           |
| Houses transferred to the Board as corporate property under Pastoral Schemes  | 1,460,000         |
| <b>Corporate property</b>   |                   |
| Addition of property not previously disclosed                                 | 42,000            |
| Addition of house subject to Value-linked loan not previously disclosed       | 78,000            |
| Removal of revaluation reserve balance (houses shown at cost or deemed cost)  | (25,129)          |
| <b>Revision to balance on debtors</b>   |                   |
| Share "cut-off" date altered to 31st January - inclusion of receipts for 2012 | 108,009           |
| Allchurches Trust grant for 2012  | 68,781            |
| Additional Parsonage Board rents on parsonage houses in 2012                  | 12,604            |
| <b>Revision to balance on creditors</b>                                       |                   |
| Parsonage Board expenditure accrual required for 2012                         | (37,742)          |
| Value-linked loan with Church Commissioners                                   | (78,000)          |
| <b>Glebe Investment Property</b>  |                   |
| Glebe investment property (at directors' valuation)                           | 5,200,000         |
|   | <b>34,675,811</b> |
| <b>Balance of net assets per Statutory Accounts as restated for 2012</b>      | <b>65,766,639</b> |

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