

Diocese of Derby

Annual Report and Financial Statements 2018



Derby Diocesan Board of Finance Limited

Annual Report & Financial Statements

For the year ended 31 December 2018

The Trustees, who are also Directors for the purposes of company law, present their annual report, together with the audited financial statements, for the year ended 31 December 2018.

The Directors/Trustees are one and the same, and in signing as trustees they are also signing the strategic report sections in their capacity as directors.

This combined report satisfies the legal requirements for:

- a Directors' Report of a charitable company,
- a Strategic Report under the Companies Act 2006 and
- a Trustees' Annual Report under the Charities Act 2011

<u>TABLE OF CONTENTS</u>	Page Number
Vision Statement	3
Introduction & Foreword	4
Legal Objects	5
Strategic Report:	
Strategic Aims	5
Objectives for the year	5
Activities and Achievements in the year	6
Future plans	8
Financial review	9
Principal risks and uncertainties	13
Structure and Governance	13
Trustees' Responsibilities	17
Administrative Details	18
Personnel	20
Independent Auditors' Report	21
Financial Statements	24

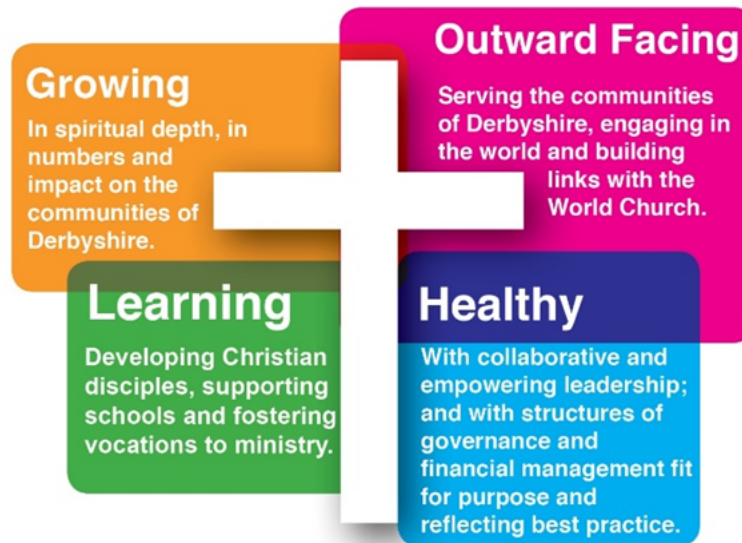
OUR VISION

Christ's presence in every community

As together we seek to live out this vision, we do so in a common purpose, contributing to a Common Fund and in the service of the common good. We commit ourselves to working together and deepening our common life in service of Christ's presence in every community.

Our Vision

Christ's presence in every community



INTRODUCTION FROM THE ACTING BISHOP OF DERBY

The Rt Revd Jan McFarlane



I sometimes wonder when Jesus called those first fishermen to leave their nets and follow him, if he ever imagined that one day those same disciples would have multiplied into a worldwide movement so complex that it would need to become hundreds of charitable trusts with annual reports and management accounts!

We tend to think of the Diocese of Derby as a family of churches, with modern day disciples meeting for worship then going out to be salt and light in the world. And while that lies at the very heart of what it means to be church, we would be in deep trouble without structure, order, good governance and good management. That is what is represented in this Annual Report – a slim document which represents a huge amount of work by dedicated staff and volunteers. We owe them a huge debt of gratitude.

Our Diocesan Synod will receive this Annual Report at the same meeting in which the Synod will welcome the 8th Bishop of Derby, the Rt Revd Libby Lane. Bishop Libby is tasked with leading the Diocese forward as we explore together what it means to be a church which is ‘fit for purpose’ for today.

The structure of the church is utterly different from anything that those first fishermen disciples might ever have imagined, but the task is the same;

“Follow me and I will make you fishers of people” (Jesus in Matthew’s Gospel 4:19)

FOREWORD

Executive Chairman, Canon Mark Titterton



The financial outturn for 2018 returned a small operational deficit of £35,000 (0.4%), which was a significant achievement given the number of financial challenges during the year.

Common Fund receipts showed a reduction over 2017 levels and were £304,000 (6.1%) short of the anticipated budget. This was offset by savings in Parish support costs, return on property investments and savings on property improvements during 2018.

Financial investments performed well again in 2018 and returned slightly above the budget set. The value of financial investments at 31 December 2018 are £41.1m, a decrease of £0.3m over 2017 as markets marginally declined.

Looking to 2019, Common Fund receipts remain the greatest challenge. To close the gap against budget a further 5% of receipts will be required. Common Fund remains the single largest income stream for the Board and is used wholly to support the cost of clergy within the Diocese. The Finance and Mission & Ministry Teams will continue to work with Area Deans and Treasurers during 2019 to improve the receipts from Common Fund. Please work to pledge your full request and support other parishes.

During 2019, the Board will work with the episcopate to closely manage resource deployment and maximise income to support the future Diocesan Strategy and deliver an improved budget position for 2020.

The Board exists to manage the financial and corporate requirements of the Diocese, assisting the Synod, Bishops Council, Deaneries and Parishes to further their mission and deliver the Diocesan strategic objectives. On behalf of the Board, I would like to offer grateful thanks to team members at the Parish Support Office, Clergy, Wardens and PCCs across the Diocese.

LEGAL OBJECTS

Derby Diocesan Board of Finance Limited (the Board), is a private charitable company which was formed to manage the financial affairs and hold the assets of the Diocese. It was incorporated in the UK on 16 April 1928 as a charitable trust company limited by membership guarantees and its governing documents are the Memorandum and Articles of Association. The Board is registered in England with the Charity Commission. The registered office and number can be found on page 18.

The objects, for which the Board 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.

The Board has the following statutory responsibilities:

- the management of glebe property and investments to generate income to support the cost of stipends arising from the Endowment and Glebe Measure 1976
- the repair of benefice houses as the Diocesan Parsonage Board under the Repair of Benefice Buildings Measure 1972
- the custodian of permanent endowment and real property assets relating to trusts held by Incumbents and Archdeacons and by Parochial Church Councils as Diocesan Authority under the Incumbents and Churchwardens (Trusts) Measure 1964 and the Parochial Church Councils (Powers) Measure 1956.

The strategic priorities of the company are established by the Diocesan Synod in communication with Deanery Synods, PCCs, and the Bishop of Derby (in respect of their responsibility for the provision of the cure of souls).

STRATEGIC AIMS

The main role of the Board is to identify and manage the financial aspects of the provision of ministry within the Diocese so as to provide appropriate personnel and financial resources to assist the Diocesan Synod, Bishop's Council, deaneries and parishes to further its mission and deliver the Diocesan strategic priorities.

In 2014, Diocesan Synod agreed that the following four strategic priorities should direct the activities of the Diocese:

- **Growing** in spiritual depth, in numbers and impact on the communities of Derbyshire
- **Learning** developing Christian disciples, supporting schools and fostering vocations to ministry
- **Healthy** with collaborative and empowering leadership; and with structures of governance and financial management fit for purpose and reflecting best practice
- **Outward Facing** serving the communities of Derbyshire, engaging in the world and building links with the World Church

OBJECTIVES FOR THE YEAR 2018

The key objectives during 2018 were:

- Progression of an updated Diocesan Strategy
- Increasing 'One Diocese' working, in particular across the Cathedral and Church House
- Supporting the Area Deans and Leadership Teams to develop and begin implementing Deanery Mission Plans
- Working with the new Vocation Learning and Formation Officers to resource the Deanery Hubs
- Advancing the Strategic Building Review to help inform future funding applications
- Working in partnership to guide the development of the Resource Church
- Building resilience in the Support Office at Church House, to deliver efficient and effective support to Deaneries, Parishes and the Board.

- Delivering Common Fund growth, in partnership with Area Deans, building on the Parish Giving Scheme. Enhancing the support to Parishes through the development of financial management tools.
- Delivery of the Restructure Funding Bid, including completion of reports and evidencing outcomes.
- Continuing to review opportunities to maximise financial and property investment assets.
- Implementation of GDPR.
- Continuing to work closely with the Diocese Board of Education to promote engagement across our schools with young people, their families and communities. To support the Cathedral in the opening of the Cathedral School.
- Oversight of the vacancy-in-see process.

ACTIVITIES & ACHIEVEMENTS IN THE YEAR

With match funding from the Strategic Development Fund of the Church Commissioners we have established a Resource Church in the centre of the city of Derby using the redundant St Werburgh's Church. A steering group has been established to oversee the delivery and work towards objectives while liaising with the National Commissioners.

The new Deanery structure is complete. Eight Area Deans and their administrators are now in post. Work started on developing and presenting the Deanery Plans. Area Deans meet monthly and are pivotal in communication between the Parish Support office and the wider Diocese.

The appointment of a Media Officer in the communications team has enabled Social Media training and increased support to teams and parishes on all aspects of communication. Together magazine has launched successfully, showcasing positive stories, good practice and items of interest across the diocese.

DBF have further developed a positive relationship with the Diocesan Board of Education (DBE), and Derby Diocesan Academy Trust (DDAT), including the appointment of the Chair of the DBF and the Diocesan Secretary to the governance of DDAT helping to ensure strong partnership working. 2018 saw the successful opening of the Derby Cathedral School to almost full capacity and applications for the second tranche heavily oversubscribed.

The renewed role of Diocesan Secretary incorporating Cathedral Chapter Steward was embedded during 2018. This enables strong working partnerships between Cathedral and Diocese. A proportion of the salary is covered by the Cathedral where an Operations Manager was appointed this year to back fill the operational delivery of the Chapter Steward's role. Church of England Commissioners have been very clear that strong working relationships between Cathedral and Diocese are a requirement before funding bids will be considered.

The Vacancy-In-See process took place during 2018 culminating in the announcement of Bishop Libby Lane as the next Bishop of Derby. A lengthy and exhaustive process for all those involved but enabling the new Bishop to start in the first half of 2019.

The Mission and Ministry Team

Operating across seven key themes and involved in around 50 different projects and initiatives that support the work of parishes across the diocese, including:

- The development of a three-tier lay training programme that delivers essential learning and discipleship formation through a variety of learning opportunities. These include the 'Learning in Faith' and 'Certificate in Theology, Mission & Ministry' programmes.
- Assisting parishes engage positively with stewardship including the promotion of the PGS and contactless giving.
- Supporting effective mission & evangelism in the diocese through: mission action planning, missional parish ministry, pioneering, resource churches, church planting & fresh expressions.
- Supporting clergy and licensed lay ministers in their continuing ministerial development with a growing focus on leadership development.
- Delivering a Buildings for Mission programme through the Strategic Building Review and Raymond Ross Fund.
- Promoting and supporting the Synod's call to work towards eco-church accreditation within the diocese.

- Working alongside partner organisations on many social issues including, mental health, gender-based violence, poverty and modern-day slavery.

Key outputs from the Mission & Ministry Team in 2018:

- The adoption of a three-tier model to lay training and discipleship development.
- Tier 1 - Over 130 learning opportunities organised for 2019 in a range of areas responsive to deanery need.
- Marketing and promotion material produced and launched at Clergy Conference.
- Tier 2 - pilot work undertaken in preparation for a Bishop's Certificate course to be launched in 2019.
- Tier 3 - Rebranding of Transforming Faith course as Certificate in Theology, Mission & Ministry. Marketing campaign engaged over 60 new students.
- 3 vocational exploration days delivered engaging twenty new enquirers.
- 9 mission and evangelism workshops delivered.
- Launch the redeveloped MAP tool for parishes.
- Strategic Building Review Data Collection System designed, built and launched.
- New 'Parish Dashboard' developed for stewardship.
- Nearly £500,000 raised through donors using Parish Giving Scheme each year.
- Over fifty parishes signed up to Parish Giving Scheme.
- 196 Readers supported.
- 7 new Readers entered training for ministry.
- 19 parishes registered as Eco-Churches (1 Bronze and 1 Silver award).
- 166 hours of training provided to curates and training priests.
- 13 curates signed off and ready for wider ministry in the church.
- Process of refocusing pioneer ministers begun.
- Pathfinder work towards mission strategy undertaken [including place of church planting and pioneer ministers].
- Resourcing Derby City project evaluated and refocused.
- Clergy Conference organised.
- Support for parishes wishing to access Raymond Ross Fund.

Key outputs from the Safeguarding Team:

- Extra staff (one full time caseworker and two part time admin), are now recruited and fully operational with all casework allocated in a timely manner.
- During 2018, 113 cases were referred with 60 still active.
- 1,394 DBS certificates have been issued in 2018, a large increase on previous years.
- 2,057 people completed C1, 823 completed C2 and 37 completed C3 training. At the end of 2018 97% of Licenced Clergy/Readers had completed the required level of training as set out in the national guidelines.
- Communication with Deaneries and parishes has improved by introducing a quarterly newsletter and providing two Parish Safeguarding Leads (PSL), events to support the safeguarding work undertaken locally.
- The parishes have worked hard to complete the parish audits (Over 50% of parishes across the Dioceses completed the audit but Deanery compliance ranged from 82% to 34%) and we are planning to work with those Deaneries who struggled to provide data by rolling out an easier method for all parishes to capture the data required.

The Diocesan Vocation team delivered:

- The Vocations Adviser page, which now offers enquirers the potential for first, informal, conversations, to begin to articulate how God might be calling them to serve as disciples in the church and community as lay or ordained people. Individuals can self-select who they would like to meet with.
- Vocations Exploration Days (VED) now held regularly in different deaneries to take conversations relating to authorised ministry further. Dates throughout the year.
- 24hour residential training exploring Unconscious Bias training.
- Three diocesan panels with Bishop of Repton and Archdeacon of Derby supported by vocations advisers and others from the diocese.
- Preparations to send ten people to BAP's to test their call to train for ordination. If recommended they will commence training September 2019.
- Preparations throughout 2018 for the ordinations in 2019 where we expect to see eight new priests ordained and ten new deacons.
- The appointment of three additional Assistant DDO's (ADDO's).

- An increase in number and breadth of experience within the Vocations Team, now having about twenty advisers both lay and ordained.

The Property team delivered:

- Thirty-two quinquennial surveys and secured planning for residential housing in the grounds of three vicarages
- The sale of six properties during the year with sales in progress on four more. We have commenced building a new vicarage and the purchase of one more
- Agreed terms for a Promotion Agreement on sixteen acres of glebe for residential development and an extension to an Option Agreement on twenty acres of glebe land for residential development.

RELATED PARTIES

General Synod, Church Commissioners and Archbishop's Council

The Board has a duty 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 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 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

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 co-operates with certain other charities in pursuit of its charitable objects and details of payments to these are to be found in note 12 to the financial statements.

FUTURE PLANS

We have identified the following key areas for development during 2019

- To review and refresh the Common Fund formula for 2020
- To complete the Strategic Building Review to help inform future funding bids
- Ensure resources are used wisely
- To ensure a planned and affordable governance process to deployment
- Enhance support to the parishes through a programme of centrally resourced training and 'Roadshows'.

FINANCIAL REVIEW

The annual budget is presented to Diocesan Synod for approval and sets out the framework for our financial decision-making. The 2018 budget included a transfer to reserves of £10,894.

Performance against budget

Budget plans for 2018 included:

- a reduction of £34,962 in Church Commissioners funding under the “Resourcing the Future” proposals and responding to changes in National Church strategic funding
- a reduction of two posts in the numbers of people compared to 2017 in response to the reduction in funds from the Church Commissioners and continuation of additional annual funding for the Diocesan Board of Education
- a provision for stipend and salary increases of +1.0%
- contributions to the Clergy Pension Scheme being held at 39.9%
- an increase in 2018 Archbishops’ Council Apportionment (for Votes 1 to Vote 5 – training for ministry and other National Church costs) of +4.0%
- an average Common Fund increase of +1.0% alongside the second year of transition to the new Common Fund formula
- an increase in the expected income return from land and buildings primarily from net rental income as property letting is increased, particularly in vacancy situations
- the disposal of properties no longer required
- identification of further non-staff cost savings to reduce the impact on reserves
- updating the rolling 3-year financial plan with a detailed budget for 2018 and outline plans for 2019 & 2020 giving a better understanding of the financial challenges ahead and providing an ‘early warning’ system and ensure ‘breakeven’.

The table below sets out performance against the budget plan:

MANAGEMENT ACCOUNTS 2018			
	Budget £	Actual £	Difference £
INCOME			
Common Fund	4,976,546	4,672,256	(304,290)
Church Commissioners	1,478,592	1,478,592	0
Net Return on Investments	2,024,689	1,966,720	(57,969)
Other income including fees and grants	584,647	586,389	1,742
TOTAL INCOME	9,064,474	8,703,956	(360,518)
EXPENDITURE			
Ministerial Staffing	5,126,388	5,214,238	(87,850)
Ministerial Housing & Other Ministerial costs	1,323,786	1,121,113	202,673
Parish Support (excluding funding contributions)	1,482,462	1,315,284	167,178
Contributions and Sector Support (incl. DBE)	659,404	629,376	30,028
National Church	461,540	458,791	2,749
TOTAL EXPENDITURE	9,053,580	8,738,803	314,777
SURPLUS / (DEFICIT)	10,894	(34,846)	(45,740)

Common Fund, the money given by parishes to the Diocese to fund mission and ministry across the Diocese, is the main source of income and accounted for around 54% of total Diocesan income. In 2018 the total amount paid was £4,672,256, which was a decrease of £49,000 over the previous year (2017 - total Common Fund £4,721,558). Receipts were £304,290 lower than budgeted.

A total of £1.5million came from the National Church Institutions for stipend support, indicating the Board’s dependence on this valuable source of income. Overall returns on investments were lower than budgeted despite financial investments assets performing slightly higher than budget.

The Allchurches Trust Ltd annual distribution amounted to £139,975 and the Board acknowledges with thanks the receipt of this grant. Parochial fees were £14,274 higher than budgeted.

There was a saving on Ministerial Housing through close management of the property stock during the year which partly offset the shortfall in Common Fund. This was further offset by savings in Parish Support costs, mainly through vacancies during the year.

The Trustees approved a £330,000 deficit budget position for 2019. The 2019 budget holds a number of key financial challenges, including Common Fund contributions which will need to contribute closer to the budget target.

STATEMENT OF FINANCIAL ACTIVITIES

Total income was £10.3million (2017 - £10.0 million) and expenditure £9.3million (2017 - £8.8 million).

After the deduction of net losses on investment assets of £0.3million (2017 – net gain of £3.1million), the net increase in funds amounted to £0.8million (2017 – £4.6million), including actuarial gains on the defined benefit pension scheme of £72,000.

Management Accounts Reconciliation to Statutory Accounts		£
Deficit per Management Accounts 2018		(34,846)
<i>Other unrestricted fund movements:</i>		
Pension adjustment (revaluation)		72,000
Endowment pension transfer		(420,000)
(Net) Transfer of Benefice Houses		82,584
Transfer from Pastoral account re part purchase of (2) properties		92,439
Corporate property sale receipts to Pastoral account		(1,337,004)
Gains/(losses) on investment assets		(78,668)
Income gain on disposals of assets		820,764
Adjustment to returns on investment income		243,196
Derby St Peters Dividend income		4,548
Church Growth and Parish Grant allocations		(41,541)
Designated fund transfer per approved budget		(127,707)
Other unrestricted and designated fund movement (net)		38,922
Net movement in Unrestricted Funds		(685,313)

[Per statement of financial activities on page 25 of the financial statements]

During the year, total fund balances increased from £81.4million, to £82.2million and there was an overall net cash inflow of £1.7million (2017 – cash inflow £0.3million).

Grant-Making (Beneficiary-Selection)

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 12 of the financial statements). Grants are paid to other connected charities and to other charitable projects which support the furtherance of the Board's objects.

Local Mission Fund

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

The fund has a year-end balance of £23,445 (2017 - £23,445) with its future purpose to be considered by the Board towards future initiatives.

REVIEW OF THE STATEMENT OF FINANCIAL POSITION

The Trustees consider that the Statement of Financial Position together with details in note 27 show broadly that the restricted and endowment funds are held in an appropriate mix of investment and current assets given the purposes for which the funds are held. While the net assets at the Statement of Financial Position date totalled £82.2million (2017 - £81.4million) it must be remembered that included in this total are fixed assets, mostly in use for the ministry, whose total cost amounted to £31.2million (2017 - £32.4million). Much of the remainder of the assets shown in the Statement of Financial Position are held in restricted funds, and cannot necessarily be used for the general purposes of the Board.

Significant Property Transactions

During the year the Board sold six properties and part purchased two properties. Total purchases and additions to property were £92,439 (2017 - 4 purchased, £1,561,439) and sales were £1,771,709 (2017 - 4 sold, £1,391,756). In addition, a further four properties are 'held for sale' to be sold during 2019.

INVESTMENT POLICIES AND STRATEGY

The Board'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.
- **Long-term responsibilities** – the Board 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 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 Common Fund. Financial investments are held with CCLA Investment Management Ltd (for the Church of England).

Glebe Investment Strategy

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's bankers National Westminster Bank.

Investment performance

The value of the Board's financial investment assets decreased by £0.3million in 2018 (2017 – increase in valuation of £3.0million).

CCLA Investment Management Ltd - financial investment managers

At the Statement of Financial Position date, the 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 and CBF Church of England Global Equity income shares.

The table below sets out holdings in each fund at 31 December 2018:

CCLA Investment Management Ltd Funds	Funds at 31 December 2018	Portfolio Split	Income yield in year	Total return in year (net)
	£	%	%	%
CBF Church of England Investment Fund	29,725,483	72.4	+3.4%	+1.9%
CBF Church of England Global Equity Income Fund	3,616,980	8.8	+3.9%	+1.8%
CBF Church of England Property Fund	7,743,991	18.8	+5.3%	+8.5%
	41,086,454	100.0		

Total return performance for each fund in 2018 against its comparator is set out in the table below:

Longer term total return performance 12 months to 31 December 2018		
	Fund %	Comparator %
CBF Church of England Investment Fund (gross)	+2.4%	-3.5%
CBF Church of England Global Equity Income Fund (gross)	+2.5%	-3.0%
CBF Church of England Property Fund (net)	+8.5%	+7.4%

Brewin Dolphin

A residual holding from the Canon Raymond Ross legacy is held by Brewin Dolphin. The value of the holding at 31 December 2018 is; cash £12,203 and Investments £33,886. Investments are sold annually by Brewin Dolphin, in line with the terms of the agreement and held as a cash balance. No cash was redeemed during 2018.

Investment Properties – including Glebe Agricultural Land

Holdings in the portfolio are predominantly agricultural in nature, amounting to approximately 1,300 acres. Agricultural property has been valued by the Board and is based on a desktop valuation provided by Savills, our glebe land agents, as at 31 December 2018. Savills market revaluation has resulted in a reduction in value of £0.1million over the 2017 valuation. Other small miscellaneous holdings were valued internally in 2015.

The value of the investment held in Wormhill Quarry reduced by £0.1m in 2018 as a result of activity during the year and a revaluation at 31 December 2018.

The current valuation of the portfolio is £7.6million (2017 - £7.8million). There was 1 sale of glebe land during the year generating £40,000 and no purchases during the year (2017 – 2 sales of land generating £108,377).

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 (VLL), the whole, or a proportionate part, of the net sale proceeds would go to the Church Commissioners.

Total value-linked loans advanced at 31 December 2018 amounted to £274,938 for 5 loans (2017 - £324,938, 6 loans). One loan was redeemed on the sale of a VLL property during 2018.

RESERVES POLICY

Free reserves

The Board has considerable responsibilities including the remuneration of around 133 stipendiary clergy posts, the upkeep of 185 houses and the employment of approximately 50 full or part-time staff. Most of the Board's income is voluntary and the Board has noted that a large proportion of its voluntary income is from Common Fund with the balance made up of grant income from the Church Commissioners and income from investments and other sources.

Having considered financial risk, liquidity requirement and the timing of cash flows throughout the course of the financial year, policy is to hold a balance of readily realisable assets in the general fund equivalent to three months budgeted unrestricted expenditure. At 31 December 2018 the amount required under this policy totalled £2.3m (2017 - £2.3million). Actual free reserves as at 31 December 2018 totalled £4.1million (2017 - £4.0million).

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.

Reserves tied up in fixed assets

The Statement of Financial Position comprises net assets amounting to £31.2million of which £25,788 is held as tangible fixed assets (Note 16).

Designated funds

The Trustees may designate additional unrestricted reserves to be retained for an agreed purpose where this is considered to be prudent. Such designated reserves are reviewed on an annual basis and returned to the general fund in the event that the purpose of their designation is no longer considered to be adequate justification for their retention. A description of each reserve together with the intended use of the reserve is set out in Note 28 of the financial statements. At 31 December 2018 total designated reserves were £15.7m (2017 - £16.5million) of which £10.6m is held in tangible fixed assets as corporate property (2017 - £11.3million).

Restricted and endowment funds

As set out in Notes 29 and 30, the Board holds and administers a large number of restricted and endowment funds. As at 31 December 2018 restricted funds totalled £5.5m (2017 - £3.8m) and endowment funds totalled £56.8m (2017 - £57.0m). Neither restricted or endowment funds are available for the general purposes of the Board.

Going concern

The trustees have reviewed the financial statements and 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.

PRINCIPAL RISKS AND UNCERTAINTIES

The trustees confirm that the major risks, to which the Board is exposed, as identified by the trustees and employees, have been reviewed and that systems and procedures have been established to manage those risks.

The risk register identifies a number of risks and action plans are developed to mitigate risks to reduce the probability of the risk arising, or the impact should the risk arise. Dioceses have identified two areas where the risk of either failure to act or the impact of the events is considered 'high'. These areas and the associated mitigation strategies are:

Common Fund: *'Collection is considerably less than financial plans'*

Mitigation:

- Collection statistics are produced and circulated on a monthly basis.
- The Finance team report on and support those parishes where there is considered to be a significant risk of under-collection. Parish Resource Officers, Area Deans and Archdeacons are tasked with working with these parishes and supporting them and then plan how their financial situation can be improved.
- We encourage every parish to pay their Common Fund in full.

Stipendiary Numbers: *'Impact on deployment and Common Fund receipts'*

Delivery against the budgeted number of Clergy could restrict the potential to fund existing or new mission opportunities. The ability to replace clergy may impact on the contributions to the Common Fund.

Mitigation:

- Development of clear deployment plans, including the identification of key strategic posts and identification of ministry provision in the right place
- Encouraging Lay and non-stipendiary ministry across the Diocese.

STRUCTURE & GOVERNANCE

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 42 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 authority to administer the pension scheme for the clergy. 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 the 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.

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 an Area 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.

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
- 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.

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
- provide for the financing of the Diocese.

Organisational Structure

The Diocese of Derby is one of 42 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 Derby Diocesan Board of Finance Limited (the Board), a charitable trust company limited by guarantee.

The Diocese is arranged as two archdeaconries, Chesterfield covering the north part with four deaneries and Derby the south with four deaneries. There are some 255 parishes within the Diocese.

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.

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 they may refer to the Committee
- 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
- to carry out such functions as the Synod may delegate to it.

Decision-Making Structure

Policy is formulated by the Bishop's Council for approval by Diocesan Synod. 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

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 Executive 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.

Other statutory committees include:

Parsonages Committee - is responsible for determining policy and making major decisions concerning the management of parsonage houses in each benefice. This includes setting the policy for buying, repairing, maintaining and disposing of all parsonage houses, team vicarages and houses owned by the Board. From 21 May 2016 the Diocesan Board of Finance was designated as the Parsonage Board, which in turn delegates its functions to the Business Committee.

Diocesan Mission and Pastoral Committee - is responsible for the task of recommending pastoral reorganisation, taking account of available clergy numbers and making use of new patterns of ministry. From 1 August 2015 this committee became co-terminus with Bishops Council.

Diocesan Advisory Committee - 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 - 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 approximately ten times each year, and will work closely with the Diocesan Secretary. The Business Committee advises the Bishop's Council, in the discharge of the trustees' responsibilities for accounting policy, internal control, financial reporting and risk management. In addition it provides strategic advice on the management of the Board'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. From 12 July 2016 the Business Committee was designated as the Glebe Committee.

Remuneration Sub-Committee – is a sub-committee of the Business Committee and meets as and when required to make recommendations and decisions on clergy and lay employee remuneration.

Significant Control, Trustees and Management Personnel

Register of Persons of Significant Control

The Board maintains a Register of Persons of Significant Control.

Trustee Recruitment, Selection & Induction

The Trustees are the members of Bishop's Council and Directors of the company. Trustees are either ex-officio members or elected from the Diocesan Synod. Synod members are elected from representatives across the Diocese including clergy and lay people. Elections taking place every three years, with the next elections due in 2021. Trustees are given induction training when first appointed and receive ongoing training, as appropriate. Some staff hold the title of 'Director', but this relates to their function within the organisation and has no legal meaning within the terminology associated with the Companies Act. All Trustees are required to sign the code of practice and maintain their entry in the record of declarations of interest and loyalty.

The Board has indemnity insurance for its trustees and key management personnel and £1,000,000 (2017 - £1,000,000) of cover is provided.

Remuneration of key management personnel

Emoluments of higher-paid employees are determined by a Remuneration Panel consisting of a sub set of members of the Business Committee including the Executive Chair of the Board of Finance, meeting as and when required. The terms of reference for this group is established by the Bishop's Council and includes, regular appraisals, remuneration and salary benchmarking and recommendation of changes where necessary

Delegation of day to day delivery

The Trustees and the sub-committee which assist them in the fulfilment of their responsibilities, rely upon the Diocesan Secretary and her colleagues for the delivery of the day to day activities of the company. The Diocesan Secretary is given specific and general delegated authority to deliver the business of the Board in accordance with the policies framed by the Trustees.

Funds held as Custodian Trustee

The Board is custodian trustee of assets held on permanent trust by virtue of the Parochial Church Councils (Powers) Measure 1956 and the Incumbents and churchwardens (Trusts) Measure 1964 where the managing trustees are parochial church councils and others. These assets are not aggregated in the financial statements as the Board does not control them, and they are segregated from the Board's own assets by means of a separate bank accounts and accounting system. Further details of financial trust assets, whose market value amounted to £2.3million at 31 December 2018 (2017 - £2.3million), are available from the Board on request, and are summarised in note 31 of the financial statements. Where properties are held as custodian trustee, the deeds are identified as such and held in safe custody by the Board's solicitors.

TRUSTEES' RESPONSIBILITIES

The Trustees are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations. Company law requires the Trustees (as Directors) to prepare financial statements for each financial year. The Board adopted the Statement of Recommended Practice (SORP) for charities which takes into account a number of changes contained within Financial Reporting Statement (FRS) 102. This results in changes to the accounting policies in accounting for pension scheme deficits on multi-employer defined benefit pension schemes.

Under company law the Trustees must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of the affairs of the Board and of the surplus or deficit for that period.

In preparing these financial statements the Trustees are required to:

- Select suitable accounting policies and apply them consistently
- Observe methods and principles in the Charities SORP (FRS 102)
- Make judgements and estimates that are reasonable and prudent
- State whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements
- Prepare the financial statements on the going concern basis unless it is inappropriate to assume that the company will continue in operation

The Trustees are also responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the DBF and enable them to ensure that the financial statements comply with the Companies Act 2011. They are also responsible for safeguarding the assets of the Board and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Trustees are responsible for the maintenance and integrity of the corporate and financial information included in the Board's website. Legislation in England/Wales governing the preparation and dissemination of financial statements and other information included in Annual Reports may differ from legislation in other jurisdictions.

Statement of disclosure to the auditors

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 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.

Appointment of auditors

The re-appointment of Mazars LLP as auditors to the Board was approved for 2018.

ADMINISTRATIVE DETAILS

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)

Membership of the Board consists of those members of Derby Diocesan Synod who are not employed by the Board.

President: The Bishop of Derby - The Right Revd Dr Alastair Redfern (to 31 August 2018)
The Bishop of Repton – The Right Reverend Jan McFarlane (from 1 September 2018)

Registered Office: Church House, Full Street, Derby DE1 3DR
Telephone: 01332 388650
Email: finance@derby.anglican.org
Website: www.derby.anglican.org

For a list of direct dial telephone extensions see the diocesan website.

Bishop's Council & Standing Committee of Diocesan Synod

(Being the financial executive of the Diocesan Synod and the Board of Directors of the Board of Finance)

The trustees (for the purpose of charity law) and directors (for the purpose of company law) during the year and as at the date of signing were as follows:

Chair

The Right Reverend the Lord Bishop of Derby (to 31 August 2018)
The Right Reverend the Bishop of Repton (from 1 September 2018)

Ex-Officio

- The Right Reverend the Bishop of Repton
- The Venerable Archdeacon of Chesterfield
- The Venerable Archdeacon of Derby
- The Very Revd the Dean of Derby
- The Chair of the House of Clergy of the Diocesan Synod – The Revd P Davey
- The Chair of the House of Laity of the Diocesan Synod – Mrs C McMullen
- The Executive Chair of the Board of Finance - Canon M Titterton
- The Chair of the Diocesan Board of Education

Elected by Derby Diocesan Synod - two clergy members from each Archdeaconry and nine lay members, with at least three from each Archdeaconry.

Clergy

Chesterfield Archdeaconry (2)

- The Revd D Ballard (from 28 November 2018)
- The Revd M Broomhead (to 27 November 2018)
- The Revd C Pearson

Derby Archdeaconry (2)

- The Revd A Kay (from 28 November 2018)
- The Revd J Page (to 27 November 2018)
- The Revd Dr J Ward

Laity (1 vacancy)

Chesterfield Archdeaconry (at least 3)

- Mr P Collard (to 27 November 2018)
- Canon J Cooper
- Mr J Gascoyne
- Miss H Hawkins (from 28 November 2018)
- Canon C Holmes-Elener

Derby Archdeaconry (at least 3)

- Mrs M Goddard
- Mrs H Grivell (to 27 November 2018)
- Mr B Parker

- Mr P Vincent
- Mr J Whiten (from 28 November 2018)

Principal Officers

Diocesan Secretary: Ms R Morris

Director of Mission & Ministry: Revd Canon Dr S Jones (to 4 May 2018)

Mission & Ministry Team Leader: Revd M Barnes – seconded (from 16 April 2018)

Director of Vocations: Revd G Pond

Director of Human Resources: Mrs A Poulson (to 31 January 2018)

HR Manager: Ms M Roberts (from 25 January 2018)

Head of Property: Mr G Webster

Head of Finance: Mr M Marples

Advisers

Diocesan Registrar, Bishop's Legal Secretary & Legal Adviser to the Board of Finance: Mrs N Waldron
BA TEP

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

Insurers

Ecclesiastical Insurance Group, Gloucester

Land Agents

Savills, 2/3 Sherbrook House, Swan Mews, Lichfield

Mineral Surveyors

Coke Turner & Co, The Millyard, Rowsley, Matlock

Auditors

Mazars LLP, Chartered Accountants & Registered Auditors, 58 The Ropewalk, Nottingham, NG1 5DW

PERSONNEL

The efficient and effective running of the Diocese requires high quality staff within the Parish Support Office. Our grateful thanks go to all the staff who supported the Diocese during 2018.

Resources were reviewed during 2018 and enhanced where necessary to provide stronger governance and to support key areas of risk, including in Safeguarding.

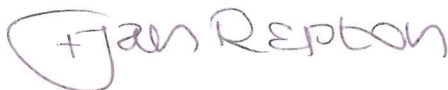
Although this report refers to employees of the Board and not parochial clergy we would also like to thank the clergy who continue to deliver our mission across the Diocese.

General Synod Members


We would also like to acknowledge the General Synod representatives and thank them for their hard work acting as our elected members of General Synod. During 2018, our elected representatives were; Revd Mark Broomhead, Revd Julian Hollywell, Revd Canon Dr Simon Taylor, Kat Alldread, Rachel Bell and Hannah Grivell.

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

BY ORDER OF THE TRUSTEES



The Acting Bishop of Derby
Chair
20 May 2019



Canon Mark Titterton
Executive Chairman - DBF
20 May 2019

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF DERBY DIOCESAN BOARD OF FINANCE LIMITED

Opinion

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

In our opinion, the financial statements:

- give a true and fair view of the state of the charity's affairs as at 31 December 2018 and of 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.

Basis for opinion

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

Conclusions relating to going concern

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

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

Other information

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the Trustees' Report which includes the Strategic Report prepared for the purposes of company law, for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report included within the Trustees' Report has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In light of the knowledge and understanding of the charity and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report included within the Trustees' Report.

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

- adequate and proper 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 specific by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of Trustees

As explained more fully in the trustees' responsibilities statement set out on page 17, the trustees (who are also the directors of the charitable company for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

Use of the audit report

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

Signed:



Ian Holder

(Senior Statutory Auditor)

for and on behalf of Mazars LLP

Chartered Accountants and Statutory Auditor

Park View House

58 The Ropewalk

Nottingham

NG1 5DW

Date: 29 May 2019

FINANCIAL STATEMENTS

	Page Number
Statement of Financial Activities	25
Income & Expenditure Account	26
Statement of Financial Position	27
Statement of Cash Flows	28
Notes	29-46

DERBY DIOCESAN BOARD OF FINANCE LIMITED
STATEMENT OF FINANCIAL ACTIVITIES
for the year ended 31 December 2018

		Unrestricted funds	Restricted funds	Endowment funds	Total funds 2018	Total funds 2017
	Note	£	£	£	£	£
Income and endowments from:						
Donations	2					
Common Fund		4,672,256	-	-	4,672,256	4,721,558
Archbishops' Council		1,670,835	-	-	1,670,835	1,538,340
Other donations		218,933	-	-	218,933	160,643
Charitable activities	3	589,353	-	-	589,353	625,865
Other activities	4	388,979	-	-	388,979	348,695
Investments	5	1,450,109	262,530	-	1,712,639	1,703,619
Other incoming resources	6	820,764	-	258,119	1,078,883	880,756
Total income and endowments		9,811,229	262,530	258,119	10,331,878	9,979,476
Expenditure on:						
Raising funds	7	110,616	-	-	110,616	127,744
Charitable activities	8	8,797,277	282,588	-	9,079,865	8,636,369
Other resources expended	9	-	-	140,000	140,000	-
Total expenditure		8,907,893	282,588	140,000	9,330,481	8,764,113
Net income/(expenditure) before investment gains		903,336	(20,058)	118,119	1,001,397	1,215,363
Net gains/(losses) on investments		(78,668)	11,002	(215,912)	(283,578)	3,097,101
Net income/(expenditure)		824,668	(9,056)	(97,793)	717,819	4,312,464
Transfers between funds	15	(1,581,981)	1,709,724	(127,743)	-	-
Other recognised gains/(losses)						
Actuarial gains on defined benefit pension schemes		72,000	-	-	72,000	301,000
Net movement in funds		(685,313)	1,700,668	(225,536)	789,819	4,613,464
Reconciliation of funds						
Total funds at 1 January		20,550,892	3,768,839	57,041,730	81,361,461	76,747,997
Total funds at 31 December 2018		19,865,579	5,469,507	56,816,194	82,151,280	81,361,461

All activities derive from continuing activities.

The notes on pages 29 to 46 form part of these financial statements

DERBY DIOCESAN BOARD OF FINANCE LIMITED
INCOME AND EXPENDITURE ACCOUNT
for the year ended 31 December 2018

	2018	2017
	£	£
Total income (less endowment)	10,073,759	9,098,720
Resources expended (less endowment)	<u>(9,190,481)</u>	<u>(8,764,113)</u>
Operating surplus for the year	883,278	334,607
Net gains/(losses) on investments	<u>(67,666)</u>	<u>821,052</u>
Income for the year	815,612	1,155,659
Other comprehensive income/(expenditure):		
Net assets transferred from endowments	127,743	792,756
Actuarial gain on defined benefit pension schemes	72,000	301,000
Total comprehensive income:	<u><u>1,015,355</u></u>	<u><u>2,249,415</u></u>

The income and expenditure account is derived from the Statement of Financial Activities with movements in endowment funds excluded to comply with company law. All income and expenditure is derived from continuing activities.

The notes on pages 29 to 46 form part of these financial statements

DERBY DIOCESAN BOARD OF FINANCE LIMITED
STATEMENT OF FINANCIAL POSITION
as at 31 December 2018

COMPANY NUMBER 229700

	Note	2018		2017	
		£	£	£	£
Fixed Assets					
Tangible assets	16	31,161,981		32,445,269	
Investments	17	<u>48,710,097</u>		<u>49,209,807</u>	
			79,872,078		81,655,076
Current Assets					
Assets held for sale	18	444,000		-	
Debtors	19	814,105		812,889	
Cash on deposit		4,416,649		2,685,495	
Cash at bank and in hand		<u>30,169</u>		<u>29,652</u>	
		5,704,923		3,528,036	
Creditors: amounts falling due within one year	20	<u>(574,783)</u>		<u>(500,713)</u>	
Net Current Assets			<u>5,130,140</u>		<u>3,027,323</u>
Total Assets less Current Liabilities			<u>85,002,218</u>		<u>84,682,399</u>
Creditors: amounts falling due after more than one year					
Pension scheme liabilities		(2,576,000)		(2,996,000)	
Other creditors		<u>(274,938)</u>		<u>(324,938)</u>	
			(2,850,938)		(3,320,938)
Net Assets			<u><u>82,151,280</u></u>		<u><u>81,361,461</u></u>
The Funds of the Charity					
Unrestricted income funds					
General Fund		4,144,809		4,070,387	
(Including investment revaluation reserve of £1,176,045 (2017 - £1,204,421))					
Designated funds	28	15,720,769		16,480,505	
(Including investment revaluation reserve of £1,109,007 (2017 - £1,159,300))					
			<u>19,865,578</u>		<u>20,550,892</u>
Restricted income funds	29	5,469,509		3,768,841	
(Including investment revaluation reserve of £904,147 (2017 - £893,143))					
Endowment funds	30	56,816,193		57,041,730	
(Including investment revaluation reserve of £12,012,369 (2017 - £12,473,905))					
Total Funds			<u><u>82,151,280</u></u>		<u><u>81,361,463</u></u>

The financial statements were approved by the Board of Directors and authorised for issue on 20 May 2019 and signed on behalf of the Board by:



The Acting Bishop of Derby - The Rt Revd Jan McFarlane

The notes on pages 29 to 46 form part of these financial statements

DERBY DIOCESAN BOARD OF FINANCE LIMITED

STATEMENT OF CASH FLOWS

for the year ended 31 December 2018

	2018	2017
	£	£
Cash flows from operating activities:		
Net cash used in operating activities	(1,918,692)	(1,632,868)
Cash flows from investing activities:		
Dividends, interest and rent from investments	1,712,639	1,703,618
Proceeds from the sale of property, plant and equipment	2,030,163	1,758,282
Purchase of property, plant and equipment	(92,439)	(1,576,604)
Net cash provided by investing activities	<u>3,650,363</u>	<u>1,885,296</u>
Cash flows from financing activities		
Net cash provided by financing activities	-	-
Change in cash and cash equivalents in the year	<u>1,731,671</u>	<u>252,428</u>
Cash and cash equivalents at 1 January	2,715,147	2,462,719
Cash and cash equivalents at 31 December	<u><u>4,446,818</u></u>	<u><u>2,715,147</u></u>

	2018	2017
	£	£
Reconciliation of net movement in funds to net cash outflow from operating activities		
Net movement in funds for the year ended 31 December	789,819	4,613,464
Adjustments for:		
Net losses/(gains) on investments	283,578	(3,097,101)
Depreciation charges	17,033	20,205
Dividends, interest and rent from investments	(1,712,639)	(1,703,618)
Net (Profit) on the sale of fixed assets	(899,337)	(878,303)
(Increase)/decrease in debtors	(1,216)	104,454
Decrease in creditors	(395,930)	(691,969)
	<u>(2,708,511)</u>	<u>(6,246,332)</u>
Net cash used in operating activities	<u><u>(1,918,692)</u></u>	<u><u>(1,632,868)</u></u>
Analysis of cash and cash equivalents		
Notice deposits (less than 3 months)	4,416,649	2,685,495
Cash in hand	30,169	29,652
	<u><u>4,446,818</u></u>	<u><u>2,715,147</u></u>

The notes on pages 29 to 46 form part of these financial statements

DERBY DIOCESAN BOARD OF FINANCE LIMITED
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2018

1. Accounting Policies

The financial statements have been prepared under the historical cost convention, with the exception of freehold properties, which are included at their fair value as determined under the applicable valuation method as detailed in e), and fixed asset investments, which are included at their market value at the balance sheet date. The financial statements have been prepared in accordance with the Statement of Recommended Practice for Charities (SORP (FRS 102)), the Companies Act 2006 and applicable accounting standards, Financial Reporting Standard (FRS) 102.

DDBF meets the definition of a public benefit entity under FRS 102

Following the transition to FRS102 in 2015 all of the accounting policies have been aligned with the new accounting standard.

The principle accounting policies and estimation techniques are as follows.

a) Income

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

- i) Common Fund is recognised as income of the year in respect of which it is receivable with contributions received shortly after the financial year-end explicitly relating to the period under review included as debtors
- ii) Rent receivable is recognised as income in the period with respect to which it relates.
- iii) Interest and dividends are recognised as income when receivable.
- iv) Grants received which are subject to pre-conditions for entitlement specified by the donor which have not been met at the year-end are included in creditors to be carried forward to the following year.
- v) Parochial fees are recognised as income of the year to which they relate.
- vi) Donations other than grants are recognised when receivable.
- vii) Gains on disposal of fixed assets for the Board's own use (i.e. non-investment assets) are accounted for as other income. Losses on disposal of such assets are accounted for as other expenditure.
- viii) Stipends fund income. 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.
- ix) Mineral royalty receipts are accounted for as a realised gain in investments as the income stream is uncertain.
- x) Legacy gifts are recognised on a case by case basis following the granting of probate when the administrator/executor for the estate has communicated in writing.

b) Expenditure

Expenditure is included on the accruals basis and has been classified under headings that aggregate all costs related to the Statement of Financial Activity category.

- i) Costs of raising funds are constrained to costs relating to the temporary renting out of parsonages and investment management costs of glebe and any other investment properties.
- ii) Charitable expenditure is analysed between contributions to the Archbishops' Council, expenditure on resourcing mission and ministry in the parishes of the diocese and expenditure on education and diocesan projects.
- iii) 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 attaching are fulfilled. Grants offered subject to such conditions which have not been met at the year-end are noted as a commitment, but not accrued as expenditure.

DERBY DIOCESAN BOARD OF FINANCE LIMITED
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2018

- iv) Support costs consist of central management, administration and governance costs. The amount spent on raising funds and other activities is considered to be immaterial and all support costs are allocated to the purpose of charitable activities. Costs are allocated wherever possible directly to the activity to which they relate, but where such direct allocation is not possible, the remainder is allocated on the basis of the estimated usage of resources at Church House.

The apportionment in 2018 can be summarised as follows:

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

- v) Pension contributions. Some of the Board's staff are members of the Church Workers Pension Fund Pension Builder 2014 Scheme and Clergy are members of the Church of England Funded Pensions Scheme (see note 25). The pension costs charged as resources expended represent the Board's contributions payable in respect of the accounting period, in accordance with FRS102. Deficit funding for the pension schemes to which Board participates are accrued at current value in creditors distinguished between contributions falling due within one year and those falling due after more than one year.

c) 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.

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).

Depreciation is not provided on buildings as any provision (annual or cumulative) would not be material due to the very long expected remaining useful economic life in each case, and because their expected residual value is not materially less than their carrying value. The Board has a policy of regular structural inspection, repair and maintenance, which in the case of residential properties is in accordance with the Repair of Benefices Buildings Measure 1972 and properties are therefore unlikely to deteriorate or suffer from obsolescence. In addition, disposals of properties occur well before the end of their economic lives and disposal proceeds are usually not less than their carrying value. The Trustees perform annual impairment reviews in accordance with the requirements of FRS 102 to ensure that the carrying value is not more than the recoverable amount.

Investment properties

Glebe properties which are held for investment purposes and rented out have been included at their fair value. Glebe agricultural land was valued as at 31 December 2018 by Savills, Chartered Surveyors, who manage the portfolio. For allotments and other small miscellaneous holdings, a valuation is provided by the Assistant Secretary (Property) (an employee of the Derby Diocesan Board of Finance Limited).

The fair value of a quarry was valued as at 31 December 2018 by Coke Turner & Co, Mineral Surveyors, who act as agents for the Board, based on the rent and royalty income streams likely to be achieved over the remaining term of the lease.

Parsonage houses

The Board has followed the requirements of FRS 102, in its accounting treatment for benefice houses (parsonages). FRS 102 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 not required as a benefice house, but in the meantime legal title and the right to beneficial occupation is vested in the incumbent.

DERBY DIOCESAN BOARD OF FINANCE LIMITED
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2018

d) 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.

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.

e) Other accounting policies

- i) Fixed asset investments are included in the balance sheet at market value and the gain or loss taken to the Statement of Financial Activities.
- ii) Leases. The Board has entered only into operating lease arrangements for the use of certain assets, the rental for which is charged in full as expenditure in the year to which it relates. Where rent free periods are given as part of an operating lease, the impact of this rent free period is reflected in the Statement of Financial Activities over the shorter of the overall lease term or first break clause whichever is shorter in time.

f) Fund balances

Fund Balances are split between unrestricted (general and designated), restricted and endowment funds.

- **Unrestricted funds** are the Board's corporate funds and are freely available for any purpose within the charitable company's objects, at the discretion of the Board. There are two types of unrestricted funds:
 - General funds for the general purposes of the Board and
 - Designated funds set aside out of unrestricted funds by the Board for a purpose specified by the Trustees.
- **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 charitable company as a capital fund. In the case of the endowment funds administered by the Board (Benefice Houses and Stipends Fund Capital), there are discretionary 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 but are summarised in the note 31 to the financial statements.

g) Financial instruments

The Board of Finance only has financial assets and financial liabilities of a kind that qualify as basic financial instruments. Basic financial instruments are initially recognised at transaction value and subsequently measured at their settlement value except for bank loans which would be subsequently measured at amortised cost using the effective interest method.

DERBY DIOCESAN BOARD OF FINANCE LIMITED
NOTES TO THE FINANCIAL STATEMENTS
as at 31 December 2018

	Unrestricted funds	Restricted funds	Endowment funds	Total funds 2018	Total funds 2017
	£	£	£	£	£
2. Donations					
Common Fund					
The majority of donations are collected from the parishes of the diocese through the Common Fund system.					
Chesterfield Archdeaconry	2,349,543	-	-	2,349,543	2,355,355
Derby Archdeaconry	2,314,761	-	-	2,314,761	2,357,625
	<u>4,664,304</u>	-	-	4,664,304	4,712,980
Other receipts	3,910	-	-	3,910	4,022
Receipts for previous years	4,042	-	-	4,042	4,556
	<u>4,672,256</u>	-	-	4,672,256	4,721,558
Total Common Fund receipts represent 91.5% of the amount allocated (2017 - 91.7%).					
Archbishops' Council					
Selective allocation	1,478,592	-	-	1,478,592	1,513,554
Parish Mission Fund	-	-	-	-	-
Restructure Funding	192,243	-	-	192,243	24,786
	<u>1,670,835</u>	-	-	1,670,835	1,538,340
Other donations					
Allchurches Trust grant	139,975	-	-	139,975	139,975
Legacy income	-	-	-	-	-
Other donations and grants	78,958	-	-	78,958	20,668
	<u>218,933</u>	-	-	218,933	160,643
3. Charitable activities					
Statutory fees	443,546	-	-	443,546	445,043
Church Commissioners	-	-	-	-	-
Other contributions and income	140,029	-	-	140,029	180,822
Sale of publications	5,778	-	-	5,778	-
	<u>589,353</u>	-	-	589,353	625,865
4. Other activities					
Rental income	388,979	-	-	388,979	348,695
	<u>388,979</u>	-	-	388,979	348,695
5. Investments					
Dividends receivable					
Central Board of Finance Investment Funds	824,161	180,025	-	1,004,186	978,135
Central Board of Finance Property Funds	330,306	81,120	-	411,426	411,426
Central Board of Finance Global Equity Funds	142,079	-	-	142,079	142,079
Interest on cash deposits					
Central Board of Finance Deposit Funds	3,355	1,385	-	4,740	2,721
National Westminster Bank	4,384	-	-	4,384	225
Rents receivable (glebe land and buildings)	145,824	-	-	145,824	169,032
	<u>1,450,109</u>	<u>262,530</u>	-	1,712,639	1,703,618
6. Other incoming resources					
Gain on disposal of properties	820,764	-	258,119	1,078,883	880,756
	<u>820,764</u>	-	<u>258,119</u>	1,078,883	880,756
Total income and endowments	<u>9,811,229</u>	<u>262,530</u>	<u>258,119</u>	10,331,878	9,979,475

DERBY DIOCESAN BOARD OF FINANCE LIMITED
NOTES TO THE FINANCIAL STATEMENTS
as at 31 December 2018

	Unrestricted funds	Restricted funds	Endowment funds	Total funds 2018	Total funds 2017
	£	£	£	£	£
7. Fund raising costs					
Glebe land agents' fees and other expenses	61,380	-	-	61,380	75,001
Other agents' commission and expenditure	49,236	-	-	49,236	52,743
	110,616	-	-	110,616	127,744
8. Charitable activities					
Contributions to Archbishops' Council					
Training for ministry	203,259	-	-	203,259	196,074
National Church responsibilities	181,425	-	-	181,425	173,106
Mission agency pension costs	-	-	-	-	1,792
Retired clergy housing costs (CHARM)	68,327	-	-	68,327	64,448
Pooling of ordinand candidates' costs	2,574	-	-	2,574	-
	455,585	-	-	455,585	435,420
Resourcing Ministry & Mission					
Parish ministry					
Stipends, salaries and national insurance	3,688,179	131,709	-	3,819,888	3,778,219
Pension contributions	934,774	6,503	-	941,277	867,839
Housing costs	974,977	131,787	-	1,106,764	1,137,348
Removal, resettlement and other expenses	162,930	-	-	162,930	115,760
	5,760,860	269,999	-	6,030,859	5,899,166
Support for parish ministry	2,046,160	12,589	-	2,058,749	1,887,695
	7,807,020	282,588	-	8,089,608	7,786,861
Expenditure on Education & Diocesan Projects					
Diocesan Board of Education	492,000	-	-	492,000	337,548
Derby Cathedral	17,292	-	-	17,292	16,820
Church of North India Partnership	750	-	-	750	750
Clergy Widows & Orphans	-	-	-	-	7,000
Diocesan projects	-	-	-	-	45,917
Parishes	24,630	-	-	24,630	6,053
	534,672	-	-	534,672	414,088
Total charitable activities	8,797,277	282,588	-	9,079,865	8,636,369
9. Other resources expended					
Loss on disposal of properties	-	-	140,000	140,000	-
	-	-	140,000	140,000	-
Total expenditure	8,907,893	282,588	140,000	9,330,481	8,764,113

DERBY DIOCESAN BOARD OF FINANCE LIMITED
NOTES TO THE FINANCIAL STATEMENTS
as at 31 December 2018

10. Analysis of expenditure (including allocation of support costs)

	Activities undertaken directly £	Grant funding of activities £	Support costs £	Total costs 2018 £
Raising Funds	110,616	-	-	110,616
<u>Charitable activities</u>				
Contributions to Archbishops' Council	-	455,585	-	455,585
Resourcing Ministry & Mission	7,363,348	281,495	444,765	8,089,608
Board of Education & diocesan projects	-	527,899	6,773	534,672
	7,473,964	1,264,979	451,538	9,190,481

11. Analysis of support costs

	Unrestricted funds		Restricted funds	Endowment funds	Total funds 2018
	General	Designated			
	£	£	£	£	£
Central Administration	394,590	-	-	-	394,590
Support for education & diocesan projects	6,773	-	-	-	6,773
<u>Governance:</u>					
External audit	12,696	-	-	-	12,696
Registrar and Chancellor	21,675	-	-	-	21,675
Synodical costs	15,804	-	-	-	15,804
	451,538	-	-	-	451,538

Included within Central Administration

12. Analysis of grants made

	Grants to		Total Grants 2018	Total Grants 2017
	individuals	institutions		
	£	£	£	£
From unrestricted funds for National Church responsibilities:				
Contributions to Archbishops' Council	-	455,585	455,585	435,420
From unrestricted funds:				
Removal, resettlement & first appointment grants	94,569	-	94,569	58,658
Ordinands in training	180,153	-	180,153	104,278
Derby Diocesan Board of Education	-	492,000	492,000	337,548
Derby Cathedral Chapter	-	17,292	17,292	16,820
Church of North India Partnership	-	750	750	750
Clergy Widows & Orphans	-	-	-	7,000
Parishes	-	24,630	24,630	-
Restricted income funds				
Local Mission Fund	-	-	-	45,917
Stafford Legacy (Church Trust Fund)	-	-	-	6,053
	274,722	990,257	1,264,979	1,012,444

Significant Grants to Institutions:

Archbishops Council - to support; national training for Ministry; responsibilities of the National Church; grants and provisions made by the National Church; Inter-diocesan support for clergy pension contributions; and housing assistance for retired ministry

Derby Diocese Board of Education - to support the DDBE vision of 'offering our children and young people life in all of its fullness' by; **Growing** - providing experiences rooted in faith, hope and love; **Outward Facing** - valuing their contribution to the community; **Learning** - ensuring the highest academic standards; and **Healthy** - providing safe places of welcome & belonging.

DERBY DIOCESAN BOARD OF FINANCE LIMITED
NOTES TO THE FINANCIAL STATEMENTS
as at 31 December 2018

13 Staff costs

Employee costs during the year were as follows:

	2018 £	2017 (restated) £
Wages & salaries	1,109,707	1,094,192
National insurance contributions	97,532	94,242
Pension costs:		
Church of England Funded Pensions Scheme	33,111	33,825
Church Workers Pension Fund Pension Builder 2014 Scheme	78,820	52,741
Other defined contribution pension schemes	16,749	24,129
	<u>1,335,919</u>	<u>1,299,129</u>

The average number of persons employed by the Board during the year:

	2018 Number	2017 (restated) Number
Administration, property and financial management	15	16
Diocesan Director of Vocations	2	2
Mission & Ministry	11	11
Human resources, safeguarding & communications	11	7
Parochial, Deanery & Other	10	9
	<u>49</u>	<u>45</u>

Average number of persons employed by the Board during the year based on full-time equivalents:

	2018 Full-time equivalent	2017 (restated) Full-time equivalent
Administration, property and financial management	10.6	10.0
Diocesan Director of Vocations	1.5	1.5
Mission & Ministry	8.4	8.2
Human resources, safeguarding & communications	7.7	5.1
Parochial, Deanery & Other	4.4	4.8
	<u>32.6</u>	<u>29.6</u>

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

	2018 (Number)	2017 (Number)
£60,001 - £70,000	1	-
£70,001 - £80,000	1	1

Pension payments of £11,496 (2017 - £253) were made for these employees.

Remuneration of key management personnel

Key management personnel are deemed to be those having authority and responsibility, delegated to them by the trustees, for planning, directing and controlling the activities of the diocese. During 2018 they were:

Diocesan Secretary and Company Secretary	Rachel Morris
Director of Mission & Ministry	Revd Canon Dr S Jones (to 4 May 2018)
Mission & Ministry Team Leader	Revd M Barnes (Seconded from 16 April 2018)
Director of Vocations	Revd Canon G Pond
Director of Human Resources	Mrs A Poulson (to 31 January 2018)
HR Manager	Ms Mandy Roberts (from 25 January 2018)
Head of Property	Mr G Webster
Head of Finance	Mr M Marples

Remuneration, employer's National Insurance contributions, pension contributions and expenses for these employees amounted to £362,324 (2017 - £445,945)

NB: Derby Cathedral contributed £12,925 to DBF as a share of the cost of the Diocesan Secretary in their joint role as Chapter Steward

DERBY DIOCESAN BOARD OF FINANCE LIMITED
NOTES TO THE FINANCIAL STATEMENTS
as at 31 December 2018

14 Trustees' emoluments

None of the trustees received any emoluments from the Board of Finance in respect of services performed as trustees (2017 - £nil). During the year 8 trustees claimed reimbursement for travel or out of pocket expenses totalling £1,406 (2017 - 6 trustees claimed expenses totalling £1,535).

The following table gives details of the Trustees who were in receipt of a salary, stipend and/or housing provided by the Board during the year:

	Stipend	Housing
The Venerable Archdeacon of Chesterfield	Yes	Yes
The Venerable Archdeacon of Derby	Yes	Yes
The Revd P Davey	Yes	Yes
The Revd M Broomhead (to 28 November 2018)	Yes	Yes
The Revd D Ballard (from 29 November 2018)	Yes	Yes
The Revd C Pearson	Yes	Yes
The Revd J Page (to 28 November 2018)	Yes	Yes
The Revd A Kay (from 29 November 2018)	Yes	Yes
The Revd J Ward	Yes	Yes

The Board is responsible for funding via the Church Commissioners the stipends of licensed stipendiary clergy in the diocese, other than bishops and most cathedral staff. The Board is also responsible for the provision of housing for stipendiary clergy in the diocese including the suffragan bishop but excluding diocesan bishop and most cathedral staff.

The Board paid an average of 133.2fte (2017 – 131.6fte) stipendiary clergy as office-holders holding parochial or diocesan appointments in the diocese, and the costs were as follows:

	2018 £	2017 £
Stipends	3,517,855	3,472,889
National insurance contributions	285,644	288,884
Pension costs (including deficit funding)	1,289,277	1,270,313
	5,092,776	5,032,086

The stipends of Bishops are paid and funded by the Church Commissioners.

The stipends of the Diocesan Bishop and Suffragan Bishops are funded by the Church Commissioners and from 1 April 2018 are in the range £36,210 - £44,750 (1 April 2017 range, £34,190 - £43,650). The annual rate of stipend, funded by the Board, paid from 1 April 2018 to Archdeacons was in the range £35,400 - £36,760 (1 April 2017 range, £34,520 - £35,300) and other clergy who were Trustees were paid in the range £24,410 - £26,580 (1 April 2017 range, £24,170 - £26,320). The estimated value of church provided housing in 2018 was an average of £8,309 (2017 - £7,452).

15. Analysis of transfers between funds

	Unrestricted funds £	Restricted funds £	Endowment funds £	Total 2018 £
Transfer to/(from):				
Benefice House transfer to Corporate Property	314,000	-	(314,000)	-
Corporate Property transfer to Benefice Housing	(231,416)	-	231,416	-
Diocesan Pastoral Account to purchase corporate houses (2)	92,439	(92,439)	-	-
Benefice house sale proceeds (2) to Diocesan Pastoral Account	-	465,159	(465,159)	-
Corporate Property sale proceeds (4) to Diocesan Pastoral Account	(1,337,004)	1,337,004	-	-
Change in pension scheme liability transfer to Stipends Fund Capital	(420,000)	-	420,000	-
	(1,581,981)	1,709,724	(127,743)	-

DERBY DIOCESAN BOARD OF FINANCE LIMITED
NOTES TO THE FINANCIAL STATEMENTS
as at 31 December 2018

16. Tangible fixed assets

	Parsonages	Freehold houses Glebe	Freehold houses Corporate	Leasehold houses Corporate	Church House Corporate	Office Equipment	Total
	£	£	£	£	£	£	£
Cost or deemed cost							
At 1 January 2018	20,890,282	248,000	10,030,451	309,478	923,783	77,296	32,479,290
Additions	-	-	92,439	-	-	-	92,439
Transfers	(82,584)	-	82,584	-	-	-	-
Disposals	(348,000)	-	(566,240)	-	-	(454)	(914,694)
Treated as 'Held for Sale'	(164,000)	-	(280,000)	-	-	-	(444,000)
At 31 December 2018	20,295,698	248,000	9,359,234	309,478	923,783	76,842	31,213,035
Depreciation							
At 1 January 2018	-	-	-	-	-	34,021	34,021
Charge for the year	-	-	-	-	-	17,033	17,033
Disposals	-	-	-	-	-	-	-
At 31 December 2018	-	-	-	-	-	51,054	51,054
Net book value							
At 31 December 2018	20,295,698	248,000	9,359,234	309,478	923,783	25,788	31,161,981
Number of houses	134	4	42	1			181
At 31 December 2017	20,890,282	248,000	10,030,451	309,478	923,783	43,275	32,445,269
Number of houses	141	4	44	1			190

All the above assets are used for charitable purposes. In the opinion of the Directors the carrying value of land and buildings is less than the total market value. The costs of revaluation are considered to outweigh the benefits to the reader of the accounts.

Church House includes the Diocesan Office and amounts capitalised shown at cost. There is no reliable market value, but a valuation of Church House would be greater than the historic cost.

17. Fixed asset investments

	2018	2017
	£	£
Investment securities within the United Kingdom (market value)		
At 1 January 2018	41,407,110	38,435,535
Additions at cost	29,489	-
Disposals	-	-
Unrealised gains/(losses)	(316,259)	2,971,575
At 31 December 2018	41,120,340	41,407,110
Investment properties (market value)		
At 1 January 2018	7,802,697	8,018,697
Additions at cost	-	-
Disposals	-	(51,000)
Unrealised gains/(losses)	(212,940)	(165,000)
At 31 December 2018	7,589,757	7,802,697
Total fixed asset investments within the United Kingdom	48,710,097	49,209,807

DERBY DIOCESAN BOARD OF FINANCE LIMITED
NOTES TO THE FINANCIAL STATEMENTS
as at 31 December 2018

17. Fixed asset investments (continued)

	2018		2017	
	£	£	£	£
	Cost	Market value	Cost	Market value
Unlisted investment securities				
CCLA Central Board of Finance of the Church of England				
Investment fund income shares	18,155,397	29,725,483	18,155,397	30,178,126
Global equity fund income shares	3,200,000	3,616,980	3,200,000	3,699,289
Property fund income shares	6,920,845	7,743,991	6,920,845	7,529,695
Brewin Dolphin	29,489	33,886	-	-
Total investment securities	28,305,731	41,120,340	28,276,242	41,407,110
Investment properties comprise:-				
Glebe agricultural land		7,444,957		7,657,897
Other property		144,800		144,800
Total investment properties		7,589,757		7,802,697

Due to their nature the historic cost of investment properties is not known.

18. Assets Held for Sale

Non current Assets Held for Sale and Discontinued Operations requires properties in the process of being sold to be treated separately from assets held for continuing activities. For assets to be classified as 'Held for Sale' they must satisfy a number of conditions including the availability of immediate sale and that the sale is highly probable. To be highly probable; the organisation must be committed to a plan to sell the assets; an active programme to find a buyer must have been initiated; the asset must be actively marketed for sale at a price reasonable to its current fair value; the sale is expected to be completed within 1 year from the date of classification, and significant changes to the plan should be unlikely.

As at 31 December 2018, there were four properties classified as 'Held for Sale, with a book value of £444,000 (2017 - £nil)

19. Debtors

	2018	2017
	£	£
Amounts due from PCCs (unsecured)		
Common Fund	147,834	173,213
Loans to parishes	93,547	120,605
Other debtors	519,387	508,834
Prepayments & accrued income	53,337	10,237
Total debtors	814,105	812,889
Debtors comprise:		
Amounts due within one year	721,823	678,219
Amounts due after more than one year	92,282	134,670
	814,105	812,889

20. Creditors

	2018	2017
	£	£
Amounts falling due within one year		
Sundry creditors	561,703	487,633
Accruals	13,080	13,080
	574,783	500,713
Amounts falling due after more than one year		
Pension scheme liabilities:		
Church of England Funded Pension Scheme liability	2,576,000	2,996,000
Value-linked loans for houses with the Church Commissioners (see note below)	274,938	324,938
	2,850,938	3,320,938

Note

Value-linked loans (VLLs) represent amounts advanced to the DBF for the purchase of properties on an equity sharing basis and are repayable on the disposal of the related property.

DERBY DIOCESAN BOARD OF FINANCE LIMITED
NOTES TO THE FINANCIAL STATEMENTS
as at 31 December 2018

21. Contingent liabilities

The Board is party to a mortgage with Derbyshire County Council totalling £20,000 (2017 - £20,000).

22. Capital commitments

Capital expenditure:

	2018	2017
	£	£
Contracted for but not provided for in the Financial Statements:		
Purchase of property	733,061	-
	<u>733,061</u>	<u>-</u>

23. Operating lease commitments

As at 31 December the Board had annual commitments under non-cancellable operating leases as set out below:

	2018	2017
	£	£
Operating leases which expire:		
Not later than 1 year	-	-
	<u>-</u>	<u>-</u>

The amount charged to the Statement of Financial Activities in 2018 was £nil (2017 - £nil).

24. Events occurring after the end of the reporting period

There were no significant events occurring after the end of the reporting period.

25. Pensions

The Board participates in two pension schemes administered by the Church of England Pensions Board, which holds the assets of the schemes separately from those of the Board and the other participating employers. One of these is the Church of England Funded Pensions Scheme for stipendiary clergy. The other is the Church Workers Pension Fund. The Church Workers Pension Fund has a section known as the Defined Benefits Scheme, a deferred annuity section known as Pension Builder Classic and a cash balance section known as Pension Builder 2014.

These schemes are multi-employer last man standing defined benefit pension schemes for which the Board is unable to identify its share of the underlying assets and liabilities as each employer is exposed to actuarial risks associated with the current and former employees of other entities participating in the scheme. For multi-employer schemes where this is the case, paragraph 28.11 of Financial Reporting Standard (FRS) 102 requires the Board to account for pension costs on the basis of contributions actually payable to the scheme in the year and, where contributions are affected by a surplus or deficit in the scheme, to disclose information about the surplus or deficit and the implications of the surplus or deficit for the Board. A valuation of each scheme is carried out once every three years.

Church of England Funded Pension Scheme

With effect from 1 January 1998, diocesan clergy became members of the Church of England Funded Pensions Scheme. This defined benefit scheme provides benefits based on the National Minimum Stipend in the year before their date of retirement and provides for that part of the benefit that relates to pensionable service after 1 January 1998. Benefits are currently being accrued on the basis of half of the National Minimum Stipend (NMS) being paid as the normal pension on reaching the age of 68 on completion of maximum service of 41.5 years, or 1.25 times this amount for archdeacons, plus a lump sum of three times the pension based on the previous year's NMS payable from the scheme. Pensions in respect of pensionable service before 1 January 1998 will be provided for by the Church Commissioners under the previous arrangements.

The Board participates in the Church of England Funded Pensions Scheme which is administered by the Church of England Pensions Board and holds the assets of the Scheme separately from those of the employer and other participating employers. At the end of the year the Board was paying contributions for 136 members of the Scheme (2017 - 137 members). Each participating employer in the Scheme pays contributions at a common contribution rate applied to pensionable stipends. The Scheme is considered to be a multi-employer scheme as described in Section 28 of FRS 102. This means that it is not possible to attribute the Scheme's assets and liabilities to specific employers and that contributions are accounted for as if the Scheme were a defined contribution scheme. The pensions costs charged to the Statement of Financial Activities (SoFA) in the year are contributions payable towards benefits and expenses accrued in that year, plus any impact of deficit contributions (see below).

DERBY DIOCESAN BOARD OF FINANCE LIMITED
NOTES TO THE FINANCIAL STATEMENTS
as at 31 December 2018

25. Pensions (continued)

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

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

Following the 31 December 2015 valuation of the Scheme, a recovery plan was put in place until 31 December 2025 and the deficit repair contributions payable (as a percentage of pensionable stipends) are set out in the table below. Contributions since 2016 are shown for reference.

Percentage of pensionable stipends

	January 2016 to December 2017	January 2018 to December 2025
Deficit repair contributions	14.1%	11.9%

The deficit recovery contributions under the recovery plan in force as at 31 December 2016, 31 December 2017 and 31 December 2018 were as set out in the above table.

For senior office holders, pensionable stipends are adjusted in the calculations by a multiple, as set out in the Scheme's rules.

Section 28.11A of FRS 102 requires agreed deficit recovery payments to be recognised as a liability. The movement in the provision is set out in the table below.

Church of England Funded Pension Scheme (continued)

Reconciliation of balance sheet liability

	2018	2018	2017	2017
	£	£	£	£
Balance sheet liability as at 1 January 2018		2,996,000		3,698,000
Deficit contribution paid	(387,000)		(453,000)	
Interest cost (recognised in SoFA)	39,000		52,000	
Remaining change to balance sheet liability * (recognised in SoFA)	<u>(72,000)</u>	<u>(420,000)</u>	<u>(301,000)</u>	<u>(702,000)</u>
Balance sheet liability as at 31 December 2018		<u><u>2,576,000</u></u>		<u><u>2,996,000</u></u>

* Comprises change in agreed deficit recovery plan, and change in discount rate and assumptions between year-ends.

DERBY DIOCESAN BOARD OF FINANCE LIMITED
NOTES TO THE FINANCIAL STATEMENTS
as at 31 December 2018

25. Pensions (continued)

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

	2018	2017	2016	2015
	%	%	%	%
Discount rate	2.1	1.4	1.5	2.5
Price inflation	3.1	3.0	3.1	2.4
Increase in total pensionable payroll	1.6	1.5	1.6	0.9

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

Church Workers Pension Fund

The Pension Builder Scheme of the Church Workers Pension Fund (CWPF) is made up of 2 sections, Pension Builder Classic and Pension Builder 2014, both of which are classed as defined benefit schemes.

Church Workers Pension Fund - Pension Builder 2014

Pension Builder 2014 is a cash balance scheme that provides a lump sum that members use to provide benefits at retirement.

Pension contributions are recorded in an account for each member. This account may have bonuses added by the Board before retirement. The bonuses depend on investment experience and other factors. There is no requirement for the Board to grant any bonuses. The account, plus any bonuses declared, is payable from members' Normal Pension Age.

There is no sub-division of assets between employers in each section of the Pension Builder Scheme.

The scheme is a multi-employer scheme as described in Section 28 of FRS 102 as it is not possible to attribute the Pension Builder Scheme's assets and liabilities to specific employers. This means that contributions are accounted for as if the Scheme were a defined contribution scheme.

A valuation of the Pension Builder Scheme is carried out once every three years. The most recent was carried out as at 31 December 2016.

For the Pension Builder 2014 section, the valuation revealed a surplus of £1.8m on the ongoing assumptions used. There is no requirement for deficit payments at the current time.

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

DERBY DIOCESAN BOARD OF FINANCE LIMITED
NOTES TO THE FINANCIAL STATEMENTS
as at 31 December 2018

26. Summary of fund movements

	As at 1 January 2018	Income	Expenditure	Gains/ (losses)	Transfers	As at 31 December 2018
	£	£	£	£	£	£
Unrestricted income funds						
General Fund	4,070,386	7,279,726	(6,980,116)	45,268	(270,455)	4,144,809
Glebe funds (net of agent fees)	-	1,096,456	(1,096,456)	-	-	-
Designated funds						
Corporate Properties fund	10,938,773	820,764	-	-	(1,161,981)	10,597,556
Parsonages	1,343,687	442,768	(579,980)	(18,812)	(50,000)	1,137,663
Other designated funds	4,198,045	171,515	(251,341)	(33,124)	(99,545)	3,985,550
Pension reserve	-	-	-	-	-	-
	20,550,891	9,811,229	(8,907,893)	(6,668)	(1,581,981)	19,865,578
Restricted income funds						
Diocesan Pastoral Account	1,293,689	65,881	(105,274)	27,960	1,709,724	2,991,980
Local Mission Fund	23,445	-	-	-	-	23,445
Other restricted income funds	2,451,707	196,649	(177,314)	(16,958)	-	2,454,084
	3,768,841	262,530	(282,588)	11,002	1,709,724	5,469,509
Endowment funds						
Expendable endowment						
Benefice Houses	20,890,282	257,159	(140,000)	-	(547,743)	20,459,698
Stipends Fund Capital (Glebe funds)	32,199,433	960	-	(156,833)	420,000	32,463,559
Permanent endowment funds	3,952,015	-	-	(59,079)	-	3,892,936
	57,041,730	258,119	(140,000)	(215,912)	(127,743)	56,816,193
Total funds	81,361,462	10,331,878	(9,330,481)	(211,578)	-	82,151,280

27. Summary of assets per fund

	Fixed assets		Current	Creditors	Net	
	tangible	investments	assets		assets	
	£	£	£	£	£	
Unrestricted income funds						
General Fund		25,788	4,107,361	349,158	(337,498)	4,144,809
Designated funds (see note 28)						
Corporate Properties fund		10,592,495	-	280,000	(274,939)	10,597,556
Parsonages		-	1,235,417	139,530	(237,284)	1,137,663
Other designated funds		-	2,186,520	1,799,030	-	3,985,550
		10,618,283	7,529,298	2,567,718	(849,721)	19,865,578
Restricted income funds (see note 29)						
Diocesan Pastoral Account		-	1,284,508	1,707,472	-	2,991,980
Local Mission Fund		-	-	23,445	-	23,445
Other restricted income funds		-	2,280,563	173,521	-	2,454,084
		-	3,565,071	1,904,438	-	5,469,509
Endowment funds (see note 30)						
Expendable endowment funds						
Benefice Houses		20,295,698	-	164,000	-	20,459,698
Stipends Fund Capital (Glebe funds)		248,000	33,735,815	1,055,744	(2,576,000)	32,463,559
Permanent endowment funds		-	3,879,913	13,023	-	3,892,936
		20,543,698	37,615,728	1,232,767	(2,576,000)	56,816,193
Total funds		31,161,981	48,710,097	5,704,923	(3,425,721)	82,151,280

DERBY DIOCESAN BOARD OF FINANCE LIMITED
NOTES TO THE FINANCIAL STATEMENTS
as at 31 December 2018

28. Designated funds

	As at 1 January 2018	Income	Expenditure	Gains/ (losses)	Transfers	As at 31 December 2018
	£	£	£	£	£	£
Corporate Properties	10,938,773	820,764	-	-	(1,161,981)	10,597,556
Parsonages	1,343,687	442,768	(579,980)	(18,812)	(50,000)	1,137,663
Canon Ross Legacy	1,022,323	6,864	(24,630)	4,397	-	1,008,954
Ordinands' Support	722,467	108,726	(180,261)	(13,241)	(72,500)	565,191
Watts Legacy	820,999	27,488	(27,488)	(12,314)	-	808,685
Morley Fund	715,305	23,889	(2,051)	(10,515)	(21,838)	704,790
St Peter's Churchyard Loan Fund	403,673	4,548	-	(1,451)	-	406,770
Church Growth	513,278	-	(16,911)	-	(5,207)	491,160
Total designated funds	16,480,505	1,435,047	(831,321)	(51,936)	(1,311,526)	15,720,769

Corporate Properties - 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 - amounts transferred from unrestricted funds set aside for purposes of the Parsonages Committee.

Canon Ross Legacy - earmarked for expenditure on specific projects, pending a decision of the trustees.

Ordinands' Support - 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 a proportion of annual income to be made available for the Spirituality Group.

St Peter's Churchyard Loan Fund - sales proceeds designated for use to provide interest free loans of up to £10,000 to Parochial Church Councils.

Church Growth - amount set aside for seed-corn funding of strategic church growth projects.

29. Restricted income funds

	As at 1 January 2018	Income	Expenditure	Gains/ (losses)	Transfers	As at 31 December 2018
	£	£	£	£	£	£
Diocesan Pastoral Account	1,293,689	65,881	(105,274)	27,960	1,709,724	2,991,980
Local Mission Fund	23,445	-	-	-	-	23,445
Capital Resources	559,154	26,513	(26,513)	9,533	-	568,687
Milligan Pension Fund	565,011	16,975	-	(7,555)	-	574,431
Bishop Allen Legacy	379,653	12,589	(12,589)	(5,598)	-	374,055
Stafford Legacy (Church Trust Fund)	379,271	67,238	(67,238)	(5,019)	-	374,252
Poorer Clergy Fund	291,763	9,768	(9,768)	(4,376)	-	287,387
Benham Legacy	197,273	6,503	(6,503)	(2,890)	-	194,383
Faith in Action	77,978	2,350	-	(1,053)	-	79,275
Board of Readers	1,604	10	-	-	-	1,614
Clemson Legacy	-	45,624	(45,624)	-	-	-
Stipends Trusts	-	9,079	(9,079)	-	-	-
Total restricted income funds	3,768,841	262,530	(282,588)	11,002	1,709,724	5,469,509

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.

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

Milligan Pension Fund - for clergy pensions and retired clergy.

DERBY DIOCESAN BOARD OF FINANCE LIMITED
NOTES TO THE FINANCIAL STATEMENTS
as at 31 December 2018

29. Restricted income funds (continued)

Bishop Allen Legacy - for clergy welfare, ordination training, new halls and church repair. The Bishop in consultation with the Board 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.

Faith in Action - historic balance of funds specifically available for 'social responsibility' purposes.

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

Clemson Legacy - funds are for 'the maintenance of services' and are used to support the costs of stipendiary clergy.

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

30. Endowment funds

	As at 1 January 2018	Income	Expenditure	Gains/ (losses)	Transfers	As at 31 December 2018
	£	£	£	£	£	£
<u>Expendable endowment</u>						
Benefice Houses	20,890,282	257,159	(140,000)	-	(547,743)	20,459,698
Stipends Fund Capital (Glebe funds)	32,199,433	960	-	(156,833)	420,000	32,463,559
<u>Permanent endowment funds</u>						
Stafford Legacy (Church Trust Fund)	1,856,650	-	-	(27,660)	-	1,828,990
Clemson Legacy Fund	1,362,698	-	-	(20,439)	-	1,342,259
Parsonages	363,169	-	-	(5,446)	-	357,723
Stipends Trusts	271,176	-	-	(4,067)	-	267,109
Partington Legacy	98,322	-	-	(1,467)	-	96,855
	57,041,730	258,119	(140,000)	(215,912)	(127,743)	56,816,193

Benefice Houses - represents the value of parsonage 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.

Stipends Fund Capital (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 at the discretion of the Board.

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

Parsonages - represents permanent endowment of the Parsonages Committee with income 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.

31. Funds held as custodian trustee on behalf of others

The Board 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 in its capacity as custodian trustee is made available to PCCs. The market value of investments held on behalf of PCCs and others is £2.3million (2017 - market value £2.3million), and all such investments are held separately from those of the Board. Historic cost figures are not available.

DERBY DIOCESAN BOARD OF FINANCE LIMITED
NOTES TO THE FINANCIAL STATEMENTS
as at 31 December 2018

31. Funds held as custodian trustee on behalf of others (continued)

Financial investments held by the Board, in its capacity as custodian trustee, are broken down as follows:

	2018	2017
	£	£
CCLA Investment Management Ltd		
Central Board of Finance of the Church of England Funds:		
Investment fund income shares	1,514,842	1,537,910
Investment fund accumulation shares	436,297	428,463
Fixed Interest Securities Fund income shares	81,454	85,302
Deposit Fund	88,099	87,220
COIF Charities Funds:		
Investment fund income shares	83,876	86,260
Investment fund accumulation shares	32,759	32,564
Other common investment fund holdings	35,596	35,796
	<u>2,272,923</u>	<u>2,293,515</u>

32. 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 Board pays an annual grant to the Derby Diocesan Board of Education for salary and operating costs (see Note 12). The Rt Revd Dr A Redfern (to 31 August 2018), The Revd P Davey, The Venerable Archdeacon of Chesterfield (from 19 April 2018), and Canon J Cooper, were directors of both companies.

Canon M Titterton, Executive Chairman and director of the Board, is also a member of Derby Cathedral Chapter (see Note 12).

In respect of all related party transactions there were no outstanding balances at the year end (2017 - no balances outstanding).

DERBY DIOCESAN BOARD OF FINANCE LIMITED
NOTES TO THE ACCOUNTS
as at 31 December 2017

33. Prior year comparative Statement of Financial Activities for 2017

	Unrestricted funds	Restricted funds	Endowment funds	Total funds 2017
	£	£	£	£
Income and endowments from:				
Donations				
Common Fund	4,721,558	-	-	4,721,558
Archbishops' Council	1,538,340	-	-	1,538,340
Other donations	160,643	-	-	160,643
Charitable activities	625,865	-	-	625,865
Other activities	348,695	-	-	348,695
Investment income	1,439,402	264,217	-	1,703,619
Other incoming resources	-	-	880,756	880,756
Total income and endowments	8,834,503	264,217	880,756	9,979,476
Expenditure on:				
Raising funds	127,264	480	-	127,744
Charitable activities	8,240,192	396,177	-	8,636,369
Total expenditure	8,367,456	396,657	-	8,764,113
Net income/(expenditure) before investment gains and losses	467,047	(132,440)	880,756	1,215,363
Net gains on investments	594,078	226,974	2,276,049	3,097,101
Net income for the year	1,061,125	94,534	3,156,805	4,312,464
Transfers between funds	1,002,920	(210,164)	(792,756)	-
Other recognised gains/(losses)				
Actuarial loss on defined benefit pension scheme	301,000	-	-	301,000
Net movement in funds	2,365,045	(115,630)	2,364,049	4,613,464
Reconciliation of funds				
Total funds as at 1 January 2017	18,185,847	3,884,469	54,677,681	76,747,997
Total funds at 31 December 2017	20,550,892	3,768,839	57,041,730	81,361,461

Produced by:

The Parish Resource Office
Derby Church House, Full Street, Derby, DE1 3DR

Telephone: 01332 388650

Email: enquiries@derby.anglican.org

