

Diocese of Derby

# Annual Report and Financial Statements 2017



# **Derby Diocesan Board of Finance Limited**

## **Annual Report & Financial Statements**

### **For the year ended 31 December 2017**

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 2017.

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

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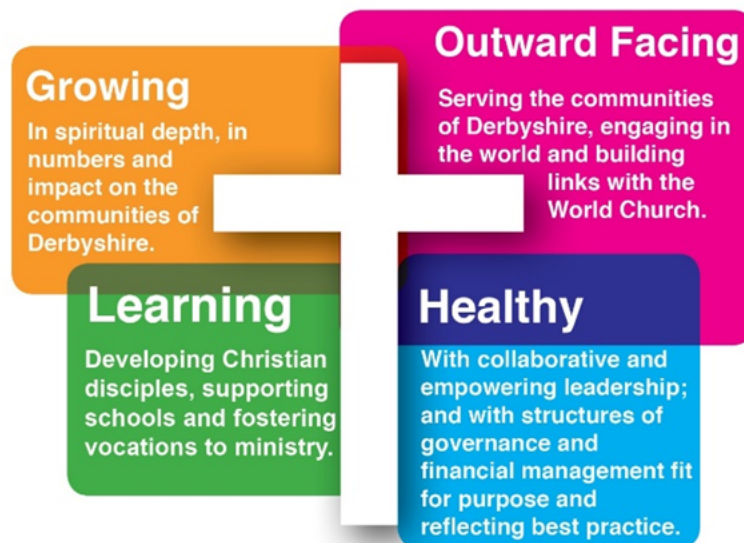
**OUR VISION**

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 BISHOP OF DERBY**

The Rt Revd Dr Alastair Redfern, The Bishop of Derby



### **Thanks: A beginning not an ending**

As you begin to read this report I hope that you will share in a series of thanksgivings:

- Thanks to all who contribute to the resourcing of God's mission through our Diocese.
- Thanks to Mark Titterton, Rachel Morris, and an amazing team who steward these offerings with such skill and effectiveness.
- Thanks for every expression of worship and witness enabled through these means.

'Thank you' is often a phrase that ends a transaction. A way of receiving something. In Christ all that we give, and all that is received, are embraced in God's gracious new life – thanks is owning our further responsibilities to use all that is given well, and to ensure new fruits continue to grow. Thanks is a way of beginning.

For us as a Diocese, our thankfulness is an acknowledgement of God's blessing and of God's call to greater things. The mission field is ripe. Our labours must increase.

Please give thanks for all that we are being blessed to receive, and as a commitment that each of us is called to give even more, and to invite others to join in this flow of generosity which is God's mission in our Diocese.

## **FOREWORD**

Executive Chairman, Canon Mark Titterton



Generosity and generous giving was the key message for 2017 and will remain a consistent one as we move forward. This is key in supporting our Clergy and delivering our Mission initiatives right across the Diocese.

Key financial issues for 2017:

- The Common Fund has completed the first year against the new three year transitional formula
- National Church guaranteed funding continues to decline each year as anticipated
- Restructure funding has been secured from 2017 to 2019 to support additional initiatives designed to assist Parishes in gaining a greater understanding of finance and governance procedures and to improve communication across the Diocese
- The Diocese is supporting the new HTB Resource Church initiative, matching funding from Church Commissioners between 2017 to 2020.

The financial outturn for 2017 returned a modest operational surplus of £49,000 (0.5%). Common Fund receipts showed an increase over 2016, but were still £195,000 (4%) short of the anticipated budget. This was offset by savings in Parish support costs, return on property investments and savings on property improvements during 2017. Financial investments performed well again in 2017, and despite being slightly below the increased budget set, are valued at £41.4m, an increase of £3.0m over 2016.

Looking to 2018, common fund receipts remain the greatest challenge. In order to close the gap against budget a further 4% 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 be working with Area Deans and Treasurers during 2018 to improve the receipts from common Fund. Please work to pledge your full request and support other parishes.

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 PCC's 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 17.

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 his 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 2017**

The key objectives during 2017 were:

- Implementation of a 'Resource Church' in Derby
- The development of leadership teams in the Deaneries
- A commitment to further enrich our capacity to enable high quality communications within the Diocese
- Supporting DBE, DDAT and our smaller church schools.
- Implementation of the new Common Fund formula, to be phased in over a three-year period from 2017 to 2019.
- Launching 'Living Generously', the Parish Giving Scheme, to provide a professional, effective donation management system and Gift Aid service to support parishes.

- Reviewing the investment strategy for both property and financial investment assets, to maximise the potential from these assets.
- Ensuring full understanding and adherence to the new Safeguarding policies and procedures, the delivery of training across the Diocese, and response to external assessments.

Through carrying out these objectives and in promoting the whole mission of the church (pastoral, evangelistic, social and ecumenical) the trustees are confident (having had regard to Charity Commission guidance) that the Board delivers public benefit through community engagement, resourcing education and supporting those in need both spiritually and physically.

## **ACTIVITIES & ACHIEVEMENTS IN THE YEAR**

The Diocese was successful in a bid for match-funding from the Strategic Development Fund of the Church Commissioners for the establishment of a Resource Church in the city of Derby. The Resource Church began its work in September 2017, using the redundant St Werburgh's church in the city centre.

Work to develop the new deanery structure continued throughout the year, with two of the deaneries, Carsington and Derby City, achieving legal status by Pastoral Order on 1 January 2018, following a process of consultation. Area Deans worked together in the Area Deans' Council and individually within their deaneries, to develop leadership teams and deanery strategies for mission and ministry.

In 2017 we brought all communications back in-house. The team was increased to include a part time Communications Administrator and began the recruitment of a full time Media Officer post. This increased capacity has enabled 2018 to start strongly and positively.

DBF continued to support the Diocese Board of Education, through both financial resources and other support. We are also proud of our partnership involvement to help bring the Cathedral School to fruition and look forward to its success in 2018.

Common Fund receipts increased over the previous year, against the backdrop of a new transitional formula. The Parish Giving Scheme was also launched during 2017 to support Parishes in their stewardship arrangements.

The Mission and Ministry team has continued to respond to the needs of parishes upon request. Some key areas of work have included:

- Embedding the School of Formation
- Partnering with all Saints Centre for Mission and Ministry, to develop and deliver the Transforming Faith programme for disciples wishing to know more about their faith, and for those training for accredited ministries.
- Development and delivery of the Strategic Building Review
- Developing the Archbishop's call to pray through 'Thy Kingdom Come'
- Working alongside partner organisations on many social issues including, mental health, gender based violence, poverty and modern-day slavery.

The Safeguarding Team have delivered some key outcomes including:

- Receipt of a 'very good' status in the June SCIE audit. The assessors were particularly impressed with our casework decision making which they felt was both robust and evident of clear and careful planning. Following the audit, a three year Action Plan which was developed and approved by Synod in the Autumn.
- Training has increased across the diocese. We have begun to develop further supports for the new Deaneries in the appointment of Deanery Safeguarding Leads which we hope to finalise in 2018.
- Parishes have also worked extremely hard to ensure that all those who require a DBS check have one.

The Diocesan Vocation team key outcomes included:

- Eight new deacons and six priests being ordained in 2017.
- Two diocesan panels were held with the Bishop of Repton and team of advisers.
- Ten people were referred to Bishop Advisory Panels for national testing of vocation to ordination.
- A Reader Licensing service in September welcomed ten new Readers into ministry in the diocese.

The Property team delivered:

- A fundamental review of parsonages and the rented portfolio in order to ensure the stock and investments held provide the best value
- Four properties were sold during the year, along with two parcels of glebe land. Four new parsonages were purchased during the year, providing high quality housing for our clergy.
- Survey of our stock was brought back in house in 2017, saving money and delivering 37 detailed inspections and reports

## **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 (PCC's)**

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 11 to the financial statements.

## **FUTURE PLANS**

We have identified the following key areas for development during 2018

- 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.



## **FINANCIAL REVIEW**

The annual budget is presented to Diocesan Synod for approval and sets out the framework for our financial decision-making. The 2017 budget included a transfer from reserves of £23,533 to deliver a balanced position.

### **Performance against budget**

Budget plans for 2017 included:

- a reduction of £178,901 in Church Commissioners funding, including withdrawal of the Mission Development Funding (£141,370) 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 2016 in response to the reduction in funds from the Church Commissioners and continuation of the additional annual £70,000 funding for the Diocesan Board of Education (approved by Diocesan Synod in 2013 for 3 years only)
- a provision for stipend and salary increases of +1.0%
- contributions to the Clergy Pension Scheme being held at 39.9%
- an increase in 2017 Archbishops’ Council Apportionment (for Votes 1 to Vote 5 – training for ministry and other National Church costs) of +4.2%
- an average Common Fund increase of 2.0% alongside the introduction of the new Common Fund formula
- a further improvement in the income return from land and buildings primarily from net rental income as property letting is increased, particularly in vacancy situations, and the disposal of parsonages no longer required
- identification of further non-staff cost savings to reduce the impact on reserves
- where possible, making provision for the Church Growth Fund for match-funding future bids to the Church Commissioners
- updating the rolling 3-year financial plan with a detailed budget for 2017 and outline plans for 2018 & 2019 giving a better understanding of the financial challenges ahead and providing an ‘early warning’ system and ensure ‘breakeven’ – spending no more than is received

The table below sets out performance against the budget plan:

<b>MANAGEMENT ACCOUNTS 2017</b>			
	Budget £	Actual £	Difference £
<b>INCOME</b>			
Common Fund	4,916,883	4,721,558	(195,325)
Church Commissioners	1,513,554	1,513,554	0
Net Return on Investments	1,861,503	1,895,769	34,266
Other income including fees and grants	646,155	596,022	(50,133)
<b>TOTAL INCOME</b>	<b>8,938,095</b>	<b>8,726,903</b>	<b>(211,192)</b>
<b>EXPENDITURE</b>			
Ministerial Staffing	5,401,165	5,386,397	14,769
Ministerial Housing	1,152,239	980,654	171,585
Parish Support (including funding contributions)	1,439,039	1,361,043	77,998
Contributions and Sector Support (incl DBE)	525,316	508,524	16,792
National Church	443,869	441,294	2,575
<b>TOTAL EXPENDITURE</b>	<b>8,961,628</b>	<b>8,677,912</b>	<b>283,719</b>
<b>SURPLUS / (DEFICIT)</b>	<b>(23,533)</b>	<b>48,991</b>	<b>72,527</b>

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 accounts for around 55% of total Diocesan funding. In 2017 the total amount paid was £4,721,558, which is an increase of £52,00 over the previous year (2016 - total Common Fund £4,669,558). However, receipts were £195,325 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 higher than budgeted due to positive property returns, despite financial investments assets performing slightly lower 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 10% lower than budgeted.



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

The Trustees have approved a balanced budget position for 2018 but one of the key financial challenges will be in receiving Common Fund contributions nearer to the budget target.

## STATEMENT OF FINANCIAL ACTIVITIES

Total income was £10.0million (2016 - £11.1 million) and expenditure £8.8million (2016 - £8.9 million).

After the addition of net gains on investment assets of £3.1million (2016 - £4.2million), the net increase in funds amounted to £4.6million, including actuarial gains on the defined benefit pension scheme of £301,000 (2016 – £6.7million,).

### Management Accounts Reconciliation to Statutory Accounts

	£
<b>Surplus per Management Accounts 2017</b>	<b>48,991</b>
<u>Other unrestricted fund movements:</u>	
Gains on investment assets	594,078
Transfer of Benefice House (Pastoral Scheme)	78,000
Transfer from Pastoral Account re purchase of (4) property	1,561,439
Pastoral Housing costs transfer	65,481
Church Growth Fund movement	28,905
Endowment Pension Transfer	(702,000)
Pension adjustment (revaluation)	301,000
Adjustment to returns on investment income	396,657
Other unrestricted and designated fund movements (net)	(7,506)
<b>Net movement in Unrestricted Funds</b>	<b><u>2,365,045</u></b>

*[Per statement of financial activities on page 21 of the financial statements]*

During the year, total fund balances increased from £76.7million, to £81.4million and there was an overall net cash inflow of £0.3million (2016 – cash inflow £1.4million).

### 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 11 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 (2016 - £69,362) 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 25 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 £81.4million (2016 - £76.7million) it must be remembered that included in this total are properties, mostly in use for the ministry, whose total cost amounted to £32.4million (2016 - £31.4million). 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 four properties and purchased four properties. Total purchases and additions to property were £1,561,439 (2016 - 1 purchase, £521,420) and sales were £1,391,756 (2016 - 1 house sold, £1,001,094).

## 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 increased by £3.0million in 2017 (2016 – increase in valuation of £2.9million).

### 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 2017:

<b>CCLA Investment Management Ltd Funds</b>	Funds at 31 December 2017	Portfolio Split	Income yield in year	Total return in year (net)
	£	%	%	%
CBF Church of England Investment Fund	30,178,126	72.9	+3.3%	+12.9%
CBF Church of England Global Equity Income Fund	3,699,289	8.9	+3.8%	+10.0%
CBF Church of England Property Fund	7,529,694	18.2	+5.5%	+9.7%
	<b>41,407,110</b>	<b>100%</b>		

Total return performance for each fund in 2017 against its comparator is set out in the table below:

<b>Longer term total return performance 12 months to 31 December 2017</b>	Fund %	Comparator %
CBF Church of England Investment Fund (gross)	+13.4%	+10.7%
CBF Church of England Global Equity Income Fund (gross)	+10.8%	+11.8%
CBF Church of England Property Fund (net)	+9.7%	+10.6%

### **Savills - glebe land agents**

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 2016. Other small miscellaneous holdings were valued internally in 2015. Recent representations from Savills indicate insignificant movement in property markets during 2017 therefore no market revaluation changes have been applied.

The current valuation of the portfolio is £7.8million (2016 - £8.0million). There were 2 sales of land during the year generating £108,377 and no purchases during the year (2016 – 2 sales of land generating £89,967).

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

Equity loans have been used to purchase houses for ministers on a shared equity basis. In the event of a sale of any of the houses purchased with value-linked loans, the whole, or a proportionate part, of the net sale proceeds would go to the Church Commissioners.

Total value-linked loans advanced at 31 December 2017 amounted to £324,938 for 6 loans (2016 - £328,000, 6 loans).

## **RESERVES POLICY**

### **Free reserves**

The Board has considerable responsibilities including the remuneration of around 136 stipendiary clergy posts, the upkeep of 186 houses and the employment of 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 2017 the amount required under this policy totalled £2.3m (2016 - £2.3million). Actual free reserves as at 31 December 2017 totalled £4.0million (2016 - £3.8million).

The aim of Bishop's Council is to ensure that financial plans over a three-year period are in step with the ability to raise income and that spending plans are affordable. The Board also aims to keep Common Fund increases to a minimum bearing in mind the new Common Fund formula and its transition to 2019.

### **Reserves tied up in fixed assets**

The general fund comprises net assets amounting to £32.4million of which £43,275 is held as tangible fixed assets.(Note 15)

### **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 26 of the financial statements. At 31 December 2017 total designated reserves were £16.5m (2016 - £14.3million, as restated) of which £11.3m is held in tangible fixed assets as corporate property (2016 - £9.6million).

### **Restricted and endowment funds**

As set out in Notes 27 and 28 the Board holds and administers a large number of restricted and endowment funds. As at 31 December 2017 restricted funds totalled £3.8m (2016 - £3.9million) and endowment funds totalled £57.0m (2016 - £54.7 million, as restated). 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.

A new risk management process was developed towards the end of 2014 and put into practice during 2015. An independent audit was carried out in February 2016, with the next audit schedule for 2018. The risk register identifies a number of risks and action plans are developed to address any risks which are identified as 'red'. 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 43 in total. Each diocese is divided into parishes. Each parish is overseen by a parish priest (often called a vicar or rector). From ancient times through to today, they and their bishop are responsible for the 'cure of souls' in their parish.

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

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

### **The Three National Church Institutions**

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

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

The Church of England Pensions Board was established by the Church Assembly in 1926 as the Church of

England's pension's authority to administer the pension scheme for the clergy. Subsequently it has been given wider powers, in respect of discretionary benefits and accommodation both for those retired from stipendiary ministry and for widow(er)s of those who have served in that ministry, and to administer pension schemes for lay employees of Church organisations. The Pensions Board, which reports to the General Synod, is trustee of a number of pension funds and charitable funds. Whilst the Church has drawn together under the Pensions Board its central responsibilities for retirement welfare, the Pensions Board works in close cooperation both with the Archbishops' Council and with the Church Commissioners.

### **Derby Cathedral**

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

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

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

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

### **Parishes and Benefices**

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

### **Deanery and Archdeaconry**

A deanery is a group of parishes over which a Rural Dean has oversight and an archdeaconry is a group of deaneries for which an Archdeacon is responsible. The Diocese is then the principal pastoral and in turn financial and administrative resource of the Church of England, encompassing the various archdeaconries under the spiritual leadership of the Diocesan Bishop.

### **Deanery Synods**

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

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

### **Diocesan Synod**

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

Its role is to:

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

## **Organisational Structure**

The Diocese of Derby is one of 41 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 committee 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 he 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; and
- 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 2018. 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 (2016 - £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 2017 (2016 - £2.1million), are available from the Board on request, and are summarised in note 29 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 2017.

## **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 the members of Derby Diocesan Synod.

President: The Bishop of Derby  
The Rt Revd Dr Alastair Redfern

Registered Office: Church House, Full Street, Derby DE1 3DR  
Telephone: 01332 388650  
Email: [finance@derby.anglican.org](mailto:finance@derby.anglican.org)  
Website: [www.derby.anglican.org](http://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 the date of signing were as follows:

#### Chair

The Right Reverend the Lord Bishop of Derby

#### 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 M Broomhead (General Synod)
- The Revd C Pearson

Derby Archdeaconry (2)

- The Revd J Page
- The Revd Dr J Ward

#### Laity (1 vacancy)

Chesterfield Archdeaconry (at least 3)

- Mr P Collard
- Canon J Cooper (Vice Chair of the Business Committee)
- Canon C Holmes-Elener
- Mr J Gascoyne

Derby Archdeaconry (at least 3)

- Mrs M Goddard
- Mrs H Grivell (General Synod)
- Mr B Parker
- Mr P Vincent

**Principal Officers**

Diocesan Secretary: Canon M Cole (to 13 January 2017)

Diocesan Secretary: Ms R Morris (from 2 October 2017)

Director of Mission & Ministry: Revd Canon Dr S Jones

Director of Human Resources: Mrs A Poulson

Head of Property: Mr G Webster

Director of Finance: Mr D Meredith (to 30 June 2017)

Head of Finance: Mr A Watts (24 June 2017 to 29 October 2017)

Interim Head of Finance: Mr M Marples (from 2 November 2017)

**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

**Surveyors (to the Parsonages Committee)**

Barlow and Associates Ltd; 7 Vernon Street, Derby

Sir William Baird and Partners, 1st Floor, 49-50 Queen St, 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 2017.

2017 has been a year of significant staff change with many posts reviewed, including the role of the Diocesan Secretary. Structures have been reviewed and a number of posts reconfigured to enhance the skills of the Parish Support Office.

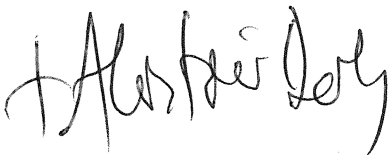
Although this report refers to employees of the Board and not parochial clergy we would also like to thank the clergy who continue to deliver our mission across the Diocese.

### **General Synod Members**

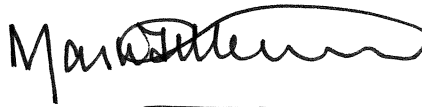
We would also like to acknowledge the General Synod representatives and thank them for their hard work acting as our elected members of General Synod. During 2017, our elected representatives were; Revd Mark Broomhead, Revd Julian Hollywell, Revd Canon Dr Simon Taylor, Kat Alldread, Rachel Bell and Hannah 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 Bishop of Derby  
Chair  
14 May 2018



Canon Mark Titterton  
Executive Chairman  
14 May 2018

## **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 Limited for the year ended 31 December 2017 which comprise of the Statement of Financial Activities, the Income and Expenditure Account, the Statement of Financial Position, Statement of Cash Flows 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 2017 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 Responsibilities Statement, 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 16, 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.

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

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](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

Signed:

A handwritten signature in black ink, appearing to read 'Ian Holder', written in a cursive style.

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: 10 May 2010



# FINANCIAL STATEMENTS

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DERBY DIOCESAN BOARD OF FINANCE LIMITED  
**STATEMENT OF FINANCIAL ACTIVITIES**  
for the year ended 31 December 2017

		Unrestricted funds	Restricted funds	Endowment funds	Total funds 2017	Total funds 2016
	Note	£	£	£	£	£
<b>Income and endowments from:</b>						
Donations	2					
Common Fund		4,721,558	-	-	<b>4,721,558</b>	4,669,558
Archbishops' Council		1,538,340	-	-	<b>1,538,340</b>	1,692,455
Other donations		160,643	-	-	<b>160,643</b>	1,187,278
Charitable activities	3	625,865	-	-	<b>625,865</b>	674,561
Other activities	4	348,695	-	-	<b>348,695</b>	257,092
Investments	5	1,439,402	264,217	-	<b>1,703,619</b>	1,855,554
Other	6	-	-	880,756	<b>880,756</b>	820,594
<b>Total income and endowments</b>		<b>8,834,503</b>	<b>264,217</b>	<b>880,756</b>	<b>9,979,476</b>	11,157,092
<b>Expenditure on:</b>						
Raising funds	7	127,264	480	-	<b>127,744</b>	113,438
Charitable activities	8	8,240,192	396,177	-	<b>8,636,369</b>	8,809,651
<b>Total expenditure</b>		<b>8,367,456</b>	<b>396,657</b>	<b>-</b>	<b>8,764,113</b>	8,923,089
<b>Net income/(expenditure) before investment gains</b>		<b>467,047</b>	<b>(132,440)</b>	<b>880,756</b>	<b>1,215,363</b>	2,234,003
Net gains on investments		594,078	226,974	2,276,049	<b>3,097,101</b>	4,165,994
<b>Net income/(expenditure)</b>		<b>1,061,125</b>	<b>94,534</b>	<b>3,156,805</b>	<b>4,312,464</b>	6,399,997
<b>Transfers between funds</b>	14	<b>1,002,920</b>	<b>(210,164)</b>	<b>(792,756)</b>	<b>-</b>	<b>-</b>
<b>Other recognised gains/(losses)</b>						
Actuarial gains on defined benefit pension schemes		301,000	-	-	<b>301,000</b>	349,021
<b>Net movement in funds</b>		<b>2,365,045</b>	<b>(115,630)</b>	<b>2,364,049</b>	<b>4,613,464</b>	6,749,018
<b>Reconciliation of funds</b>						
Total funds at 1 January		18,185,847	3,884,469	54,677,681	<b>76,747,997</b>	69,998,965
<b>Total funds at 31 December 2017</b>		<b>20,550,892</b>	<b>3,768,839</b>	<b>57,041,730</b>	<b>81,361,461</b>	76,747,983

All activities derive from continuing activities.

The notes on pages 28 to 45 form part of these financial statements

DERBY DIOCESAN BOARD OF FINANCE LIMITED  
**INCOME AND EXPENDITURE ACCOUNT**  
for the year ended 31 December 2017

	2017	2016
	£	£
Total income (less endowment)	9,098,720	11,030,281
Resources expended (less endowment)	<u>(8,764,113)</u>	<u>(8,923,089)</u>
<b>Operating surplus for the year</b>	<b>334,607</b>	2,107,192
Net gains on investments	<u>821,052</u>	<u>818,345</u>
<b>Income for the year</b>	<b>1,155,659</b>	2,925,537
<b>Other comprehensive income/(expenditure):</b>		
Net assets transferred from endowments	792,756	(180,189)
Actuarial gain on defined benefit pension schemes	301,000	349,021
<b>Total comprehensive income:</b>	<u><u>2,249,415</u></u>	<u><u>3,094,369</u></u>

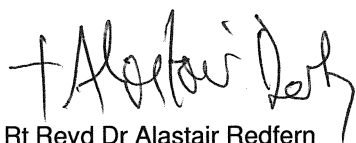
The income and expenditure account is derived from the Statement of Financial Activities with movements in endowment funds excluded to comply with company law. All income and expenditure is derived from continuing activities.

DERBY DIOCESAN BOARD OF FINANCE LIMITED  
**STATEMENT OF FINANCIAL POSITION**  
as at 31 December 2017

COMPANY NUMBER 229700

	Note	2017		2016	
		£	£	£	£
<b>Fixed Assets</b>					
Tangible assets	15	32,445,269		31,427,309	
Investments	16	<u>49,209,807</u>		<u>46,454,232</u>	
			81,655,076		77,881,541
<b>Current Assets</b>					
Debtors	17	812,889		917,343	
Cash on deposit		2,685,495		2,433,243	
Cash at bank and in hand		<u>29,652</u>		<u>29,476</u>	
		<u>3,528,036</u>		<u>3,380,062</u>	
<b>Creditors: amounts falling due within one year</b>	18	<u>(500,713)</u>		<u>(487,620)</u>	
<b>Net Current Assets</b>			<u>3,027,323</u>		<u>2,892,442</u>
<b>Total Assets less Current Liabilities</b>			<u>84,682,399</u>		<u>80,773,983</u>
<b>Creditors: amounts falling due after more than one year</b>					
Pension scheme liabilities		(2,996,000)		(3,698,000)	
Other creditors		<u>(324,938)</u>		<u>(328,000)</u>	
			<u>(3,320,938)</u>		<u>(4,026,000)</u>
<b>Net Assets</b>			<u><u>81,361,461</u></u>		<u><u>76,747,983</u></u>
<b>The Funds of the Charity</b>					
<b>Unrestricted income funds</b>					
General Fund		4,070,387		3,892,776	
(Including investment revaluation reserve of £1,204,421 (2016 - £912,234))					
Designated funds	26	16,480,505		14,293,057	
(Including investment revaluation reserve of £1,159,300 (2016 - £857,409))					
			<u>20,550,892</u>		<u>18,185,833</u>
<b>Restricted income funds</b>	27	3,768,839		3,884,469	
(Including investment revaluation reserve of £893,143 (2016 - £666,169))					
<b>Endowment funds</b>	28	57,041,730		54,677,681	
(Including investment revaluation reserve of £12,473,905 (2016 - £10,488,381))					
<b>Total Funds</b>			<u><u>81,361,461</u></u>		<u><u>76,747,983</u></u>

The financial statements were approved by the Board of Directors and authorised for issue on 14 May 2018 and signed on behalf of the Board by:



The Rt Revd Dr Alastair Redfern



The notes on pages 28 to 45 form part of these financial statements

DERBY DIOCESAN BOARD OF FINANCE LIMITED  
**STATEMENT OF CASH FLOWS**  
for the year ended 31 December 2017

	2017	2016
	£	£
<b>Cash flows from operating activities:</b>		
Net cash used in operating activities	(1,632,868)	(1,268,776)
<b>Cash flows from investing activities:</b>		
Dividends, interest and rent from investments	1,703,618	1,855,554
Proceeds from the sale of property, plant and equipment	1,758,282	1,003,302
Purchase of property, plant and equipment	(1,576,604)	(560,434)
Proceeds from the sale of investments	-	1,022,707
Purchase of investments	-	(659,002)
Net cash provided by investing activities	<u>1,885,296</u>	<u>2,662,127</u>
<b>Cash flows from financing activities</b>		
Net cash provided by financing activities	<u>-</u>	<u>-</u>
<b>Change in cash and cash equivalents in the year</b>	<b>252,428</b>	<b>1,393,351</b>
<b>Cash and cash equivalents at 1 January</b>	<b>2,462,719</b>	<b>1,069,368</b>
<b>Cash and cash equivalents at 31 December</b>	<b><u>2,715,147</u></b>	<b><u>2,462,719</u></b>

	2017	2016
	£	£
<b>Reconciliation of net movement in funds to net cash outflow from operating activities</b>		
Net movement in funds for the year ended 31 December	4,613,464	6,749,018
Adjustments for:		
Depreciation charges	20,205	20,632
Net gains on investments	(3,097,101)	(4,165,994)
Dividends, interest and rent from investments	(1,703,618)	(1,855,554)
(Profit) on the sale of fixed assets	(878,303)	(816,259)
(Increase)/decrease in debtors	104,454	(547,285)
(Decrease) in other creditors	(691,969)	(653,334)
	<u>(6,246,332)</u>	<u>(8,017,794)</u>
<b>Net cash used in operating activities</b>	<b><u>(1,632,868)</u></b>	<b><u>(1,268,776)</u></b>
<b>Analysis of cash and cash equivalents</b>		
Notice deposits (less than 3 months)	2,685,495	2,433,243
Cash in hand	29,652	29,476
	<u>2,715,147</u>	<u>2,462,719</u>

The notes on pages 28 to 45 form part of these financial statements

DERBY DIOCESAN BOARD OF FINANCE LIMITED  
**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE YEAR ENDED 31 DECEMBER 2017

**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 2017

- 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 2017 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 23). 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 2016 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 2017 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 2017

**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 29 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 2017

	Unrestricted funds	Restricted funds	Endowment funds	Total funds 2017	Total funds 2016
	£	£	£	£	£
<b>2. Donations</b>					
<b>Common Fund</b>					
The majority of donations are collected from the parishes of the diocese through the Common Fund system.					
Chesterfield Archdeaconry	2,355,355	-	-	<b>2,355,355</b>	2,188,330
Derby Archdeaconry	2,357,625	-	-	<b>2,357,625</b>	2,479,051
	<u>4,712,980</u>	-	-	<b>4,712,980</b>	4,667,381
Other receipts	4,022	-	-	<b>4,022</b>	-
Receipts for previous years	4,556	-	-	<b>4,556</b>	2,177
	<u><b>4,721,558</b></u>	-	-	<b>4,721,558</b>	4,669,558
Total Common Fund receipts represent 91.5% of the amount allocated to parishes (2016 - 90.9%).					
<b>Archbishops' Council</b>					
Selective allocation	1,513,554	-	-	<b>1,513,554</b>	1,551,085
Parish Mission Fund	-	-	-	-	141,370
Restructure Funding	24,786	-	-	<b>24,786</b>	-
	<u><b>1,538,340</b></u>	-	-	<b>1,538,340</b>	1,692,455
<b>Other donations</b>					
Allchurches Trust grant	139,975	-	-	<b>139,975</b>	139,975
Legacy income	-	-	-	-	1,022,303
Other donations and grants	20,668	-	-	<b>20,668</b>	25,000
	<u><b>160,643</b></u>	-	-	<b>160,643</b>	1,187,278
<b>3. Charitable activities</b>					
Statutory fees	445,043	-	-	<b>445,043</b>	454,447
Church Commissioners	-	-	-	-	-
Other contributions and income	180,822	-	-	<b>180,822</b>	220,114
Sale of publications	-	-	-	-	-
	<u><b>625,865</b></u>	-	-	<b>625,865</b>	674,561
<b>4. Other activities</b>					
Rental income	348,695	-	-	<b>348,695</b>	257,092
	<u><b>348,695</b></u>	-	-	<b>348,695</b>	257,092
<b>5. Investments</b>					
Dividends receivable					
Central Board of Finance Investment Funds	795,599	182,536	-	<b>978,135</b>	1,003,166
Central Board of Finance Property Funds	330,307	81,119	-	<b>411,426</b>	519,404
Central Board of Finance Global Equity Funds	142,079	-	-	<b>142,079</b>	172,668
Interest on cash deposits					
Central Board of Finance Deposit Funds	2,160	561	-	<b>2,721</b>	4,159
National Westminster Bank	225	-	-	<b>225</b>	657
Rents receivable (glebe land and buildings)	169,032	-	-	<b>169,032</b>	155,500
	<u><b>1,439,402</b></u>	<u><b>264,216</b></u>	-	<b>1,703,618</b>	1,855,554
<b>6. Other incoming resources</b>					
Gain on disposal of properties	-	-	880,756	<b>880,756</b>	820,594
	-	-	<b>880,756</b>	<b>880,756</b>	820,594
<b>Total income and endowments</b>	<u><b>8,834,503</b></u>	<u><b>264,216</b></u>	<u><b>880,756</b></u>	<b>9,979,475</b>	11,157,092

DERBY DIOCESAN BOARD OF FINANCE LIMITED  
**NOTES TO THE FINANCIAL STATEMENTS**  
as at 31 December 2017

	Unrestricted funds	Restricted funds	Endowment funds	Total funds 2017	Total funds 2016
	£	£	£	£	£
<b>7. Fund raising costs</b>					
Glebe land agents' fees and other expenses	74,521	480	-	75,001	73,535
Other agents' commission and expenditure	52,743	-	-	52,743	39,903
	<b>127,264</b>	<b>480</b>	<b>-</b>	<b>127,744</b>	<b>113,438</b>
<b>8. Charitable activities</b>					
<b>Contributions to Archbishops' Council</b>					
Training for ministry	196,074	-	-	196,074	186,934
National Church responsibilities	173,106	-	-	173,106	158,841
Mission agency pension costs	1,792	-	-	1,792	10,993
Retired clergy housing costs (CHARM)	64,448	-	-	64,448	60,966
	<b>435,420</b>	<b>-</b>	<b>-</b>	<b>435,420</b>	<b>417,734</b>
<b>Resourcing Ministry &amp; Mission</b>					
Parish ministry					
Stipends, salaries and national insurance	3,649,373	128,846	-	3,778,219	3,828,276
Pension contributions	861,491	6,348	-	867,839	938,817
Housing costs	940,737	196,611	-	1,137,348	1,309,548
Removal, resettlement and other expenses	115,760	-	-	115,760	178,295
	<b>5,567,361</b>	<b>331,805</b>	<b>-</b>	<b>5,899,166</b>	<b>6,254,936</b>
Support for parish ministry	1,875,293	12,402	-	1,887,695	1,738,567
	<b>7,442,654</b>	<b>344,207</b>	<b>-</b>	<b>7,786,861</b>	<b>7,993,503</b>
<b>Expenditure on Education &amp; Diocesan Projects</b>					
Diocesan Board of Education	337,548	-	-	337,548	330,834
Derby Cathedral	16,820	-	-	16,820	16,488
Church of North India Partnership	750	-	-	750	750
Clergy Widows & Orphans	7,000	-	-	7,000	7,000
Diocesan projects	-	45,917	-	45,917	37,077
Parishes	-	6,053	-	6,053	6,265
	<b>362,118</b>	<b>51,970</b>	<b>-</b>	<b>414,088</b>	<b>398,414</b>
<b>Total charitable activities</b>	<b>8,240,192</b>	<b>396,177</b>	<b>-</b>	<b>8,636,369</b>	<b>8,809,651</b>
<b>Total expenditure</b>	<b>8,367,456</b>	<b>396,657</b>	<b>-</b>	<b>8,764,113</b>	<b>8,923,089</b>

Included within Charitable Activities is £15,000 relating to Non-Audit Services. This relates to the due diligence work undertaken by Mazars LLP, on DDAT and DDAT1

DERBY DIOCESAN BOARD OF FINANCE LIMITED  
**NOTES TO THE FINANCIAL STATEMENTS**  
as at 31 December 2017

**9. Analysis of expenditure** (including allocation of support costs)

	Activities undertaken directly	Grant funding of activities	Support costs	Total costs 2017
	£	£	£	£
Raising Funds	127,744	-	-	127,744
<u>Charitable activities</u>				
Contributions to Archbishops' Council	-	435,420	-	435,420
Resourcing Ministry & Mission	7,176,216	169,652	440,993	7,786,861
Board of Education & diocesan projects	-	407,372	6,716	414,088
	<b>7,303,960</b>	<b>1,012,444</b>	<b>447,709</b>	<b>8,764,113</b>

**10. Analysis of support costs**

	Unrestricted funds		Restricted funds	Endowment funds	Total funds
	General	Designated			2017
	£	£	£	£	£
Central Administration	394,420	-	-	-	394,420
Support for education & diocesan projects	6,716	-	-	-	6,716
<u>Governance:</u>					
External audit	12,696	-	-	-	12,696
Registrar and Chancellor	18,207	-	-	-	18,207
Synodical costs	15,670	-	-	-	15,670
	<b>447,709</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>447,709</b>

Included within Central Administration

**11. Analysis of grants made**

	Grants to		Total Grants	Total Grants
	individuals	institutions	2017	2016
	£	£	£	£
<b>From unrestricted funds for National Church responsibilities:</b>				
Contributions to Archbishops' Council	-	435,420	435,420	417,734
<b>From unrestricted funds:</b>				
Removal, resettlement & first appointment grants	58,658	-	58,658	83,395
Ordinands in training	104,278	-	104,278	79,790
Derby Diocesan Board of Education	-	337,548	337,548	330,834
Derby Cathedral Chapter	-	16,820	16,820	16,488
Church of North India Partnership	-	750	750	750
Clergy Widows & Orphans	-	7,000	7,000	7,000
<b>Restricted income funds</b>				
Local Mission Fund	-	45,917	45,917	37,077
Stafford Legacy (Church Trust Fund)	-	6,053	6,053	6,295
	<b>162,936</b>	<b>849,508</b>	<b>1,012,444</b>	<b>979,363</b>

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 2017

**12. Staff costs**

Employee costs during the year were as follows:

	2017 £	2016 £
Wages & salaries	1,094,192	1,021,371
National insurance contributions	94,242	97,972
Pension costs:		
One Family defined benefit scheme	-	-
Church of England Funded Pensions Scheme	38,440	46,155
Church Workers Pension Fund Pension Builder 2014 Scheme	52,741	49,368
Other defined contribution pension schemes	24,129	35,134
	<u>1,303,744</u>	<u>1,250,000</u>

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

	2017 Number	2016 Number
Administration, property and financial management	15	16
Diocesan Director of Vocations	2	2
Mission & Ministry	11	12
Human resources, safeguarding & communications	7	6
Parochial, mixed-economy ministerial staff & Deanery Administrators	13	4
	<u>48</u>	<u>40</u>

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

	2017 Full-time equivalent	2016 Full-time equivalent
Administration, property and financial management	9.9	11.2
Diocesan Director of Vocations	1.5	1.3
Mission & Ministry	8.2	9.5
Human resources, safeguarding & communications	5.1	4.4
Parochial & mixed-economy ministerial staff	5.2	2.1
	<u>29.9</u>	<u>28.5</u>

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

	2017 (Number)	2016 (Number)
£60,001 - £70,000	-	1
£70,001 - £80,000	1	-

Pension payments of £253 (2016, £6,552) 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 2017 they were:

Diocesan Secretary and Company Secretary	Canon M Cole (to January 2017)
Diocesan Secretary and Company Secretary	Rachel Morris (from October 2017)
Director of Mission & Ministry	Revd Canon Dr S Jones
Director of Vocations	Revd Canon G Pond
Director of Human Resources	Mrs A Poulson
Head of Property	Mr G Webster
Director of Finance	Mr D Meredith (to June 2017)
Head of Finance	Mr A Watts (June 2017 to October 2017)
Interim Head of Finance	Mr M Marples (from November 2017)

Remuneration, employer's National Insurance contributions, pension contributions and expenses for these employees amounted to £445,945 (2016 - £410,871).

DERBY DIOCESAN BOARD OF FINANCE LIMITED  
**NOTES TO THE FINANCIAL STATEMENTS**  
as at 31 December 2017

**13. Trustees' emoluments**

None of the trustees received any emoluments from the Board of Finance in respect of services performed as trustees (2016 - £nil). During the year 6 trustees claimed reimbursement for travel or out of pocket expenses totalling £1,535 (2016 - 9 trustees claimed expenses totalling £1,633).

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 M Broomhead	Yes	Yes
The Revd P Davey	Yes	Yes
The Revd J Page	Yes	Yes
The Revd C Pearson	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 131.6 (2016 – 136.3) stipendiary clergy as office-holders holding parochial or diocesan appointments in the diocese, and the costs were as follows:

	2017	2016
	£	£
Stipends	3,472,889	3,524,397
National insurance contributions	288,884	289,217
Pension costs (including deficit funding)	1,270,313	1,295,360
	<b>5,032,086</b>	<b>5,108,974</b>

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 2017 are in the range £34,190 - £43,650 (1 April 2016 range, £33,850 - £43,220). The annual rate of stipend, funded by the Board, paid from 1 April 2017 to Archdeacons was in the range £34,520 - £35,300 (1 April 2016 range, £34,180 - £34,950) and other clergy who were Trustees were paid in the range £24,210 - £26,320 (1 April 2016 range, £23,970 - £26,060). The estimated value of church provided housing in 2017 was an average of £7,452 (2016 - £8,088).

**14. Analysis of transfers between funds**

	Unrestricted funds	Restricted funds	Endowment funds	Total 2017
	£	£	£	£
<b>Transfer to/(from):</b>				
Parsonage/Glebe house sale proceeds (4) to Diocesan Pastoral Account	-	1,416,756	(1,416,756)	-
Benefice House Transfer to Corporate Property (Pastoral Scheme)	78,000	-	(78,000)	-
Diocesan Pastoral Account to purchase corporate houses (4) and for corporate house additions	1,561,439	(1,561,439)	-	-
Diocesan Pastoral Account to general fund for housing costs	65,481	(65,481)	-	-
Change in pension scheme liability transfer to Stipends Fund Capital	(702,000)	-	702,000	-
	<b>1,002,920</b>	<b>(210,164)</b>	<b>(792,756)</b>	<b>-</b>

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**15. Tangible fixed assets**

	Parsonages	Freehold houses Glebe	Freehold houses Corporate	Leasehold houses Corporate	Church House	Office Equipment	Total
	£	£	£	£	£	£	£
<b>Cost or deemed cost</b>							
At 1 January 2017	21,426,281	326,000	8,394,074	309,478	923,783	87,582	<b>31,467,199</b>
Additions	-	-	1,561,439	-	-	15,165	<b>1,576,604</b>
Transfers	(78,000)	-	78,000	-	-	-	-
Disposals	(458,000)	(78,000)	(3,062)	-	-	(25,451)	<b>(564,513)</b>
<b>At 31 December 2017</b>	<b>20,890,281</b>	<b>248,000</b>	<b>10,030,451</b>	<b>309,478</b>	<b>923,783</b>	<b>77,296</b>	<b>32,479,290</b>
<b>Depreciation</b>							
At 1 January 2017	-	-	-	-	-	39,890	<b>39,890</b>
Charge for the year	-	-	-	-	-	20,205	<b>20,205</b>
Disposals	-	-	-	-	-	(26,074)	<b>(26,074)</b>
<b>At 31 December 2017</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>34,021</b>	<b>34,021</b>
<b>Net book value</b>							
<b>At 31 December 2017</b>	<b>20,890,281</b>	<b>248,000</b>	<b>10,030,451</b>	<b>309,478</b>	<b>923,783</b>	<b>43,275</b>	<b>32,445,269</b>
<b>Number of houses</b>	<b>141</b>	<b>4</b>	<b>44</b>	<b>1</b>			<b>190</b>
At 31 December 2016	21,426,281	326,000	8,394,074	309,478	923,783	47,692	31,427,309
Number of houses	145	5	39	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.

**16. Fixed asset investments**

	2017	2016
	£	£
<b>Investment securities within the United Kingdom (market value)</b>		
At 1 January 2017	<b>38,435,535</b>	35,506,143
Additions at cost	-	659,002
Disposals	-	(594,695)
Unrealised gains/(losses)	<b>2,971,575</b>	2,865,085
<b>At 31 December 2017</b>	<b>41,407,110</b>	38,435,535
<b>Investment properties (market value)</b>		
At 1 January 2017	<b>8,018,697</b>	7,145,800
Additions at cost	-	-
Disposals	<b>(51,000)</b>	(42,000)
Unrealised gains/(losses)	<b>(165,000)</b>	914,897
<b>At 31 December 2017</b>	<b>7,802,697</b>	8,018,697
<b>Total fixed asset investments within the United Kingdom</b>	<b>49,209,807</b>	46,454,232

Investment properties were valued by Savills at 31 December 2016, and they have indicated that there were no significant market value movements during 2017.



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**16. Fixed asset investments (continued)**

	2017		2016	
	£	£	£	£
	Cost	Market value	Cost	Market value
<b>Unlisted investment securities</b>				
CCLA Central Board of Finance of the Church of England				
Investment fund income shares	18,155,397	30,178,126	18,155,397	27,679,482
Global equity fund income shares	3,200,000	3,699,289	3,200,000	3,502,673
Property fund income shares	6,920,845	7,529,695	6,920,845	7,253,380
<b>Total investment securities</b>	<b>28,276,242</b>	<b>41,407,110</b>	<b>28,276,242</b>	<b>38,435,535</b>
<b>Investment properties comprise:-</b>				
Glebe agricultural land		7,657,897		7,873,897
Other property		144,800		144,800
<b>Total investment properties</b>		<b>7,802,697</b>		<b>8,018,697</b>

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

**17. Debtors**

	2017	2016
	£	£
Amounts due from PCCs (unsecured)		
Common Fund	173,213	152,057
Loans to parishes	120,605	153,821
Other debtors	508,834	551,449
Prepayments & accrued income	10,237	60,016
<b>Total debtors</b>	<b>812,889</b>	<b>917,343</b>
<b>Debtors comprise:</b>		
Amounts due within one year	678,219	890,892
Amounts due after more than one year	134,670	26,451
	<b>812,889</b>	<b>917,343</b>

**18. Creditors**

	2017	2016
	£	£
<b>Amounts falling due within one year</b>		
Sundry creditors	487,633	473,940
Accruals	13,080	13,680
	<b>500,713</b>	<b>487,620</b>
<b>Amounts falling due after more than one year</b>		
Pension scheme liabilities:		
Church of England Funded Pension Scheme liability	2,996,000	3,698,000
Value-linked loans for houses with the Church Commissioners (see note below)	324,938	328,000
	<b>3,320,938</b>	<b>4,026,000</b>

**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. As at 31 December 2017 the Board had no intention of disposing of any of those properties funded via VLLs.

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**19. Contingent liabilities**

The Board is party to a mortgage with Derbyshire County Council totalling £20,000 (2016 - £20,000).

**20. Capital commitments**

**Capital expenditure:**

	2017	2016
	£	£
Contracted for but not provided for in the Financial Statements:		
Purchase of property	-	475,000
	<u>-</u>	<u>475,000</u>

**21. Operating lease commitments**

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

	2017	2016
	£	£
Operating leases which expire:		
Not later than 1 year	-	-
	<u>-</u>	<u>-</u>

The amount charged to the Statement of Financial Activities in 2017 was £nil (2016 - £nil).

**22. Events occurring after the end of the reporting period**

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

**23. 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 137 members of the Scheme (2016 - 143 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).

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**23. 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
<b>Deficit repair contributions</b>	<b>14.1%</b>	<b>11.9%</b>

As at December 2015, the deficit repair contributions payable under the recovery plan in force were 14.1% of pensionable stipends until December 2025. As at December 2016 and December 2017 the deficit recovery contributions under the recovery plan in force were as set out in the table above.

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**

	2017 £	2017 £	2016 £	2016 £
Balance sheet liability as at 1 January 2017		3,698,000		4,145,000
Deficit contribution paid	(453,000)		(456,000)	
Interest cost (recognised in SoFA)	52,000		98,000	
Remaining change to balance sheet liability * (recognised in SoFA)	<u>(301,000)</u>	<u>(702,000)</u>	<u>(89,000)</u>	(447,000)
Balance sheet liability as at 31 December 2017		<u><u>2,996,000</u></u>		<u><u>3,698,000</u></u>

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

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**23. 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:

	2017	2016	2015	2014
	%	%	%	%
Discount rate	1.4	1.5	2.5	2.3
Price inflation	3.0	3.1	2.4	2.7
Increase in total pensionable payroll	1.5	1.6	0.9	1.2

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.

Pension Builder 2014 will be valued in relation to the lump sum payable to members at Normal Pension Age. There are no annual pension benefits. Pension Builder 2014 commenced in February 2014 with the first full valuation carried out at the next CWPF valuation date, 31 December 2016.

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**24. Summary of fund movements**

	As at 1 January 2017	Income	Expenditure	Gains/ (losses)	Transfers	As at 31 December 2017
	£	£	£	£	£	£
<b>Unrestricted income funds</b>						
General Fund	3,892,776	7,205,173	(6,675,591)	593,187	(945,172)	<b>4,070,387</b>
Glebe funds (net of agent fees)	-	1,107,223	(1,107,223)	-	-	-
<b>Designated funds</b>						
Corporate Properties fund	9,299,334	-	-	-	1,639,439	<b>10,938,773</b>
Parsonages	1,200,834	389,515	(450,508)	103,846	100,000	<b>1,343,687</b>
Other designated funds	3,792,889	132,592	(134,134)	198,045	208,653	<b>4,198,045</b>
Pension reserve	-	-	-	-	-	-
	<b>18,185,833</b>	<b>8,834,503</b>	<b>(8,367,456)</b>	<b>895,078</b>	<b>1,002,920</b>	<b>20,550,892</b>
<b>Restricted income funds</b>						
Diocesan Pastoral Account	1,553,845	65,481	(170,788)	55,315	(210,164)	<b>1,293,689</b>
Local Mission Fund	69,362	-	(45,917)	-	-	<b>23,445</b>
Other restricted income funds	2,261,262	198,737	(179,953)	171,659	-	<b>2,451,705</b>
	<b>3,884,469</b>	<b>264,218</b>	<b>(396,658)</b>	<b>226,974</b>	<b>(210,164)</b>	<b>3,768,839</b>
<b>Endowment funds</b>						
Expendable endowment						
Benefice Houses	21,426,281	768,548	-	-	(1,304,548)	<b>20,890,281</b>
Stipends Fund Capital (Glebe funds)	29,625,519	112,208	-	1,949,914	511,792	<b>32,199,433</b>
Permanent endowment funds	3,625,881	-	-	326,135	-	<b>3,952,016</b>
	<b>54,677,681</b>	<b>880,756</b>	<b>-</b>	<b>2,276,049</b>	<b>(792,756)</b>	<b>57,041,730</b>
<b>Total funds</b>	<b>76,747,983</b>	<b>9,979,477</b>	<b>(8,764,114)</b>	<b>3,398,101</b>	<b>-</b>	<b>81,361,461</b>

**25. Summary of assets per fund**

	Fixed assets		Current	Creditors	Net	
	tangible	investments	assets		assets	
	£	£	£	£	£	
<b>Unrestricted income funds</b>						
General Fund		43,275	4,007,616	295,007	(275,512)	<b>4,070,387</b>
Designated funds (see note 26)						
Corporate Properties fund		11,263,711	-	-	(324,938)	<b>10,938,773</b>
Parsonages		-	1,254,229	314,659	(225,201)	<b>1,343,687</b>
Other designated funds		-	2,316,631	1,881,414	-	<b>4,198,045</b>
		<b>11,306,986</b>	<b>7,578,476</b>	<b>2,491,080</b>	<b>(825,651)</b>	<b>20,550,892</b>
<b>Restricted income funds (see note 27)</b>						
Diocesan Pastoral Account		-	1,256,549	37,140	-	<b>1,293,689</b>
Local Mission Fund		-	-	23,445	-	<b>23,445</b>
Other restricted income funds		-	2,297,520	154,185	-	<b>2,451,705</b>
		<b>-</b>	<b>3,554,069</b>	<b>214,770</b>	<b>-</b>	<b>3,768,839</b>
<b>Endowment funds (see note 28)</b>						
Expendable endowment funds						
Benefice Houses		20,890,281	-	-	-	<b>20,890,281</b>
Stipends Fund Capital (Glebe funds)		248,000	34,138,269	809,164	(2,996,000)	<b>32,199,433</b>
Permanent endowment funds		-	3,938,993	13,023	-	<b>3,952,016</b>
		<b>21,138,281</b>	<b>38,077,262</b>	<b>822,187</b>	<b>(2,996,000)</b>	<b>57,041,730</b>
<b>Total funds</b>		<b>32,445,267</b>	<b>49,209,807</b>	<b>3,528,037</b>	<b>(3,821,651)</b>	<b>81,361,461</b>

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**26. Designated funds**

	As at 1 January 2017	Income	Expenditure	Gains/ (losses)	Transfers	As at 31 December 2017
	£	£	£	£	£	£
Corporate Properties	9,299,334	-	-	-	1,639,439	<b>10,938,773</b>
Parsonages	1,200,834	389,515	(450,508)	103,846	100,000	<b>1,343,687</b>
Canon Ross Legacy	1,022,323	-	-	-	-	<b>1,022,323</b>
Ordinands' Support	715,596	49,741	(106,888)	64,018	-	<b>722,467</b>
Watts Legacy	753,023	26,947	(26,947)	67,976	-	<b>820,999</b>
Morley Fund	657,261	23,146	(299)	58,044	(22,847)	<b>715,305</b>
St Peter's Churchyard Loan Fund	391,813	3,853	-	8,007	-	<b>403,673</b>
Church Growth	252,873	28,905	-	-	231,500	<b>513,278</b>
<b>Total designated funds</b>	<b>14,293,057</b>	<b>522,107</b>	<b>(584,642)</b>	<b>301,891</b>	<b>1,948,092</b>	<b>16,480,505</b>

**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.

**27. Restricted income funds**

	As at 1 January 2017	Income	Expenditure	Gains/ (losses)	Transfers	As at 31 December 2017
	£	£	£	£	£	£
Diocesan Pastoral Account	1,553,845	65,481	(170,788)	55,315	(210,164)	<b>1,293,689</b>
Local Mission Fund	69,362	-	(45,917)	-	-	<b>23,445</b>
Capital Resources	533,718	26,303	(26,303)	25,435	-	<b>559,153</b>
Milligan Pension Fund	506,723	16,585	-	41,704	-	<b>565,012</b>
Bishop Allen Legacy	348,754	12,292	(12,292)	30,899	-	<b>379,653</b>
Stafford Legacy (Church Trust Fund)	351,567	71,696	(71,696)	27,703	-	<b>379,270</b>
Poorer Clergy Fund	267,607	9,576	(9,576)	24,156	-	<b>291,763</b>
Benham Legacy	181,320	6,348	(6,348)	15,952	-	<b>197,272</b>
Faith in Action	69,865	2,303	-	5,810	-	<b>77,978</b>
Board of Readers	1,708	6	(110)	-	-	<b>1,604</b>
Clemson Legacy	-	44,727	(44,727)	-	-	<b>-</b>
Stipends Trusts	-	8,901	(8,901)	-	-	<b>-</b>
<b>Total restricted income funds</b>	<b>3,884,469</b>	<b>264,218</b>	<b>(396,658)</b>	<b>226,974</b>	<b>(210,164)</b>	<b>3,768,839</b>

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

**Local Mission Fund** - Parish Mission Funding made available by the Archbishops' Council for "the additional provision for the cure of souls in parishes where such assistance is most required, in such a manner as shall be conducive to the efficiency of the Established Church" set aside for mission development.

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

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

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**27. 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.

**28. Endowment funds**

	As at 1 January 2017	Income	Expenditure	Gains/ (losses)	Transfers	As at 31 December 2017
	£	£	£	£	£	£
<u>Expendable endowment</u>						
Benefice Houses	21,426,282	768,548	-	-	(1,304,548)	<b>20,890,282</b>
Stipends Fund Capital (Glebe funds)	29,625,519	112,208	-	1,949,914	511,792	<b>32,199,433</b>
<u>Permanent endowment funds</u>						
Stafford Legacy (Church Trust Fund)	1,703,962	-	-	152,688	-	<b>1,856,650</b>
Clemson Legacy Fund	1,249,871	-	-	112,827	-	<b>1,362,698</b>
Parsonages	333,100	-	-	30,069	-	<b>363,169</b>
Stipends Trusts	248,724	-	-	22,452	-	<b>271,176</b>
Partington Legacy	90,223	-	-	8,099	-	<b>98,322</b>
	<b>54,677,681</b>	<b>880,756</b>	<b>-</b>	<b>2,276,049</b>	<b>(792,756)</b>	<b>57,041,730</b>

**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 available as to 10% to a specific parish in the diocese and 90% 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.

**29. 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 (2016 - market value £2.1million), and all such investments are held separately from those of the Board. Historic cost figures are not available.

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**29. 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:

	2017	2016
	£	£
CCLA Investment Management Ltd		
Central Board of Finance of the Church of England Funds:		
Investment fund income shares	1,537,910	1,275,636
Investment fund accumulation shares	428,463	379,934
Fixed Interest Securities Fund income shares	85,302	85,856
Deposit Fund	87,220	226,310
COIF Charities Funds:		
Investment fund income shares	86,260	79,378
Investment fund accumulation shares	32,564	28,956
Other common investment fund holdings	35,796	34,858
	<u>2,293,515</u>	<u>2,110,928</u>

**30. 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 11). The Rt Revd Dr A Redfern, The Revd P Davey and Canon J Cooper, were directors of both companies.

Mr M Titterton, Executive Chair and director of the Board, is also a member of Derby Cathedral Chapter (see Note 11).

In respect of all related party transactions there were no outstanding balances at the year end (2016 - no balances outstanding).



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**31. Prior year comparative Statement of Financial Activities for 2016**

	Unrestricted funds	Restricted funds	Endowment funds	Total funds 2016
	£	£	£	£
<b>Income and endowments from:</b>				
Donations				
Common Fund	4,669,558	-	-	4,669,558
Archbishops' Council	1,692,455	-	-	1,692,455
Other donations	1,187,278	-	-	1,187,278
Charitable activities	649,875	24,686	-	674,561
Other activities	257,092	-	-	257,092
Investment income	1,562,151	293,403	-	1,855,554
Other incoming resources	693,783	-	126,811	820,594
<b>Total income and endowments</b>	<b>10,712,192</b>	<b>318,089</b>	<b>126,811</b>	<b>11,157,092</b>
<b>Expenditure on:</b>				
Raising funds	113,438	-	-	113,438
Charitable activities	8,368,642	441,009	-	8,809,651
<b>Total expenditure</b>	<b>8,482,080</b>	<b>441,009</b>	<b>-</b>	<b>8,923,089</b>
<b>Net income/(expenditure) before investment gains and losses</b>	<b>2,230,112</b>	<b>(122,920)</b>	<b>126,811</b>	<b>2,234,003</b>
Net gains on investments	672,297	146,048	3,347,649	4,165,994
<b>Net income for the year</b>	<b>2,902,409</b>	<b>23,128</b>	<b>3,474,460</b>	<b>6,399,997</b>
Transfers between funds	(578,905)	398,716	180,189	-
<b>Other recognised gains/(losses)</b>				
Actuarial loss on defined benefit pension scheme	349,021	-	-	349,021
<b>Net movement in funds</b>	<b>2,672,525</b>	<b>421,844</b>	<b>3,654,649</b>	<b>6,749,018</b>
<b>Reconciliation of funds</b>				
Total funds as at 1 January 2016	15,134,794	3,462,624	49,173,031	67,770,449
Prior Year Adjustments	378,515	-	1,850,000	2,228,515
<b>Total funds at 1 January 2016 (restated)</b>	<b>15,513,309</b>	<b>3,462,624</b>	<b>51,023,031</b>	<b>69,998,964</b>
<b>Total funds at 31 December 2016</b>	<b>18,185,834</b>	<b>3,884,468</b>	<b>54,677,680</b>	<b>76,747,982</b>