

Diocese of Derby

Annual Report and Financial Statements 2016



Annual Report & Financial Statements 2016

For the year ended 31st December 2016

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 31st December 2016.

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

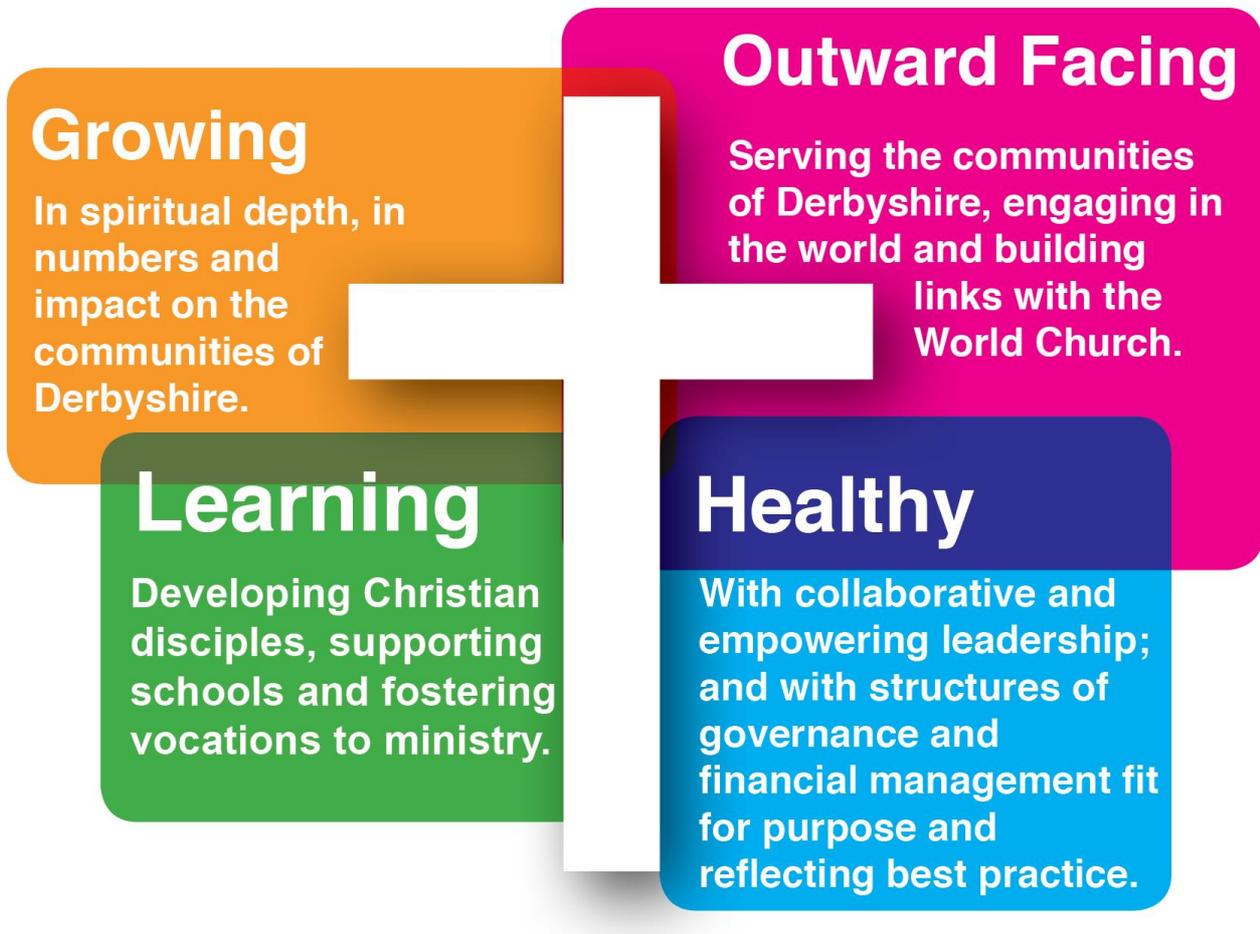
Contents

Page Number

Vision Statement	4
Introduction & Foreword	5
Legal Objects	6
Strategic Report:	
Strategic Aims	6
Objectives for the year	6
Activities and Achievements in the year	7
Future plans	9
Financial review	10
Principal risks and uncertainties	15
Structure and Governance	16
Trustees' Responsibilities	20
Administrative Details	21
Personnel	23
Independent Auditors' Report	24
Financial Statements	25

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.

Introduction from the Bishop of Derby

The Rt Revd Dr Alastair Redfern, The Bishop of Derby



I am delighted to commend this Annual Report and Financial Statement. It bears testament to amazing blessings in our work and witness. Behind the narratives and the account line we need to recognise the outstanding contributions of so many people, and to give thanks for the gifts and the generosity being offered among us, to proclaim the Good News of Jesus Christ in our Diocese.

Understanding all these superb efforts to lay foundations and build upon them, we must give thanks for the superb quality of our team in Church House, particularly the ground-breaking work in the management of finance, property and parish development. We owe an enormous debt to Mark Titterton for his expertise and unstinting labours in overseeing the work of the Business Committee and its key role in resourcing all these operations and endeavours.

I hope that each of us reading this report can give thanks to God for so many signs of grace and encouragement, and pray for His guidance to enable us to work together to enable others to taste this Good News too.

Foreword

Executive Chair, Mark Titterton



Communication was a key theme for 2016, as the Board sought to communicate with members and PCCs on a number of financial issues around generosity and generous giving:

- Firstly, the new Common Fund formula which is now live in 2017 and in the first year of a three-year transition plan.
- Stewardship and how the Board can help PCCs with any challenges.
- National Church funding – we are now in a 10-year transition period where our overall guaranteed funding from the National Church decreases each year.
- Growth funding – the Diocese does now have the opportunity to create a financial bid to the National Church for a specific activity each year to generate growth in numbers and discipleship.

To ensure that this message was communicated appropriately, the leadership team from the Parish Support Office visited each deanery for open meetings three times during the course of the year.

The financial out turn for 2016 was broadly in line with expectations, the Board recorded an operational deficit of £57,000. Yet again, it was pleasing to see that there was an increase in Common Fund contributions over 2015 of nearly £110,000 representing a real increase of 2.4%, yet despite this increase our Common Fund contributions were still some £190,000 short of our budget. In the main this was offset by savings achieved at the Parish Support Office of £166,000, and the excellent work being undertaken by our in house property team generated further savings of £120,000. Our financial investments performed strongly in line with our strategy and gains in financial markets to a new value of £38.2 million, an increase of £2.9 million over the 2015 end of year position. In addition, the Board is extremely grateful to receive a legacy of £1.0 million from the estate of the late Rev Canon Raymond Ross, a former priest in the Diocese.

Looking to 2017, the greatest challenge is the transition to the new Common Fund formula, the teams in both Finance and Mission and Ministry are available to support parishes with any specific needs - please do be in touch with them.

The Board exists to manage the financial and corporate life of the Diocese to assist the Synod, Bishop's Council, deaneries and parishes to further their mission and deliver the Diocesan strategic objectives. Therefore, on behalf of the Board, I would like to offer grateful thanks to team members at the Parish Support Office along with clergy, wardens and PCCs across the Diocese.

Legal Objects

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

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 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 to provide appropriate personnel and financial resources to assist the Diocesan Synod, Bishop's Council, deaneries and parishes to further their mission and deliver the Diocesan strategic priorities.

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 2016

In last year's report we identified four key priorities for 2016. These focussed upon discipleship, new Deaneries, the Common Fund and the identification of a clear sense of direction. Each of these priorities has seen significant development.

- The School of Formation has taken huge strides in developing appropriate resources and structures to nourish vocations and encourage discipleship.
- The new Deaneries have been established as working units, with an Area Deans' Council and the provision of administrative support. This provides the foundation for our future reshaping for mission.
- There was a hugely significant programme to introduce a new approach to Common Fund, involving a large number of Open Deanery meetings. Again, the result is a much stronger understanding of how we can work together to provide the resources for our work and witness across the whole Diocese.

Through carrying out these objectives and in promoting the whole mission of the Church (pastoral, evangelistic, social and ecumenical) the trustees are confident (having 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 and Achievements in the Year

The School of Formation

Over the past year the School of Formation Steering Group has met to reflect on the needs of the Diocese and the opportunities it can offer in learning and formation. There is now a calendar advertising all learning events on the Diocesan website under the School of Formation banner. Transforming Faith has been launched, and there are a number of groups meeting throughout the Diocese as people learn together and are formed together. The vocational journey is at the heart of both the School of Formation and Transforming Faith, and the Steering Group is working closely with the vocations team as it discerns and develops its strategy for vocations and vocations understood as the call of all God's people.

Resource Church

During the year the Board secured funding following a successful bid to the Church Commissioners for Strategic Development Funding.

Deanery Development

A new deanery structure is now in place and four deanery administrators have been appointed in support of deanery leadership teams

Governance changes

Governance changes were introduced to streamline operations including changes to the Glebe Committee, Parsonages Board and the Diocesan Mission & Pastoral Committee.

Mission Action Plans

The Mission Action Planning tool continued to be used by some parishes across the Diocese to encourage and enable mission and community engagement. The Diocesan Missioners and wider Mission and Ministry Team provided support to parishes in ensuring best use of this tool.

Credit Unions

In June 2016 a clergy study day was held titled on "Money and Debt" which was led by Andy Walton of the Centre for Community and Theology. The Mission and Ministry team also supported the Bolsover District Anti Poverty Conference which highlighted the need to tackle poverty, Credit Unions, free debt advice and the commitment of agencies including the local church in addressing this. The team also worked alongside partners from Feeding Derbyshire and Church Action on Poverty on an 'End Hunger' campaign in Derbyshire. This was launched with a lunchtime event for partners from financial inclusion, foodbanks and churches in New Whittington in July and a breakfast meeting in a Bolsover Church of England junior school in November with the support of Superkitchen.

Human Trafficking and Slavery

During 2016, the Diocese continued to support the Bishop of Derby's work into the eradication of human trafficking and modern slavery. As part of the visit of the Archbishop of Canterbury, Justin Welby, a business supply chain awareness event was held at Derby University. At the event, businesses including JCB, Bowmer Kirkland, Derby University and Pennine Healthcare signed the Athens Declaration and an awareness raising card was launched.

As part of Anti-Slavery Day commemorations in October, the Diocese held a week of prayer using worship resources designed by Rachel Gouldthorpe, Esther Elliott and Simon Taylor. Two candles were passed around parishes in both Archdeaconries and included external partners Derbyshire County Council and Heanor Baptist Church.

The work of the Diocese has also inspired the development of the Clewer Initiative. Working nationally in the Church of England, it aims to help dioceses detect instances of modern slavery and to provide care to its victims.

Derby Cathedral

In 2016 the Cathedral said farewell to its Dean, as he moved to be Dean of Wells. John Davies over his years in the Cathedral raised the profile of the Cathedral in the city and in the Diocese. In 2016, John with the staff at the Cathedral continued to reflect on religion in the public square – the theme of a Lent series and the guiding purpose behind much civic and public engagement. The Cathedral continued to offer its building for those on the streets to sleep in as a part of Derby Churches Winter Night Shelter – much appreciated by the guests, as their comments show. Close relations with the Padley Centre and the Community Bank continue to develop. The Cathedral's link with the University has strengthened and a number of public lectures were hosted at the Cathedral, as well as University services. Dialogue with the Jamia Mosque continues to flourish, while in 2016 sessions reflecting on similarities and differences in Christian and Muslim theology were very well attended. The Cathedral's joint bid with the Diocese to establish Derby Cathedral School was successful, and the project is now well into the pre-opening phase. A new Junior Choir has begun to play its part in a full musical programme. With the refurbishment work of the previous year complete, the Cathedral was able to play a full part in the civic and cultural life of the city: some highlights were services for the Queen's 90th Birthday and the centenary of the Battle of the Somme, and the Poet Laureate reading at the Book Festival launch. With the visit of the Archbishop of Canterbury in June and the welcome for the Bishop of Repton in September as well as major Diocesan services throughout the year, the Cathedral remains a place of support and daily prayer for the Bishop and the Diocese.

Related Parties

General Synod, Church Commissioners and Archbishops' Council

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

Parochial Church Councils (PCCs)

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

PCCs can 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

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

The Board 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 in 2017:

- A 'Resource Church' in Derby, focussing on outreach to 18-35 year olds, and providing the first stage in a programme to explore how 'church' in our market towns and key centres can become agents of resourcing for mission.
- The development of leadership teams in the Deaneries to identify mission possibilities, ways of retaining the bedrock of parish-based ministry and opportunities to witness in the networks within which people unfold their lives.
- A project to build partnership for oversight and deployment between the deanery leadership and the Bishop's staff teams.
- A commitment to further enrich our capacity to enable high quality communications within the Diocese and with those outside our normal structures. This is especially important as social media becomes a more sophisticated element in the mix.
- Schools continue to present huge opportunities for extending our engagement with young people, their families and their communities. As our Academy Trusts provide space for community schools to be brought into our operation, so the challenge to steward the smaller church schools in our 'family' will need imaginative and highly skilled leadership.
- The School of Formation is set to expand its activities, in support of the developments within Deaneries, and to help us raise up more leadership for public ministry in the Diocese.
- The new Common Fund formula will be phased in over a three-year period from 2017 to 2019.
- Continuing the theme of 'Living Generously' the Parish Giving Scheme will be launched in 2017, which will provide a professional, effective donation management system and Gift Aid service to support parishes.
- A review of overall investment strategy for both property and financial investment assets will be undertaken with the aim to maximise the potential from these assets taking into account deployment plans.
- Following the implementation of the new safeguarding documents in 2016, the safeguarding team will spend much of 2017 ensuring that there is a full understanding and adherence to the new policies and procedures. Training will also be a high priority as the team work to develop a deeper understanding and respect for the rights of young people and vulnerable adults as people across the Diocese. In June 2017 the Diocese will be audited by the Social Care Institute for Excellence, and will work to implement any recommendations identified as part of the audit. Any changes will be presented to Synod in October 2017 as part of the annual request for Synod to approve and adopt safeguarding policy and best practice.

Financial Review

The annual budget is presented to Diocesan Synod for approval and sets out the framework for our financial decision-making. The 2016 budget plan was for a breakeven budget with a small transfer from the reserves of £18,650.

Performance against budget

Financial plans in the 2016 budget set out to:

- achieve budget by using reserves of £18,650, and maintaining 'breakeven' budgets over a 3-year period
- set an increase in overall Common Fund of 2.0%
- review the number of stipendiary posts and develop deployment plans
- continue to fund Pioneer Ministry
- continue to support the Diocesan Board of Education
- seek ways to make provision for ongoing funds to resource creative mission projects which fit with our mission priorities and
- provide for an increase in stipends and salaries

The table below sets out performance against the budget plan:

MANAGEMENT ACCOUNTS 2016

	Budget £	Actual £	Difference £
INCOME			
Common Fund	4,861,477	4,669,558	(191,919)
Contributions from Church Commissioners	1,692,455	1,692,455	-
Net returns on investments	1,744,073	1,732,934	(11,139)
Allchurches Trust Ltd	136,581	139,975	3,394
Parochial fees, chaplaincy and all other income	495,230	494,002	(1,228)
	8,929,816	8,728,924	(200,892)
EXPENDITURE			
Ministerial Staffing	6,551,757	6,557,762	(6,005)
Parish Support	1,970,605	1,804,084	166,521
National Church	426,104	423,703	2,401
	8,948,466	8,785,549	162,917
TOTAL INCOME	8,929,816	8,728,924	(200,892)
TOTAL EXPENDITURE	(8,948,466)	(8,785,549)	162,917
DEFICIT PER MANAGEMENT ACCOUNTS	(18,650)	(56,625)	(37,975)

Common Fund, the money given by parishes to fund mission and ministry across the Diocese is the main source of income and accounts for around 55% of total Diocesan income. In 2016 the total amount paid was £4,669,558, which is an increase of £109,767 over last year (2015 - total Common Fund, £4,559,791).

A total of £1.7million 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 slightly behind the budget plan primarily because anticipated sales of land and buildings were less than expected.

The Allchurches Trust Ltd annual distribution amounted to £139,975 against a budget of £136,581, and the Board acknowledges with thanks the receipt of this grant.

Whilst there was a shortfall against the budget targeted amount for Common Fund, this was offset by a saving in Parish Support costs.

The Trustees have prepared a balanced budget in 2017 but one of the key financial challenges will be in receiving Common Fund contributions nearer to the budget target.

The Common Fund open deanery meetings held during 2016 have helped Church Members to understand how the funds are used together with resources made available to help and encourage Church Members individually and corporately to think about their own giving in response to God's love and for the work and mission of the Church in parishes, in the Diocese and beyond.

Prior Year Adjustment

A prior year adjustment has been made to include one designated fund not previously aggregated and a revaluation of investment property adding £2.2million to 2015 net assets (designated fund adding £0.4million and revaluation £1.8million).

Full details are provided in note 32 of the financial statements.

Statement of Financial Activities

Total income was £11.1million (2015 - £9.0million) and expenditure to £8.9million (2015 - £8.8million). After the addition of net gains on investment assets of £4.2million (2015 - £1.2million) and actuarial gains of £0.3million (2015 – actuarial gains of £0.2million), the net increase in funds amounted to £6.7million (2015 – increase in funds of £1.6million).

MANAGEMENT ACCOUNTS RECONCILIATION TO STATUTORY ACCOUNTS

	£
Deficit per Management Accounts 2016	(56,625)
Other unrestricted funds movement:	
Change in defined benefit pension scheme liability	260,021
Gains on investment assets	672,297
Gain on sale of corporate property	693,783
Transfer to Diocesan Pastoral Account for sale of corporate property (1 house)	(735,783)
Transfer from Diocesan Pastoral Account for purchase of corporate property (1 house) and property additions	521,404
Church growth fund movement (net)	55,374
Legacy income	1,022,303
Adjustment to returns on investments income	235,583
Other unrestricted and designated fund movement (net)	4,168
Net movement in unrestricted funds	<u>2,672,525</u>

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

During the year, total fund balances increased from £70million, as restated, to £76million and there was an overall net cash inflow of £1.4million (2015 – cash outflow £0.3million).

Grant-Making (Beneficiary-Selection)

Grants are made to the National Church to cover a proportion of its central costs and 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 appear to the Board to 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 £69,362 (2015 - £106,439) and will be used to meet future grant awards totalling £68,216.

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 £76million (2015 - £70million, as restated), it must be remembered that included in this total are properties, mostly in use for the ministry, whose total cost amounted to £31million (2015 - £31million). 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 Repton House, purchased a new house for the Bishop of Repton and sold a parsonage house in Pinxton. Total purchases and additions to property were £521,420 (2015 - 2 purchases, £620,000) and sales were £1,001,094 (2015 - 1 house sold, £271,000).

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

Stock markets around the world saw huge gains in 2016 with the Board's own financial investment portfolio increasing by three times more than the previous year and total returns nearing 20% on the holding in the Global Equity Income fund.

The value of the Board's financial investment assets increased by £2.9million in 2016 (2015 – increase in valuation of £0.9million).

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 31st December 2016:

	Funds as at 31st December 2016	Proportion of portfolio	Income yield in year	Total return in year (net)
	£	%	%	%
CCLA Investment Management Ltd				
The CBF Church of England Investment Fund	27,470,022	71.8%	3.5%	+15.4%
The CBF Church of England Global Equity Income Fund	3,502,673	9.2%	4.0%	+17.9%
The CBF Church of England Property Fund	7,253,380	19.0%	5.6%	+2.0%
	38,226,075	100.0%		

Total return performance for each fund in 2016 against its comparator is set out in the table below:

	Longer term total return performance (gross, unless stated) 12 months to 31st December 2016	
	Fund %	Comparator %
The CBF Church of England Investment Fund	+15.9%	+17.1%
The CBF Church of England Global Equity Income Fund	+18.6%	+28.2%
The CBF Church of England Property Fund	+2.6%	+3.7%

Savills (formerly Smiths Gore) - 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 (formerly Smiths Gore), our glebe land agents, as at 31st December 2016. Other small miscellaneous holdings were valued by Mr N Sherratt, Assistant Diocesan Secretary (Property), as at 31st December 2015.

The current valuation of the portfolio is £8.0million (2015 – at director's valuation of £7.1million, as restated). There were 2 sales of land during the year generating £89,967 and no purchases during the year (2015 – no sales or purchases of land).

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 31st December 2016 amounted to £328,000 for 6 loans (2015 - £328,000, 6 loans).

Reserves Policy

Free reserves

The Board has considerable responsibilities including the remuneration of nearly 140 stipendiary clergy, the upkeep of nearly 200 houses and the employment of 40 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 31st December 2016 the amount required under this policy totalled £2.3m (2015 - £2.3million). Actual free reserves as at 31st December 2016 totalled £3.9million (2015 - £3.3million). 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 introduction of the new Common Fund formula and its transition.

Reserves tied up in fixed assets

The general fund comprises net assets amounting to £3.9million of which £48,000 is held as tangible fixed assets.

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 31st December 2016 total designated reserves were £14.3m (2015 - £12.5million, as restated) of which £9.6m is held in tangible fixed assets as corporate property (2015 - £9.1million).

Restricted and endowment funds

As set out in Note 27 and 28 the Board holds and administers a large number of restricted and endowment funds. As at 31st December 2016 restricted funds totalled £3.9m (2015 - £3.5million) and endowment funds totalled £54.7m (2015 - £51.0 million, as restated). Neither restricted or endowment funds are available for the general purposes of the Board.

Going concern

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

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.

An annual independent risk audit was carried out in February 2016. The risk register identifies a number of risks, and action plans are put in place for any risks which are identified as 'red'. The Diocese has identified four 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.

- Collection statistics are produced and circulated monthly.
- The Finance team report on and support those parishes where there is considered to be a significant risk of under-collection. Our Parish Resource Officers 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.

Safeguarding & Inclusion: Where there is an occurrence of child, vulnerable adult or domestic abuse by someone working for or on behalf of the Church.

There has been a full review of all policies and procedures in order that they comply with new national guidance. New policies, procedures and audit tools were launched in 2016 following the approval of Diocesan Synod in October 2015. The Board has recruited one full time equivalent Safeguarding Adviser to increase the capacity of the safeguarding team.

- The Diocese currently employs a Diocesan Safeguarding Adviser, supported by an Administrator – now increased to two FTE Safeguarding Advisers and an Administrator to work within the HR team.
- The Diocese has moved to electronic capture of DBS checks to improve accuracy and efficiency.
- All parishes are required to review, endorse and implement the Diocesan Safeguarding Policy.
- A new training strategy is now in place; training is compulsory for all relevant staff, and the appropriate training tools are established.
- A new Chair of the Safeguarding Management Committee has been appointed.

Communications: Adverse local or national publicity. Failure to keep pace with media developments.

- The Diocese currently has a Communications Officer who handles all matters that come into the public arena.
- Staff are regularly reminded that they are not to speak to the press on any matters of a sensitive nature.
- We have engaged a professional company to handle all matters that come into the public arena.

Information technology: System failure

- Backups are made on a regular basis as the Diocese now has a cloud-based IT system.
- We employ an external IT provider for support of our IT system and to provide expert advice.
- The firewall and anti-viral software is reviewed and updated annually with an audit from our external IT company.
- Training and processes are in place to minimise cyber crime as far as possible.

Structure and 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 41 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 pensions' 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 several 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 Steward, Derby Cathedral Office, Cathedral Centre, 18-19 Iron Gate, Derby DE1 3GP.

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

Parochial Church Council (PCC)

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

Parishes and Benefices

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

Deanery and Archdeaconry

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

Deanery Synods

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

- respond to requests from General Synod;
- give effect to the decisions made by the Diocesan Synod;
- consider matters affecting the Church of England by drawing together the views of the parishes within the deanery;
- act as a channel of communication to express the views of parishes to Diocesan Synod and thence to General Synod;
- raise with Diocesan Synod such matters as it considers appropriate; 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 the 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 seven deaneries and Derby the south with nine deaneries. In total, there are some 255 parishes. Work is under way to amalgamate existing deaneries to produce eight deaneries, four in each Archdeaconry.

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 has 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 of 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

Governance changes took place which are noted, with dates of effect, as below.

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

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

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

Derby Diocesan Board of Patronage, which is constituted under the provisions of the Patronage (Benefices) Measure 1986, is sole patron or joint patron of several 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 10 times each year and works closely with the Diocesan Secretary. The Business Committee will advise the Bishop's Council in the discharge of the trustees' responsibilities for accounting policy, internal control, financial reporting and risk management. In addition, it will provide strategic advice on the management of the Board'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 12th 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.

Register of Persons of Significant Control

The Board maintains a Register of Persons of Significant Control and is currently seeking further advice regarding the position of all trustees.

Trustee recruitment, selection and induction

The trustees are the members of Bishop's Council and Directors of the company. Trustees are given induction training when first appointed and receive ongoing training, as appropriate. 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 (2015 - £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 include:

- regular appraisals,
- remuneration and salary benchmarking and
- recommendation of changes where necessary

Delegation of day to day delivery

The Trustees, and the sub-committees which assist them in the fulfilment of their responsibilities, rely upon the Diocesan Secretary and 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 separate bank accounts and accounting systems. Further details of financial trust assets, whose market value amounted to £2.1million at 31st December 2016 (2015 - £1.9million) 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.

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. Under that law the Trustees have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 will be proposed at the Annual General Meeting.

Administrative Details

The Derby Diocesan Board of Finance Limited is a Charitable Trust Company Limited by Guarantee and not having a share capital. (Company No 229700 England, Registered Charity No 249767)

Membership of the Board consists of the members of the Derby Diocesan Synod.

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

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

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

Bishop's Council & Standing Committee of Diocesan Synod

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

The trustees (for the purpose of charity law) and directors (for the purpose of company law) during the year and as 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 the Derby Diocesan Synod

Two clergy members from each Archdeaconry and nine lay members, 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

Chesterfield Archdeaconry (at least 3)

Mr P Collard

Canon J Cooper (Diocesan Treasurer until 21st May 2016, Vice Chair of the Business Committee from 21st May 2016)

Mrs C Holmes-Elener

Canon DB Iliffe (to 18th March 2016)

Mr F J Gascoyne

Derby Archdeaconry (at least 3)

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

Principal Officers

Diocesan Secretary: Canon Maureen Cole (to 13th January 2017)

Director of Human Resources: Adele Poulson

Assistant Secretary (Property): Nigel Sherratt (to 31st March 2016)

Head of Property: Graham Webster (from 18th January 2016)

Director of Finance: David Meredith

Director of Mission & Ministry: Revd Canon Dr Susan H Jones

Advisers

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

Mrs N Waldron BA TEP

Bankers

National Westminster Bank, St Peter's Street, 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
(formerly Smiths Gore)

Mineral Surveyors

Coke Turner & Co; The Millyard, Rowsley, Matlock

Auditor

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

Personnel

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

Within the Board there have been the following changes:

nine members of the team left during 2016: Sharron Howarth, Helen Powell, Lizzie Walker, Andrew Collie, Jo Armstrong, Steve Shaw, Kerry Young, Lindsey Braithwaite, Sophie Etchells - and we thank each one of them for the contribution they made during their employment with us.

The efficient and effective running of the Diocese requires highly skilled people and throughout 2016 we recruited and welcomed the following individuals to the Parish Support Office Team:

Claire Brown, Cath Shipsides and Amanda Clarke joined the safeguarding team following a review of the service provision at the end of 2015. Graham Webster joined the Diocese in January 2016, and the restructuring of the property team was completed when Clinton Walker joined in April 2016. Clare Lewcock became the administrator for the vocations team, and to support the new deaneries, Debbie Patrick, Jo Simister, Angela Clayton and Juliet Waugh came on board and provide administration support to the Area Deans. Lorraine Cunningham re-joined the cleaning team, and finally, Mark Lewis joined the team in December on a six-month fixed term contract to support the DAC and Pastoral Secretary.

Although this report requires us to report on Board employees we also wish to acknowledge other people who left the Diocese during 2016:

Firstly, we would wish to thank the Archdeacon of Chesterfield, Christine Wilson who has made an outstanding contribution to the leadership of our Diocese. We are grateful for her wisdom, energy and challenge, and wish her well as she continues her ministry as the Dean of Lincoln.

Our grateful thanks go also to the Very Revd Dr John Davies who during his time in the Diocese brought wise counsel, strong leadership and support to the Cathedral and the wider Diocese. Dr Davies was installed as Dean of Wells in November 2016, and we wish him well in his new ministry.

General Synod Members

We also wish to acknowledge the General Synod representatives and thank them for their hard work acting as our elected members of General Synod. Our elected representatives are: 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
26th April 2017



Mark Titterton
Executive Chair
26th April 2017

Independent Auditor's Report to the Members of the Derby Diocesan Board of Finance Ltd

We have audited the financial statements of Derby Diocesan Board of Finance Ltd for the year ended 31st December 2016 which comprise the Statement of Financial Activities, the Income and Expenditure Account, the Statement of Financial Position, Statement of Cash Flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

Respective responsibilities of trustees and auditors

As explained more fully in the Trustees' Responsibilities Statement set out on page 20, the trustees (who are also the directors of the charitable company for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors. This report is made solely to the charity's members as a body 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.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's web-site at www.frc.org.uk/auditscopeukprivate.

Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the charitable company's affairs as at 31st December 2016 and of its incoming resources and application of resources, including its income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on 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 Strategic Report and Trustees' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Trustees' Report have 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 company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Trustees' Report.

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

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



4 May 2017

Ian Holder (Senior Statutory Auditor)
for and on behalf of Mazars LLP

Chartered Accountants and Statutory Auditor; 58 The Ropewalk, Nottingham, NG1 5DW

DERBY DIOCESAN BOARD OF FINANCE LIMITED
STATEMENT OF FINANCIAL ACTIVITIES
for the year ended 31st December 2016

		Unrestricted funds	Restricted funds	Endowment funds	Total funds 2016	Total funds 2015 Restated (Note 31)
	Note	£	£	£	£	£
Income and endowments from:						
Donations	2					
Common Fund		4,669,558	-	-	4,669,558	4,559,791
Archbishops' Council		1,692,455	-	-	1,692,455	1,691,750
Other donations		1,187,278	-	-	1,187,278	181,561
Charitable activities	3	649,875	24,686	-	674,561	704,532
Other activities	4	257,092	-	-	257,092	214,364
Investments	5	1,562,151	293,403	-	1,855,554	1,653,034
Other	6	693,783	-	126,811	820,594	30,739
Total income and endowments		10,712,192	318,089	126,811	11,157,092	9,035,771
Expenditure on:						
Raising funds	7	113,438	-	-	113,438	99,193
Charitable activities	8	8,368,642	441,009	-	8,809,651	8,756,944
Total expenditure		8,482,080	441,009	-	8,923,089	8,856,137
Net income/(expenditure) before investment gains		2,230,112	(122,920)	126,811	2,234,003	179,634
Net gains on investments		672,297	146,048	3,347,649	4,165,994	1,191,093
Net income/(expenditure)		2,902,409	23,128	3,474,460	6,399,997	1,370,727
Transfers between funds	14	(578,905)	398,716	180,189	-	-
Other recognised gains/(losses)						
Actuarial gains on defined benefit pension schemes		349,021	-	-	349,021	205,852
Net movement in funds		2,672,525	421,844	3,654,649	6,749,018	1,576,579
Reconciliation of funds						
Total funds at 1st January 2016		15,134,794	3,462,624	49,173,031	67,770,449	66,199,214
Prior year adjustments	32	378,515	-	1,850,000	2,228,515	2,223,171
Total funds at 1st January 2016 (restated)		15,513,309	3,462,624	51,023,031	69,998,964	68,422,385
Total funds at 31st December 2016		18,185,834	3,884,468	54,677,680	76,747,982	69,998,964

All activities derive from continuing activities.

DERBY DIOCESAN BOARD OF FINANCE LIMITED
INCOME AND EXPENDITURE ACCOUNT
for the year ended 31st December 2016

	2016	2015
	£	Restated £
Total income (less endowment)	11,030,281	9,352,032
Resources expended (less endowment)	<u>(8,923,089)</u>	<u>(9,203,137)</u>
Operating surplus for the year	2,107,192	148,895
Net gains on investments	<u>818,345</u>	<u>276,186</u>
Income for the year	2,925,537	425,081
Other comprehensive income/(expenditure):		
Net assets transferred to endowments	(180,189)	(587,730)
Actuarial gain on defined benefit pension schemes	349,021	205,852
Total comprehensive income:	<u>3,094,369</u>	<u>43,203</u>

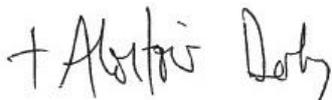
The income and expenditure account is derived from the Statement of Financial Activities with movements in endowment funds excluded to comply with company law. All income and expenditure is derived from continuing activities.

DERBY DIOCESAN BOARD OF FINANCE LIMITED
STATEMENT OF FINANCIAL POSITION
as at 31st December 2016

COMPANY NUMBER 229700

	Note	2016		2015	
		£	£	Restated £	Restated £
Fixed Assets					
Tangible assets	15	31,427,308		31,074,549	
Investments	16	<u>46,454,232</u>		<u>42,651,943</u>	
			77,881,540		73,726,492
Current Assets					
Debtors	17	917,343		370,058	
Cash on deposit		2,433,243		1,015,323	
Cash at bank and in hand		<u>29,476</u>		<u>54,045</u>	
		3,380,062		1,439,426	
Creditors: amounts falling due within one year	18	<u>(487,620)</u>		<u>(433,933)</u>	
Net Current Assets			<u>2,892,442</u>		<u>1,005,493</u>
Total Assets less Current Liabilities			80,773,982		74,731,985
Creditors: amounts falling due after more than one year	18				
Pension scheme liabilities	23		(3,698,000)		(4,405,021)
Other creditors			<u>(328,000)</u>		<u>(328,000)</u>
			(4,026,000)		(4,733,021)
Net Assets			<u>76,747,982</u>		<u>69,998,964</u>
The Funds of the Charity					
Unrestricted income funds					
General Fund		3,892,790		3,311,816	
(Including investment revaluation reserve of £912,234 (2015 - £635,638))					
Designated funds	26	14,293,044		12,461,514	
(Including investment revaluation reserve of £857,409 (2015 Restated - £526,016))					
		<u>18,185,834</u>		<u>15,773,330</u>	
Defined benefit pension scheme liability			-	<u>(260,021)</u>	
			18,185,834		15,513,309
Restricted income funds	27		3,884,468		3,462,624
(Including investment revaluation reserve of £666,169 (2015 - £520,120))					
Endowment funds	28		54,677,680		51,023,031
(Including investment revaluation reserve of £10,488,381 (2015 Restated - £7,537,690))					
Total Funds			<u>76,747,982</u>		<u>69,998,964</u>

The financial statements were approved by the Board of Directors and authorised for issue on 26th April 2017 and signed on behalf of the Board by:



The Rt Revd Dr Alastair Redfern

The notes on pages 29 to 48 form part of these financial statements

DERBY DIOCESAN BOARD OF FINANCE LIMITED

STATEMENT OF CASH FLOWS

for the year ended 31st December 2016

	2016	2015
	£	Restated £
Cash flows from operating activities:		
Net cash used in operating activities	(1,268,776)	(1,841,687)
Cash flows from investing activities:		
Dividends, interest and rent from investments	1,855,554	1,653,034
Proceeds from the sale of property, plant and equipment	1,003,302	270,739
Purchase of property, plant and equipment	(560,434)	(646,308)
Proceeds from the sale of investments	1,022,707	783,040
Purchase of investments	(659,002)	(500,000)
Net cash provided by investing activities	2,662,127	1,560,505
Cash flows from financing activities		
Net cash provided by financing activities	-	-
Change in cash and cash equivalents in the year	1,393,351	(281,182)
Cash and cash equivalents at 1st January	1,069,368	1,350,550
Cash and cash equivalents at 31st December	<u>2,462,719</u>	<u>1,069,368</u>

	2015	2015
	£	Restated £
Reconciliation of net movement in funds to net cash outflow from operating activities		
Net movement in funds for the year ended 31st December	6,749,018	1,576,579
Adjustments for:		
Depreciation charges	20,632	13,522
Net gains on investments	(4,165,994)	(1,191,093)
Dividends, interest and rent from investments	(1,855,554)	(1,653,034)
(Profit) on the sale of fixed assets	(816,259)	(30,739)
(Increase)/decrease in debtors	(547,285)	39,655
(Decrease) in other creditors	(653,334)	(596,577)
	<u>(8,017,794)</u>	<u>(3,418,266)</u>
Net cash used in operating activities	<u>(1,268,776)</u>	<u>(1,841,687)</u>
Analysis of cash and cash equivalents		
Notice deposits (less than 3 months)	2,433,243	1,015,323
Cash in hand	29,476	54,045
	<u>2,462,719</u>	<u>1,069,368</u>

The notes on pages 29 to 48 form part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER 2016

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.

Following the transition to FRS 102 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER 2016

1. Accounting Policies (continued)

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.
- 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 2016 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).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER 2016

1. Accounting Policies (continued)

c) Tangible fixed assets and depreciation (continued)

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 31st 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).

A prior year adjustment has been made to include the fair value of a quarry adding £1,8million to net assets (see note 32). This was valued as at 31st December 2016 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.

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.

THE DERBY DIOCESAN BOARD OF FINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER 2016

1. Accounting Policies (continued)

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. A prior year adjustment has been made to aggregate a fund not previously disclosed, adding £0.4million to the net assets of the Board (see note 32).
- **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 31st December 2016

	Unrestricted funds	Restricted funds	Endowment funds	Total funds 2016	Total funds 2015 Restated
	£	£	£	£	£
2. Donations					
Common Fund					
The majority of donations are collected from the parishes of the diocese through the Common Fund system.					
Chesterfield Archdeaconry	2,188,330	-	-	2,188,330	2,133,291
Derby Archdeaconry	2,479,051	-	-	2,479,051	2,419,977
	4,667,381	-	-	4,667,381	4,553,268
Receipts for previous years	2,177	-	-	2,177	6,523
	4,669,558	-	-	4,669,558	4,559,791
Total Common Fund receipts represent 91.1% of the amount allocated to parishes (2015 - 90.0%).					
Archbishops' Council					
Selective allocation	1,551,085	-	-	1,551,085	1,550,290
Parish Mission Fund	141,370	-	-	141,370	141,460
	1,692,455	-	-	1,692,455	1,691,750
Other donations					
Allchurches Trust grant	139,975	-	-	139,975	136,561
Legacy income	1,022,303	-	-	1,022,303	-
Other donations and grants	25,000	-	-	25,000	45,000
	1,187,278	-	-	1,187,278	181,561
3. Charitable activities					
Statutory fees	454,447	-	-	454,447	516,107
Church Commissioners	-	-	-	-	7,238
Other contributions and income	195,428	24,686	-	220,114	180,977
Sale of publications	-	-	-	-	210
	649,875	24,686	-	674,561	704,532
4. Other activities					
Rental income	257,092	-	-	257,092	214,364
	257,092	-	-	257,092	214,364
5. Investments					
Dividends receivable					
Central Board of Finance Investment Funds	814,219	188,947	-	1,003,166	968,488
Central Board of Finance Property Funds	416,995	102,409	-	519,404	411,425
Central Board of Finance Global Equity Funds	172,668	-	-	172,668	117,125
Interests on cash deposits					
Central Board of Finance Deposit Funds	2,112	2,047	-	4,159	3,167
National Westminster Bank	657	-	-	657	593
Rents receivable (glebe land and buildings)	155,500	-	-	155,500	152,236
	1,562,151	293,403	-	1,855,554	1,653,034
6. Other incoming resources					
Gain on disposal of properties	693,783	-	126,811	820,594	30,739
	693,783	-	126,811	820,594	30,739
Total income and endowments	10,712,192	318,089	126,811	11,157,092	9,035,771

DERBY DIOCESAN BOARD OF FINANCE LIMITED
NOTES TO THE FINANCIAL STATEMENTS
as at 31st December 2016

	Unrestricted funds	Restricted funds	Endowment funds	Total funds 2016	Total funds 2015 Restated
	£	£	£	£	£
7. Fund raising costs					
Glebe land agents' fees and other expenses	73,535	-	-	73,535	69,328
Other agents' commission and expenditure	39,903	-	-	39,903	29,865
	113,438	-	-	113,438	99,193
8. Charitable activities					
Contributions to Archbishops' Council					
Training for ministry	186,934	-	-	186,934	181,636
National Church responsibilities	158,841	-	-	158,841	154,724
Mission agency pension costs	10,993	-	-	10,993	10,708
Retired clergy housing costs (CHARM)	60,966	-	-	60,966	57,691
	417,734	-	-	417,734	404,759
Resourcing Ministry & Mission					
Parish ministry					
Stipends, salaries and national insurance	3,762,853	65,423	-	3,828,276	3,814,903
Pension contributions	932,236	6,581	-	938,817	928,576
Housing costs	1,064,949	244,599	-	1,309,548	1,323,019
Removal, resettlement and other expenses	178,295	-	-	178,295	203,477
	5,938,333	316,603	-	6,254,936	6,269,975
Support for parish ministry	1,657,503	81,064	-	1,738,567	1,616,182
	7,595,836	397,667	-	7,993,503	7,886,157
Expenditure on Education & Diocesan Projects					
Diocesan Board of Education	330,834	-	-	330,834	323,566
Derby Cathedral	16,488	-	-	16,488	16,326
Church of North India Partnership	750	-	-	750	750
Clergy Widows & Orphans	7,000	-	-	7,000	7,000
Diocesan projects	-	37,077	-	37,077	112,568
Parishes	-	6,265	-	6,265	5,818
	355,072	43,342	-	398,414	466,028
Total charitable activities	8,368,642	441,009	-	8,809,651	8,756,944
Total expenditure	8,482,080	441,009	-	8,923,089	8,856,137

DERBY DIOCESAN BOARD OF FINANCE LIMITED
NOTES TO THE FINANCIAL STATEMENTS
as at 31st December 2016

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

	Activities undertaken directly £	Grant funding of activities £	Support costs £	Total costs 2016 £
Raising funds	113,438	-	-	113,438
Charitable activities				
Contributions to Archbishops' Council	-	417,734	-	417,734
Resourcing Ministry & Mission	7,358,494	170,253	464,756	7,993,503
Board of Education & diocesan projects	-	391,336	7,078	398,414
	7,471,932	979,323	471,834	8,923,089

10. Analysis of support costs

	Unrestricted funds		Restricted funds	Endowment funds	Total funds 2016 £
	General £	Designated £	£	£	£
Central administration	417,994	-	-	-	417,994
Support for education & diocesan projects	7,078	-	-	-	7,078
Governance:					
External audit	13,680	-	-	-	13,680
Registrar and Chancellor	16,568	-	-	-	16,568
Synodical costs	16,514	-	-	-	16,514
	471,834	-	-	-	471,834

11. Analysis of grants made

	Grants to		Total Grants 2016 £	Total Grants 2015 £
	individuals £	institutions £	£	£
From unrestricted funds for National Church responsibilities:				
Contributions to Archbishops' Council	-	417,734	417,734	404,759
From unrestricted funds:				
Removal, resettlement & first appointment grants	83,395	-	83,395	127,768
Ordinands in training	79,780	-	79,780	96,344
Derby Diocesan Board of Education	-	330,834	330,834	323,566
Derby Cathedral Chapter	-	16,488	16,488	16,326
Church of North India Partnership	-	750	750	750
Clergy Widows & Orphans	-	7,000	7,000	7,000
Restricted income funds				
Local Mission Fund	-	37,077	37,077	112,568
Stafford Legacy (Church Trust Fund)	-	6,265	6,265	5,818
	163,175	816,148	979,323	1,094,899

NOTES TO THE FINANCIAL STATEMENTS

as at 31st December 2016

12. Staff costs

Employee costs during the year were as follows:

	2016	2015
	£	£
Wages & salaries	1,021,371	792,931
National insurance contributions	97,972	74,402
Pension costs:		
One Family defined benefit scheme	-	8,261
Church of England Funded Pensions Scheme	46,155	38,465
Church Workers Pension Fund Pension Builder 2014 Scheme	49,368	8,447
Other defined contribution pension schemes	35,134	51,706
	<u>1,250,000</u>	<u>974,212</u>

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

	2016	2015
	Number	Number
Administration, property and financial management	16	15
Diocesan Director of Vocations	2	1
Mission & Ministry	12	14
Human resources, safeguarding & communications	6	4
Parochial, mixed-economy ministerial staff & Deanery Administrators	4	3
	<u>40</u>	<u>37</u>

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

	2016	2015
	Full-time equivalent	Full-time equivalent
Administration, property and financial management	11.2	11.3
Diocesan Director of Vocations	1.3	0.3
Mission & Ministry	9.5	9.6
Human resources, safeguarding & communications	4.4	3.2
Parochial & mixed-economy ministerial staff	2.1	1.4
	<u>28.5</u>	<u>25.8</u>

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

	2016	2015
	(Number)	(Number)
£60,001 - £70,000	1	1

Pension payments of £6,552 (2015, 1 employee - £6,471) 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 2016 they were:

Diocesan Secretary and Company Secretary	Canon M Cole
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

Remuneration, employer's National Insurance contributions, pension contributions and expenses for these employees amounted to £410,871 (2015 - £322,636).

DERBY DIOCESAN BOARD OF FINANCE LIMITED
NOTES TO THE FINANCIAL STATEMENTS
as at 31st December 2016

13. Trustees' emoluments

None of the trustees received any emoluments from the Board of Finance in respect of services performed as trustees (2015 - £nil). During the year 9 trustees claimed reimbursement for travel or out of pocket expenses totalling £1,633 (2015 - 7 trustees claimed expenses totalling £2,552).

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 136.3 (2015 – 136.1) stipendiary clergy as office-holders holding parochial or diocesan appointments in the diocese, and the costs were as follows:

	2016	2015
	£	£
Stipends	3,524,397	3,518,191
National insurance contributions	289,217	289,791
Pension costs (including deficit funding)	1,295,360	1,275,493
	<u>5,108,974</u>	<u>5,083,475</u>

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 1st April 2016 are in the range £33,850 - £43,220 (1st April 2015 range, £33,350 - £42,880). The annual rate of stipend, funded by the Board, paid from 1st April 2016 to Archdeacons was in the range £34,180 - £34,950 (1st April 2015 range, £33,670 - £34,600) and other clergy who were Trustees were paid in the range £23,970 - £26,060 (1st April 2015 range, £23,650 - £25,800). The estimated value of church provided housing in 2016 was an average of £8,088 (2015 as restated - £7,816).

14. Analysis of transfers between funds

	Unrestricted funds	Restricted funds	Endowment funds	Total 2016
	£	£	£	£
Transfer to/(from):				
Corporate house sale proceeds (1) to Diocesan Pastoral Account	(735,783)	735,783	-	-
Parsonage house sale proceeds (1) to Diocesan Pastoral Account	-	265,311	(265,311)	-
Parsonage land sale proceeds (1) to Diocesan Pastoral Account	-	1,500	(1,500)	-
Diocesan Pastoral Account to purchase corporate house (1) and for corporate house additions	521,404	(521,404)	-	-
Diocesan Pastoral Account to general fund for housing costs	82,474	(82,474)	-	-
Change in pension scheme liability transfer to Stipends Fund Capital	(447,000)	-	447,000	-
	<u>(578,905)</u>	<u>398,716</u>	<u>180,189</u>	<u>-</u>

DERBY DIOCESAN BOARD OF FINANCE LIMITED
NOTES TO THE FINANCIAL STATEMENTS
as at 31st December 2016

15. Tangible fixed assets

	Freehold houses		Leasehold houses		Church House	Office Equipment	Total
	Parsonages	Glebe	Corporate	Corporate			
	£	£	£	£	£	£	£
Cost or deemed cost							
At 1st January 2016	21,566,281	326,000	7,915,377	309,478	923,783	52,993	31,093,912
Additions	-	-	521,405	-	-	39,029	560,434
Disposals	(140,000)	-	(42,708)	-	-	(4,440)	(187,148)
At 31st December 2016	21,426,281	326,000	8,394,074	309,478	923,783	87,582	31,467,198
Depreciation							
At 1st January 2016	-	-	-	-	-	19,363	19,363
Charge for the year	-	-	-	-	-	20,632	20,632
Disposals	-	-	-	-	-	(105)	(105)
At 31st December 2016	-	-	-	-	-	39,890	39,890
Net book value							
At 31st December 2016	21,426,281	326,000	8,394,074	309,478	923,783	47,692	31,427,308
Number of houses	145	5	39	1			190
At 31st December 2015	21,566,281	326,000	7,915,377	309,478	923,783	33,630	31,074,549
Number of houses	146	5	39	1			191

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 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

	2016	2015
	£	Restated £
Investment securities within the United Kingdom (market value)		
At 1st January 2016	35,506,143	34,598,091
Additions at cost	659,002	500,000
Disposals	(594,695)	(487,387)
Unrealised gains/(losses)	2,865,085	895,439
At 31st December 2016	38,435,535	35,506,143
Investment properties (market value)		
At 1st January 2016	7,145,800	7,145,800
Additions at cost	-	-
Disposals	(42,000)	-
Unrealised gains	914,897	-
At 31st December 2016	8,018,697	7,145,800
Total fixed asset investments within the United Kingdom	46,454,232	42,651,943

DERBY DIOCESAN BOARD OF FINANCE LIMITED
NOTES TO THE FINANCIAL STATEMENTS
as at 31st December 2016

16. Fixed asset investments (continued)

	2016		2015	
	£ Cost	£ Market value	Restated £ Cost	Restated £ Market value
Unlisted investment securities				
CCLA Central Board of Finance of the Church of England				
Investment fund income shares	18,155,397	27,679,482	18,015,837	24,913,927
Global equity fund income shares	3,200,000	3,502,673	3,200,000	3,111,251
Property fund income shares	6,920,845	7,253,380	6,920,845	7,480,965
Total investment securities	28,276,242	38,435,535	28,136,682	35,506,143
Investment properties comprise:-				
Glebe agricultural land		7,873,897		7,001,000
Other property		144,800		144,800
Total investment properties		8,018,697		7,145,800

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

17. Debtors

	2016	2015
	£	Restated £
Amounts due from PCCs (unsecured)		
Common Fund	152,057	116,494
Loans to parishes	153,821	54,134
Other debtors	551,449	154,011
Prepayments & accrued income	60,016	45,419
Total debtors	917,343	370,058
Debtors comprise:		
Amounts due within one year	890,892	337,295
Amounts due after more than one year	26,451	32,763
	917,343	370,058

18. Creditors

	2016	2015
	£	£
Amounts falling due within one year		
Sundry creditors	473,940	420,517
Accruals	13,680	13,416
	487,620	433,933
Amounts falling due after more than one year		
Pension scheme liabilities:		
Church of England Funded Pension Scheme liability	3,698,000	4,145,000
One Family defined benefit pension scheme liability	-	260,021
Value-linked loans for houses with the Church Commissioners (see note below)	328,000	328,000
	4,026,000	4,733,021

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 31st December 2016 the Board had no intention of disposing of any of those properties funded via VLLs.

DERBY DIOCESAN BOARD OF FINANCE LIMITED
NOTES TO THE FINANCIAL STATEMENTS
as at 31st December 2016

19. Contingent liabilities

The Board is party to a mortgage with Derbyshire County Council totalling £20,000 (2015 - £20,000).

20. Capital commitments

Capital expenditure:

	2016	2015
	£	£
Contracted for but not provided for in the Financial Statements:		
Purchase of property	475,000	-
	<u>475,000</u>	<u>-</u>

21. Operating lease commitments

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

	2016	2015
	£	£
Operating leases which expire:		
Not later than 1 year	-	953
	<u>-</u>	<u>953</u>

The amount charged to the Statement of Financial Activities in 2016 was £nil (2015 - £3,669).

22. Events occurring after the end of the reporting period

There were no 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 1st 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 1st 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 1st January 1998 will be provided for by the Church Commissioners under the previous arrangements.

23. Pensions (continued)

Church of England Funded Pension Scheme (continued)

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 143 members of the Scheme (2015 - 140 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).

A valuation of the Scheme is carried out once every three years. The most recent Scheme valuation completed was carried out as at 31st December 2015. This revealed a deficit of £263million, 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 31st December 2019 and thereafter increasing linearly to 70% by 31st 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 31st December 2015 valuation of the Scheme, a recovery plan was put in place until 31st December 2025 and the deficit repair contributions payable (as a percentage of pensionable stipends) are set out in the table below. Contributions since 2015 are shown for reference.

Percentage of pensionable stipends

	January 2015 to December 2017	January 2018 to December 2025
Deficit repair contributions	14.1%	11.9%

As at December 2014 and December 2015, the deficit repair contributions payable under the recovery plan in force were 14.1% of pensionable stipends until December 2025.

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.

DERBY DIOCESAN BOARD OF FINANCE LIMITED
NOTES TO THE FINANCIAL STATEMENTS
as at 31st December 2016

23. Pensions (continued)

Church of England Funded Pension Scheme (continued)

Reconciliation of balance sheet liability

	2016	2016	2015	2015
	£	£	£	£
Balance sheet liability as at 1st January 2016		4,145,000		4,654,000
Deficit contribution paid	(456,000)		(449,000)	
Interest cost (recognised in SoFA)	98,000		102,000	
Remaining change to balance sheet liability * (recognised in SoFA)	(89,000)	(447,000)	(162,000)	(509,000)
Balance sheet liability as at 31st December 2016		<u>3,698,000</u>		<u>4,145,000</u>

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

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 as at 31st December:

	2016	2015	2014
	%	%	%
Discount rate	1.5	2.5	2.3
Price inflation	3.1	2.4	2.7
Increase in total pensionable payroll	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 therefore the first full valuation will be carried out at the next CWPF valuation date, 31st December 2016.

DERBY DIOCESAN BOARD OF FINANCE LIMITED
NOTES TO THE FINANCIAL STATEMENTS
as at 31st December 2016

24. Summary of fund movements

	As at 1st January 2016 Restated £	Income £	Expenditure £	Gains/ (losses) £	Transfers £	As at 31st December 2016 £
Unrestricted income funds						
General Fund	3,311,816	7,338,479	(6,482,570)	417,113	(692,048)	3,892,790
Glebe funds (net of agent fees)	-	1,188,722	(1,188,722)	-	-	-
Designated funds						
Corporate Properties fund	8,819,930	693,783	-	-	(214,379)	9,299,334
Parsonages	1,110,716	311,672	(686,484)	114,939	350,000	1,200,843
Other designated funds	2,530,868	1,179,536	(124,304)	229,245	(22,478)	3,792,867
Pension reserve	(260,021)	-	-	260,021	-	-
	15,513,309	10,712,192	(8,482,080)	1,021,318	(578,905)	18,185,834
Restricted income funds						
Diocesan Pastoral Account	1,275,703	107,160	(212,319)	(15,416)	398,716	1,553,844
Local Mission Fund	106,439	-	(37,077)	-	-	69,362
Other restricted income funds	2,080,482	210,929	(191,613)	161,464	-	2,261,262
	3,462,624	318,089	(441,009)	146,048	398,716	3,884,468
Endowment funds						
Expendable endowment						
Benefice Houses	21,566,281	126,811	-	-	(266,811)	21,426,281
Stipends Fund Capital (Glebe funds)	26,191,843	-	-	2,986,676	447,000	29,625,519
Permanent endowment funds	3,264,907	-	-	360,973	-	3,625,880
	51,023,031	126,811	-	3,347,649	180,189	54,677,680
Total funds	69,998,964	11,157,092	(8,923,089)	4,515,015	-	76,747,982

25. Summary of assets per fund

	Fixed assets		Current	Creditors	Net
	tangible	investments	assets		assets
	£	£	£	£	£
Unrestricted income funds					
General Fund	47,693	3,626,221	460,301	(241,425)	3,892,790
Designated funds (see note 26)					
Corporate Properties fund	9,627,334	-	-	(328,000)	9,299,334
Parsonages	-	1,150,383	258,017	(207,557)	1,200,843
Other designated funds	-	2,193,902	1,636,264	(37,299)	3,792,867
	9,675,027	6,970,506	2,354,582	(814,281)	18,185,834
Restricted income funds (see note 27)					
Diocesan Pastoral Account	-	1,215,126	338,718	-	1,553,844
Local Mission Fund	-	-	69,362	-	69,362
Other restricted income funds	-	2,125,861	136,740	(1,339)	2,261,262
	-	3,340,987	544,820	(1,339)	3,884,468
Endowment funds (see note 28)					
Expendable endowment funds					
Benefice Houses	21,426,281	-	-	-	21,426,281
Stipends Fund Capital (Glebe funds)	326,000	32,529,881	467,638	(3,698,000)	29,625,519
Permanent endowment funds	-	3,612,858	13,022	-	3,625,880
	21,752,281	36,142,739	480,660	(3,698,000)	54,677,680
Total funds	31,427,308	46,454,232	3,380,062	(4,513,620)	76,747,982

DERBY DIOCESAN BOARD OF FINANCE LIMITED
NOTES TO THE FINANCIAL STATEMENTS
as at 31st December 2016

26. Designated funds

	As at 1st January 2016 Restated £	Income £	Expenditure £	Gains £	Transfers £	As at 31st December 2016 £
Corporate Properties	8,819,930	693,783	-	-	(214,379)	9,299,334
Parsonages	1,110,716	311,672	(686,484)	114,939	350,000	1,200,843
Canon Ross Legacy	-	1,022,303	-	-	-	1,022,303
Ordinands' Support	684,053	30,477	(79,835)	80,901	-	715,596
Watts Legacy	677,786	27,893	(27,893)	75,237	-	753,023
Morley Fund	593,015	25,374	(2,896)	64,244	(22,478)	657,259
St Peter's Churchyard Loan Fund	378,515	4,435	-	8,863	-	391,813
Church Growth	197,499	69,054	(13,680)	-	-	252,873
Total designated funds	12,461,514	2,184,991	(810,788)	344,184	113,143	14,293,044

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 1st January 2016 £	Income £	Expenditure £	Gains/ (losses) £	Transfers £	As at 31st December 2016 £
Diocesan Pastoral Account	1,275,703	107,160	(212,319)	(15,416)	398,716	1,553,844
Local Mission Fund	106,439	-	(37,077)	-	-	69,362
Capital Resources	534,098	32,280	(32,280)	(380)	-	533,718
Milligan Pension Fund	443,365	17,199	-	46,159	-	506,723
Bishop Allen Legacy	314,554	12,744	(12,744)	34,200	-	348,754
Stafford Legacy (Church Trust Fund)	320,905	74,309	(74,309)	30,662	-	351,567
Poorer Clergy Fund	240,871	9,912	(9,912)	26,736	-	267,607
Benham Legacy	163,664	6,581	(6,581)	17,656	-	181,320
Faith in Action	61,050	2,384	-	6,431	-	69,865
Board of Readers	1,975	9	(276)	-	-	1,708
Clemson Legacy	-	46,298	(46,298)	-	-	-
Stipends Trusts	-	9,213	(9,213)	-	-	-
Total restricted income funds	3,462,624	318,089	(441,009)	146,048	398,716	3,884,468

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

Local Mission Fund - Parish Mission Funding made available by the Archbishops' Council for "the additional provision for the cure of souls in parishes where such assistance is most required, in such a manner as shall be conducive to the efficiency of the Established Church" set aside for mission development. Of the balance of £69,865 remaining, an amount of £68,216 has been committed to future projects.

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.

DERBY DIOCESAN BOARD OF FINANCE LIMITED
NOTES TO THE FINANCIAL STATEMENTS
as at 31st December 2016

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 1st January 2016 Restated	Income	Expenditure	Gains	Transfers	As at 31st December 2016
	£	£	£	£	£	£
Expendable endowment						
Benefice Houses	21,566,281	126,811	-	-	(266,811)	21,426,281
Stipends Fund Capital (Glebe funds)	26,191,843	-	-	2,986,676	447,000	29,625,519
Permanent endowment funds						
Stafford Legacy (Church Trust Fund)	1,534,964	-	-	168,998	-	1,703,962
Clemson Legacy Fund	1,124,992	-	-	124,879	-	1,249,871
Parsonages	299,819	-	-	33,281	-	333,100
Stipends Trusts	223,873	-	-	24,851	-	248,724
Partington Legacy	81,259	-	-	8,964	-	90,223
	51,023,031	126,811	-	3,347,649	180,189	54,677,680

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 £2.1million (2015 - market value £1.9million), and all such investments are held separately from those of the Board. Historic cost figures are not available.

DERBY DIOCESAN BOARD OF FINANCE LIMITED
NOTES TO THE FINANCIAL STATEMENTS
as at 31st December 2016

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:

	2016	2015
	£	£
CCLA Investment Management Ltd		
Central Board of Finance of the Church of England Funds:		
Investment fund income shares	1,275,636	1,153,124
Investment fund accumulation shares	379,934	329,463
Fixed Interest Securities Fund income shares	85,856	81,032
Deposit Fund	226,310	226,842
COIF Charities Funds:		
Investment fund income shares	79,378	72,042
Investment fund accumulation shares	28,956	24,186
Other common investment fund holdings	34,858	32,186
	<u>2,110,928</u>	<u>1,918,875</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 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).

Ven C Wilson, director of the Board during the year, was also a director of Ecclesiastical Insurance Office plc. Amounts paid to Ecclesiastical Insurance Office plc for insurance during the year were £65,111 (2015 - £64,090).

In respect of all related party transactions there were no outstanding balances at the year end (2015 - no balances outstanding).

DERBY DIOCESAN BOARD OF FINANCE LIMITED
NOTES TO THE ACCOUNTS
as at 31st December 2016

31. Prior year comparative Statement of Financial Activities

	Unrestricted funds Restated £	Restricted funds £	Endowment funds Restated £	Total funds 2015 Restated £
Income and endowments from:				
Donations				
Common Fund	4,559,791	-	-	4,559,791
Archbishops' Council	1,691,750	-	-	1,691,750
Other donations	181,561	-	-	181,561
Charitable activities	701,786	2,746	-	704,532
Other activities	214,364	-	-	214,364
Investment income	1,373,602	279,432	-	1,653,034
Other incoming resources	509,000	-	30,739	539,739
Total income and endowments	9,231,854	282,178	30,739	9,544,771
Expenditure on:				
Raising funds	99,193	-	-	99,193
Charitable activities	8,614,081	489,863	-	9,103,944
Total expenditure	8,713,274	489,863	-	9,203,137
Net income/(expenditure) before investment gains and losses	518,580	(207,685)	30,739	341,634
Net gains on investments	131,124	145,062	914,907	1,191,093
Net income for the year	649,704	(62,623)	945,646	1,532,727
Transfers between funds	(124,263)	(463,467)	587,730	-
Other recognised gains/(losses)				
Actuarial loss on defined benefit pension scheme	43,852	-	-	43,852
Net movement in funds	569,293	(526,090)	1,533,376	1,576,579
Reconciliation of funds				
Total funds as at 1st January 2015	14,570,845	3,988,714	52,293,655	70,853,214
Clergy Pension Scheme deficit funding	-	-	(4,654,000)	(4,654,000)
Revaluation of investment property	32	-	1,850,000	1,850,000
Correction to designated funds balance	32	-	-	373,171
Total funds at 1st January 2015 (restated)	14,944,016	3,988,714	49,489,655	68,422,385
Total funds at 31st December 2015	15,513,309	3,462,624	51,023,031	69,998,964

DERBY DIOCESAN BOARD OF FINANCE LIMITED
NOTES TO THE ACCOUNTS
as at 31st December 2016

32. Prior year adjustments

	£
Balance of net assets per 2015 Statutory Accounts	67,770,449
Designated fund previously not aggregated	
Derby St Peter's Churchyard Loan Fund as at 1st January 2015	373,171
Derby St Peter's Churchyard Loan Fund movement in 2015	<u>5,344</u>
	378,515
Stipends Fund Capital (Glebe funds)	
Revaluation of investment property	<u>1,850,000</u>
Balance of net assets per Statutory Accounts as restated for 2015	<u>69,998,964</u>
Adjustments to Statement of Financial Activities	
Investment income	
Dividends receivable - Central Board of Finance Investment Funds	965,437
Derby St Peter's Churchyard Loan Fund	<u>3,051</u>
	968,488
Interest on cash deposits Central Board of Finance Deposit Funds	1,950
Derby St Peter's Churchyard Loan Fund	<u>1,217</u>
	3,167
Interest on cash deposits - National Westminster Bank	589
Derby St Peter's Churchyard Loan Fund	<u>4</u>
	593
Total investment income per 2015 Statutory Accounts	1,648,762
Derby St Peter's Churchyard Loan Fund	<u>4,272</u>
Total investment income as restated for 2015	<u>1,653,034</u>
Net gains on investments	
Net gains on investments per 2015 Statutory Accounts	1,190,021
Derby St Peter's Churchyard Loan Fund	<u>1,072</u>
Total net gains on investments as restated for 2015	<u>1,191,093</u>
Adjustments to Balance Sheet	
Fixed Assets - investments	
Investments per 2015 Statutory Accounts	40,722,102
Derby St Peter's Churchyard Loan Fund -	
CCLA Central Board of Finance investment fund income shares	79,841
Stipends Fund Capital (Glebe funds) - revaluation of investment prope	<u>1,850,000</u>
Total investments as restated for 2015	<u>42,651,943</u>
Current Assets	
Debtors per 2015 Statutory Accounts	317,262
Derby St Peter's Churchyard Loan Fund - loans to PCCs outstanding	<u>52,796</u>
Total debtors as restated for 2015	<u>370,058</u>
Cash on deposit per 2015 Statutory Accounts	769,545
Derby St Peter's Churchyard Loan Fund - cash on deposit	<u>245,778</u>
Total cash on deposit as restated for 2015	<u>1,015,323</u>
Cash at bank and in hand per 2015 Statutory Accounts	53,945
Derby St Peter's Churchyard Loan Fund - cash at bank and in hand	<u>100</u>
Total cash at bank and in hand as restated for 2015	<u>54,045</u>

Notes

Notes

