

Diocese of Newcastle   
**growing church bringing hope**



**The Newcastle Diocesan Board of Finance Limited**  
(A company limited by guarantee)

## **Annual Report & Financial Statements** **Year ended 31 December 2018**

Company number                      00650977  
Registered charity number        247233

A large print version is available on request from

Church House  
St John's Terrace  
North Shields NE29 6HS

E-mail:            [info@newcastle.anglican.org](mailto:info@newcastle.anglican.org)  
Telephone: 0191 270 4100



# THE NEWCASTLE DIOCESAN BOARD OF FINANCE LIMITED

## ANNUAL REPORT

FOR THE YEAR ENDED 31 DECEMBER 2018

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### Mission Statement

Our vision for ***growing church bringing hope*** expresses a deep longing to see our worshipping communities growing in numbers, in prayer and discipleship, in serving our communities, and above all in making a difference - sharing the hope we have, which is the power of God to transform us and our world.

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

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

This combined report satisfies the legal requirements for:

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

## LEGAL OBJECTS

The objects of the Diocese of Newcastle cover the local authorities of Northumberland, Newcastle, and North Tyneside and also small parts of County Durham and Cumbria.

The Newcastle Diocesan Board of Finance Limited ("NDBF")'s principal object is to promote, assist and advance the work of the Church of England in the Diocese of Newcastle by acting as the financial executive of the Newcastle Diocesan Synod.

The NDBF has the following statutory responsibilities:

- i. the management of glebe property and investments to generate income to support the cost of stipends arising from the Endowment and Glebe Measure 1976; and
- ii. the repair of benefice houses as the Diocesan Parsonage Board under the Repair of Benefice Buildings Measure 1972.

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

The strategic priorities of the company are established by the Diocesan Synod in consultation with Deanery Synods, Parochial Church Councils, and the Bishop of Newcastle (in respect of her responsibility for the provision of the cure of souls).

## STRATEGIC AIMS

The strategic vision for **growing church bringing hope** was founded on the values of being generous, engaged and open in the way we follow Christ with a priority to invite others to join our pilgrimage of faith. The vision was launched at an Open Synod Forum held in Rothbury in March 2017 and is supported by five priority work streams with the following aims:

- We affirm that everything we do must be grounded in a deep prayerfulness and so we aim to create opportunities for deeper engagement with God in prayer.
- We aim to equip teams of lay people and clergy to work together for missional, spiritual and numerical growth.

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- God calls churches to grow as they serve, worship and pray; therefore we aim to focus on the potential for numerical growth, enabling lay and ordained leadership, and encouraging local opportunities for those exploring Christian faith.
- We value the place of Newcastle city centre in the Diocese and will invest in the life of the city, engaging with civic life, seeking continued growth in areas of inherited strength, and developing fresh expressions to engage with areas of opportunity.
- We aim to recruit, train and support new ministry and mission teams in our rural parish benefices, with clergy and laity working together – in order to reshape the rural Church's engagement with God's mission.

## OBJECTIVES

The goals to support the five priority work streams were:

- **Prayer:** by 2020, 250 people across the Diocese will have taken part in a *Month of Guided Prayer*, and 30 Prayer Guides will have been trained and resourced.
- **Growth:** by 2020, 60 parishes will have taken part in *Leading your Church into Growth* and will have seen the fruits of that in missional, spiritual and numerical growth.
- **Impact:** by 2022, impact and attendance will have increased in 20 identified parishes (some will be parishes currently having the lowest per capita attendance, others will be those with significant potential for further growth).
- **City:** by 2020, church life in Newcastle city will be more engaged, vibrant and growing – engaging with students, city workers and the vulnerable, growing congregations and planting at least one community exploring new forms of worship.
- **Rural:** by 2022, ministry in rural multi-parish benefices will have been re-imagined, and to enable this we will have simplified structures, identified lead/focal ministers and created new teams.

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

## ACTIVITIES AND ACHIEVEMENTS

Work supporting the objectives supporting the five priority work streams included:

- **Prayer:** Over 70 people from 26 parishes have now participated in a Month of Guided Prayer and 20 Prayer Guides have been trained.
- **Growth:** a second course of *Leading your Church into Growth* was held in May 2018. 39 parishes have now completed the course and are participating in an ongoing mentoring programme.
- **Impact:** the first parishes have been identified and funding from the National Church helped to employ additional specialist resources. In October 2018 a Children and Families Missioner began work in Denton and a second Missioner was appointed to work in Cowgate and Newbiggin Hall.
- **City:** The reality of a diocesan resource church took a big step forward with a successful funding application in 2018 which saw the award of £2.6M from the National Church. The Revd Ben Doolan was appointed as Resource Church Leader and the location of the resource church was expected to be agreed in early 2019.

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- **Rural:** The first pilot benefice which established a lay and ordained ministry team has continued to flourish in Morpeth Deanery and work on a second pilot began to be developed in 2018.

### The Christian Presence

Our licensed ministers form a central part in the life of churches in the Newcastle Diocese and carry out important roles in communities. As well as engaging in a wide variety of community and church projects, we carry out around 520 weddings, 2,150 funerals and 1,900 baptisms every year.

While the NDBF is responsible for the funding of clergy stipend costs, the national clergy payroll is administered by the Church Commissioners whom the NDBF reimburses monthly for the costs of stipendiary clergy deployed in the Diocese. Caring for the licensed clergy and lay workers in the Diocese is a priority of the NDBF and represents by far its largest financial commitment. Although the NDBF does not employ the parish clergy, it is responsible for training them, their continued development and, where applicable, resourcing their stipend, and paying into their pension fund. In 2011 terms of service were introduced in the form of Common Tenure under which all new clergy are appointed (some present clergy chose to retain their freehold). Common Tenure gives greater clarity on the rights and obligations of clergy and requires that they participate in a process of Continual Professional Development and Ministerial Development Review. It also gives clergy access to Employment Tribunals and other useful services.

For many, the clergy house represents the domestic heart of the parish, serving not only as a home but also as a base for ministry. The NDBF recognises the importance of a safe, secure and well maintained house and through the Houses & Glebe Committee it strives to continue with this work as well as carrying out programmed refurbishments and improvements, as available money allows.

In January 2018 there was an establishment of 107 full-time equivalent (FTE) posts for permanent stipendiary ministry (incumbent, priest-in-charge, team vicar and associate clergy posts) and this was reduced through the year to an establishment of 101.8FTE in December. The average vacancy rate in the year was 17.5% and of the establishment there was an average of 84.75FTE in post. This figure excludes curates in training posts, chaplains and the archdeacons.

During all interregnums the relevant area dean worked closely with the churchwardens of the vacant parishes and ensured that in every case scheduled services continued and, with very few exceptions, other activities within the community continued uninterrupted. This was largely made possible by the increasing pool of both retired and self-supporting ministers in the Diocese together with support from the Archdeacons.

### Church Buildings

New procedures introduced by the Church of England to control the maintenance and development of its buildings are working well with parishes benefitting from the streamlining that has been introduced and the way in which permissions are sought.

There were 90 faculty full applications in the year, of which 24 were carried out via the Online Faculty System. The use of the online faculty process continues to grow in popularity and significantly reduces the amount of paperwork involved in the process by all parties. Other Dioceses have moved to a wholly electronic system and Newcastle is yet to adopt this approach.

Through our Inspired North East programme work has continued with local church congregations to help achieve a sustainable future for church buildings as both living places of worship and buildings

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that are enjoyed by local communities. Church buildings continue to be welcoming places for tourists and pilgrims and unique heritage assets.

### Community Engagement

Our churches are embedded in their communities and as a result have developed trusting relationships and networks, enabling churches to play an important part in responding to the challenges faced by neighbourhoods and communities today.

Over the past year Together Newcastle, a joint venture between the Church Urban Fund (CUF) and the Diocese of Newcastle, has continued to develop connections and relationships with congregations across the Diocese and as a result has experienced an increase in requests to help set up activities in response to identified needs and issues.

Together Newcastle is a resource to churches, individuals and groups that are wanting to get involved in some form of community activity, as part of their mission and commitment to **growing church bringing hope**.

### Other related parties

The major related parties with whom the NDBF works include:

- **The Archbishops' Council** to which the NDBF pays a donation based on an apportionment system agreed by the General Synod for funding national training of ordinands and the activities of the various national boards and councils, as well as the costs of the General Synod.
- **The Church Commissioners**, from which the NDBF receives grants and which acts on behalf of clergy with HM Revenue and Customs. The NDBF reimburses the Commissioners for the stipends of those clergy holding appointments in the Diocese of Newcastle.
- **The Church of England Pensions Board**, to which the NDBF pays retirement benefit contributions for stipendiary clergy and employees. The Pensions Board also offers schemes to provide housing for clergy in retirement.
- **The Newcastle Diocesan Education Board ("NDEB")** to which it pays a donation for funding the work of the Joint Education Team which resources the activities of the NDEB.
- **The Lord Crewe's Charity** from which the NDBF receives grants to resource activities of the NDBF which support serving clergy within the Diocese of Newcastle.

### Volunteers

The Diocese of Newcastle is dependent on the huge number of people involved in church activities both locally and at diocesan level. We believe that the number of active volunteers (or volunteer hours) given to the mission and ministry of the church is a key indicator of the health of a church. The service provided to a community through church volunteering also has a significant impact on people's relationship to the church particularly at times of crisis. Within this context, the NDBF values the considerable time given by all members of boards, committees and task groups across the Diocese in pursuit of the mission of the NDBF.

### FUTURE PLANS

Activities will continue to be in line with supporting the five priority work streams detailed in the objectives set out on page 5.

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## FINANCIAL REVIEW

### Financial performance

Parish Share, the money given by parishes to the Diocese to fund its mission and ministry, is the main incoming resource for the Diocese. Including the arrears received from earlier years, share decreased in cash terms by £55k compared to 2017. The total share received when expressed as a percentage of the overall share requested was 89.9% (2017: 93.1%).

The trustees are thankful to all the parishes which completed their parish share contributions during 2018. The trustees are grateful to those parishes that were able to make their parish share contributions by monthly instalments which helped the NDBF to resource the monthly financial responsibilities associated with the payment of clergy stipends and the salaries of those employed by the NDBF.

The balance on the Unrestricted Fund went up by £668k in 2018 to £1,919k. There was an overall £542k net excess of income over expenditure (within this was a decrease of £55k in parish Share contributions), funds transfers in of £146k and our investment in equities, held with CCLA Investment Management Ltd (CCLA) was revalued downwards by £20k.

The trustees have prepared a balanced budget for 2019. Once again the target for Parish Share has been set at 100% to enable us to meet all our expenditure requirements and make further transfers into the Strategic Mission Fund. This fund was set up to strengthen our ability to match fund future funding applications to the National Church.

Overall the NDBF's funds have increased in 2018 by £723k. This breaks down as an operating surplus on unrestricted funds of £762k, an unrealised loss on investments of £42k, and funds transfers from restricted to unrestricted of £3k.

Accounting rules require the inclusion of two items within the operating surplus on unrestricted funds which do not form part of the NDBF's regular day-to-day operating income and expenditure. The following illustration removes the two items to help to understand the underlying operating position for 2018, which was a deficit on unrestricted funds of £134k:

Reported surplus on unrestricted funds	£762k
remove reduction in the pension liability	(£698k)
remove balance of Lowest Income Communities Funding to be used in future years <sup>1</sup>	(£198k)
<b>Underlying operating deficit on unrestricted funds</b>	<b>(£134k)</b>

### Significant property transactions

During 2018 there were no significant property transactions.

Our housing policy continues to be:

- to replace unsuitable properties;
- to accommodate the changing geographical deployment of clergy within the Diocese; and
- to realise development potential in some properties, thereby using our resources more effectively for the ministry of the Church.

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<sup>1</sup> This is the unspent balance of monies received from the National Church which are to be used in defined areas. The balance is transferred and held in a designated fund for use in those areas in future years.



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### Balance sheet position

The trustees consider that the balance sheet together with details in note 20 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 balance sheet date totalled £22.648m (2017: £21.925m) it must be remembered that included in this total are properties, mostly in use for the ministry, whose value amounted to £18.699m (2016: £18.754m). Much of the remainder of the assets shown in the balance sheet are held in restricted funds, and cannot necessarily be used for the general purposes of the NDBF.

### Reserves policy

#### *Free reserves*

Having considered financial risk, liquidity requirement and the timing of cash flows throughout the year, the trustees' policy is to hold a balance of readily realisable assets in the unrestricted funds equivalent to 3 months budgeted unrestricted cash expenditure for 2019. At 31 December 2018 the amount required under this policy was £1.9m (2017: £1.9m). Actual free reserves as at 31 December 2018 totalled £1.4m (2017: £1.5m). The trustees are aware that the level of free reserves is below the stated policy and are reviewing how best to rectify this position.

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

The general fund comprises net assets amounting to £1,919k of which £24k is tied up in tangible fixed assets.

#### *Designated funds*

The trustees may, with the approval of the board, designate additional unrestricted reserves to be retained for an agreed purpose where this is considered to be prudent. Such designated reserves are reviewed from time to time 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 21. At 31 December 2018 total designated reserves were £5.87m (2017: £5.80m)

#### *Restricted and endowment funds*

As set out in note 20, NDBF holds and administers a large number of restricted and endowment funds. As at 31 December 2018 restricted funds totalled £1.65m (2017: £1.65m) and endowment funds totalled £13.21m (2017: £13.22m). Neither are available for the general purposes of the NDBF.

### Grant making policy

The Memorandum of Association of the NDBF explicitly permits the NDBF to make grants in pursuance of its objects, and the nature of grants made in 2018 is indicated in note 11. Certain grants are built into the Diocesan Budget which is approved by Synod, whilst others are overseen by the Bishop's Council, the Diocesan Finance Group and the Diocesan Mission and Pastoral Committee.

### Investment policy

The Memorandum and Articles of Association of the charity permit wide powers of investment. NDBF's investment policies are based on two key criteria:

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- **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.
- **Long-term responsibilities** - the trustees are aware of their long-term responsibilities in respect of endowed funds and as a result follow a correspondingly prudent approach to investment decisions.

These policies are achieved by holding all funds with CCLA.

Investment policy for long-term funds is aimed primarily at generating a sustainable income with due regard to the need for the preservation of capital value and the possible need to realise investments to meet operational needs. The glebe investments are held for the purpose of raising income to achieve the maximum contribution possible to clergy stipends on an on-going basis. Unrestricted and restricted fund investments are invested to balance income, liquidity and the maintenance of capital.

The investments held and their return during the year are set out in the following table:

#### Shares in CBF Investment Fund

Valuation at 1 Jan 2018	<u>£2,806,499</u>
Dividend income %	4.33%
Revaluation %	-1.50%
Total % return	<u>2.83%</u>

#### Glebe managed mainly by glebe agent

Valuation at 1 Jan 2018	<u>£1,537,967</u>
Rental income %	3.17%
Revaluation %	0.02%
Total % return	<u>3.19%</u>

## PRINCIPAL RISKS AND UNCERTAINTIES

The trustees are responsible for the identification, mitigation and management of risk. To achieve this, a register of all the risks identified is maintained and, alongside it, a management and mitigation strategy formed. This is subject to review by the trustees on an annual basis with the responsibility for delivery of the mitigation strategies identified by it being delegated to the Diocesan Secretary. In 2018 the Finance Group, a sub-committee of the Bishop's Council, reviewed the management and mitigation strategy and revised the Risk Register.

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The receipt of voluntary Parish Share contributions remains the major risk to the Board's overall performance. The trustees have put in place a framework of support, including regular communication and active management through the Finance Group, to mitigate this risk.

## STRUCTURE AND GOVERNANCE

### Summary Information about the structure of the Church of England

The Church of England is the established church and HM The Queen is the Supreme Governor. It is organised into two provinces (Canterbury and York) and 42 Dioceses. Each Diocese is under the care of a Diocesan Bishop who is charged with the cure of souls of all the people within that geographical area. This charge is shared with priests within benefices and parishes which are sub-divisions of the Diocese.

The National Church has a General Synod comprised of ex-officio members and elected representations from each Diocese and it agrees, and lays before Parliament, Measures for the governance of the church's affairs which, if enacted by Parliament, have the force of statute law. In addition to the General Synod, the Archbishops' Council has a coordinating role for work authorised by the Synod; the Church Commissioners manage the historic assets of the Church of England; and the Church of England Pensions Board administers the pension schemes for clergy and lay workers. Within each Diocese, overall leadership lies with the Diocesan Bishop, who exercises that input as Bishop within the Diocesan Synod. The Diocese of Newcastle is divided into twelve deaneries, each with its own Synod and within each parish there is a Parochial Church Council which shares with the parish priest responsibility for the mission of the church in that place, in a similar way to that in which the Bishop shares responsibilities with the Diocesan Synod.

Whilst each Diocese is a separate legal entity, with a clear responsibility for a specific geographical area, being part of the Church of England requires and enables each Diocese to seek support from and application for partnership with neighbouring Dioceses.

### Organisational structure

NDBF is a company incorporated in England, limited by guarantee (No. 00650977) and a registered charity (No. 247233) governed by its Memorandum and Articles of Association.

The company's principal activity is to promote, assist and advance the work of the Church of England within the Diocese of Newcastle. It was established in its present form in 1882.

Governance and policy of the NDBF is the responsibility of the trustees, who are also members of the company and trustees for the purposes of charity law. There are nine ex-officio trustees and six lay members and three clergy members elected from and by the members of Diocesan Synod every three years. The most recent elections were held in November 2018. The next elections are scheduled to be held in Autumn 2021. The details of trustees who served during 2018 are set out on page 15.

The Diocesan Synod, the statutory governing body of the Diocese, is an elected body drawn from across the Diocese with responsibility for setting the vision and strategy of the Diocese, guided by the Bishop's Staff Team. The Synod membership is elected every three years, the last elections having been in July 2018. Whilst the NDBF is a separate legal entity, with clear responsibilities under both company and charity law, as well as a governing memorandum and articles of association, by virtue of the National Institutions Measure 2000 the NDBF is subject to the direction of the Synod in all its

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activities, unless such direction is not in accordance with the governing documents or statutory regulations.

#### Decision making structure

Corporate priorities and the overall financial strategy for the Diocese, in its primary object to promote, assist and advance the work of the Church of England within the Diocese of Newcastle are set by the Diocesan Synod, and the NDBF. The responsibility for ensuring that these priorities and strategies are delivered is delegated to the Diocesan Secretary. The members of the company meet once a year in general meeting to receive and approve the annual report and financial statements and to appoint the auditors. The Diocesan Synod each year receives and agrees the annual budget, prepared and approved by the NDBF. The trustees, meeting within the context of the Bishop's Council & Standing Committee, hold up to seven meetings during the year to formulate and coordinate policies on mission, ministry and finance by:-

- Initiating proposals for action by the Synod and advising it on matters of policy;
- Transacting business of the Synod when it is not in session subject to the directions of the Synod and in accordance with Synod Standing Orders;
- Acting as the trustees of the NDBF;
- Planning the business of the Synod, preparing the agenda for its session, and circulating to members information about matters for discussion;
- Advising the Bishop on any matters she may refer to the committee;
- Initiating consideration of any restructuring of Synod Committees and Departments which may appear necessary and for the establishment of ad hoc review groups, their terms of reference and membership;
- Carrying out such other functions as the Synod delegates to it;
- Appointing members to committees and representatives to external bodies, subject to the direction of the Synod.

The trustees are assisted in their work by four sub-committees:-

**Finance Group:** responsible for considering the financial affairs of the Diocese. Amongst other things, it draws up draft budgets for approval by the trustees prior to submission to Diocesan Synod and monitors expenditure and income. The group comprises eight members of whom six are trustees.

**Houses & Glebe Committee:** responsible for advising on policy concerning the management of parsonage houses in each benefice of the Diocese of Newcastle, including setting the policy for buying, repairing, maintaining and disposing of all parsonage houses, team vicarages and houses owned by NDBF, together with responsibility for determining policy and making decisions concerning the management of glebe property and investments for the benefit of the Diocesan Stipends Fund of NDBF.

**Diocesan Mission & Pastoral Committee:** responsible for advising on pastoral reorganisation in the Diocese of Newcastle, taking account of available clergy numbers and making use of new patterns of ministry. The Committee also advises on the finding of appropriate alternative uses for churches closed to regular public worship.

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

#### **Trustee recruitment, selection and induction**

The trustees are the members of the Bishop's Council. There are ex-officio members, elected members, with elections taking place every three years, and there is provision for co-opted members. Trustees are given induction at the outset of the triennium and at other times as appropriate. They are informed about the role and function of the Bishop's Council before seeking membership. All trustees are required to sign the code of practice and maintain their entry in the declarations of interest and loyalty.

#### **Remuneration of key management personnel**

Emoluments of higher-paid employees are determined by the Bishop of Newcastle, the Chair of the Board of Finance and the Human Resources Manager with reference to appraisals and remuneration and salary benchmarking.

#### **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 his 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 NDBF in accordance with the policies framed by the trustees.

### **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 NDBF and of the surplus or deficit of the NDBF 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;
- 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 NDBF and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the NDBF and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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The trustees are responsible for the maintenance and integrity of the corporate and financial information included in the NDBF'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**

So far as the trustees are aware:

- a) there is no relevant audit information of which the charitable company's auditors are unaware; and
- b) we have taken all the steps that we ought to have taken as trustees in order to make ourselves aware of any relevant audit information and to establish that the charitable company's auditors are aware of that information.

#### **APPOINTMENT OF AUDITORS**

The re-appointment of UNW as auditors to the NDBF will be proposed at the Annual General Meeting.

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## ADMINISTRATIVE DETAILS

### Ex officio trustees

The Bishop of Newcastle, the Right Reverend CE Hardman  
The Suffragan Bishop of Berwick, the Right Reverend MSA Tanner  
The Dean of Newcastle, the Very Reverend CC Dalliston (up to 19/10/18)  
The Dean of Newcastle, the Very Reverend GV Miller (from 20/10/18)  
The Archdeacon of Lindisfarne, the Venerable PJA Robinson  
The Archdeacon of Northumberland, the Venerable GV Miller (up to 19/10/18)  
The Chair of the Diocesan Board of Finance, Canon SR Harper  
The Chair of the House of Clergy, the Reverend Canon JR Sinclair (term of office ended 31/12/18)  
The Chair of the House of Laity, Canon C Wolstenholme  
The Chair of the Diocesan Mission and Pastoral Committee, the Reverend Canon PM Scott

### Elected trustees

The Reverend Canon CL Brown  
The Reverend Dr BH Carter (term of office ended 31/12/18)  
The Reverend Canon RA Wood (term of office ended 31/12/18)  
Dr JC Appleby  
Mrs EA Chadwick  
Canon SM Hart  
Mr MW King (term of office ended 31/12/18)  
Canon I McDonald-Booth

One of the lay members elected by Synod to serve on the NDBF during 2018 (Dr H Elder) was also an employee of NDBF. The NDBF constitution does not allow employees to be a Trustee therefore this individual is not included in the above list of elected trustees.

### Co-opted by the Board:

Mrs EA Kerry, the Vice Chair of the Diocesan Board of Finance

**Secretary:** Canon S Waddle

**Auditors:** UNW LLP, Chartered Accountants & Statutory Auditors, Citygate, St. James' Boulevard, Newcastle upon Tyne, NE1 4JE

**Bankers:** Barclays Bank plc, Barclays House, 5 Queen Ann's Street, Quayside, Newcastle upon Tyne, NE4 9BN

**Solicitors:** Sintons, The Cube, Barrack Road, Newcastle upon Tyne, NE4 6DB

**Investment managers:** CCLA Investment Management Ltd, Senator House, 85 Queen Victoria Street, London, EC4V 4ET

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**Glebe agents:** Land Factor, Bywell Estate Office, Bywell, Stocksfield, NE43 7AQ

**Insurers:** Ecclesiastical, Beaufort House, Brunswick Road, Gloucester, GL1 1JZ

**Registered Office:** Church House, St. John's Terrace, North Shields, NE29 6HS

Telephone: 0191 270 4100

Website: [www.newcastle.anglican.org](http://www.newcastle.anglican.org)

Email: [info@newcastle.anglican.org](mailto:info@newcastle.anglican.org)

**Company registration number:** 00650977

**Registered charity number:** 247233

In approving this Trustees' Report, the trustees are also approving the Strategic Report included on pages 4 – 10 within their capacity as company directors.

BY ORDER OF THE TRUSTEES

  
Canon S Harper

Chair

19 March 2019

  
Canon S Waddle

Secretary

19 March 2019



# THE NEWCASTLE DIOCESAN BOARD OF FINANCE LIMITED

## INDEPENDENT AUDITORS REPORT FOR THE YEAR ENDED 31 DECEMBER 2018

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### Independent Auditor's Report to the members of The Newcastle Diocesan Board of Finance Limited

#### Opinion

We have audited the financial statements of The Newcastle Diocesan Board of Finance Limited for the year ended 31 December 2018 comprising the Statement of Financial Activities, the Income and Expenditure Account, the Balance Sheet, Statement of Cash Flows and related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the charitable company's affairs as at 31 December 2018 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 and the Charities Act 2011.

#### Basis of opinion

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

#### Conclusions relating to going concern

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

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

#### Respective responsibilities of trustees and auditor

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

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

We have nothing to report in this regard.

## THE NEWCASTLE DIOCESAN BOARD OF FINANCE LIMITED

### INDEPENDENT AUDITORS REPORT FOR THE YEAR ENDED 31 DECEMBER 2018

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#### **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 trustees' report for which the financial statements are prepared is consistent with the financial statements, and the directors' report included within the trustees' report has been prepared in accordance with applicable legal requirements.

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

In the light of our knowledge and understanding of the charitable company and its environment obtained in the course of the audit, we have not identified material misstatements in the trustees' report.

We have nothing to report in respect of the following matters in relation to which 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' remunerations specified by law not made; or
- we have not received all the information and explanations we require for our audit.

#### **Responsibilities of trustees**

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

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

#### **Auditor's responsibilities for the audit of the financial statements**

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

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

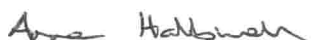
## THE NEWCASTLE DIOCESAN BOARD OF FINANCE LIMITED

### INDEPENDENT AUDITORS REPORT FOR THE YEAR ENDED 31 DECEMBER 2018

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#### Who are we reporting to

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



**Anne Hallowell BSC DChA FCA (Senior Statutory Auditor)**  
**For and on behalf of UNW LLP, Statutory Auditor**  
Newcastle upon Tyne

Date: 19 March 2019

# THE NEWCASTLE DIOCESAN BOARD OF FINANCE LIMITED

## STATEMENT OF FINANCIAL ACTIVITIES FOR YEAR ENDED 31 DECEMBER 2018

	Note	Unrestricted Funds £	Restricted Funds £	Endowment Funds £	Total Funds 2018 £	Total Funds 2017 £
<b>Income from</b>						
<b>Donations</b>						
Parish contributions	2	4,492,126	-	-	4,492,126	4,546,961
Archbishops' Council	2	1,429,192	-	-	1,429,192	1,318,246
Other donations	2	461,492	115,243	-	576,735	519,738
Charitable activities	3	377,301	-	-	377,301	421,830
Other activities	4	237,115	-	-	237,115	221,429
Investments	5	173,376	11,096	-	184,472	146,113
Other	6	-	-	-	-	549,067
<b>Total income</b>		<b>7,170,602</b>	<b>126,339</b>	<b>-</b>	<b>7,296,941</b>	<b>7,723,384</b>
<b>Expenditure on</b>						
Raising funds	7	(84,029)	-	-	(84,029)	(54,152)
Charitable activities	8	(6,325,350)	(122,849)	-	(6,448,199)	(7,077,948)
<b>Total expenditure</b>		<b>(6,409,379)</b>	<b>(122,849)</b>	<b>-</b>	<b>(6,532,228)</b>	<b>(7,132,100)</b>
<b>Net incoming/(outgoing) resources before investment gains</b>		<b>761,223</b>	<b>3,490</b>	<b>-</b>	<b>764,713</b>	<b>591,284</b>
<b>Net gains/(losses) on investments:</b>						
Unrealised gains/(losses) on investment assets	15	(27,222)	-	(14,873)	(42,095)	232,367
Revaluation of fixed assets	15	300	-	-	300	-
<b>Net income/(expenditure)</b>		<b>734,301</b>	<b>3,490</b>	<b>(14,873)</b>	<b>722,918</b>	<b>823,651</b>
Transfers between funds	13	2,968	(2,968)	-	-	-
<b>Net movement in funds</b>		<b>737,269</b>	<b>522</b>	<b>(14,873)</b>	<b>722,918</b>	<b>823,651</b>
<b>Reconciliation of funds</b>						
<b>Total funds brought forward</b>		<b>7,054,091</b>	<b>1,650,801</b>	<b>13,219,933</b>	<b>21,924,825</b>	<b>21,104,174</b>
<b>Total funds at 31 December 2018</b>	<b>19</b>	<b>7,791,360</b>	<b>1,651,323</b>	<b>13,205,060</b>	<b>22,647,743</b>	<b>21,924,825</b>

All incoming resources and resources expended relate to continuing activities.

## THE NEWCASTLE DIOCESAN BOARD OF FINANCE LIMITED

### INCOME AND EXPENDITURE ACCOUNT FOR YEAR ENDED 31 DECEMBER 2018

	Total 2018 £	Total 2017 £
<b>Total incoming resources</b>	7,296,941	7,719,645
<b>Resources expended</b>	(6,532,228)	(7,132,100)
<b>Operating surplus / (deficit) for the year</b>	764,713	587,545
Net gains/(losses) on investments	(27,222)	150,267
<b>Net income for the year</b>	737,491	737,812
<b>Other comprehensive income:</b>		
Revaluation of fixed assets	300	-
<b>Total comprehensive income</b>	737,791	737,812

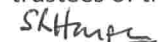
The income and expenditure account is derived from the Statement of Financial Activities with movements in endowment funds excluded to comply with company law. All income and expenditure is derived from continuing activities.

# THE NEWCASTLE DIOCESAN BOARD OF FINANCE LIMITED

## BALANCE SHEET AS AT 31 DECEMBER 2018

	Note	£	£
<b>Fixed assets</b>			
Tangible assets	14	18,699,506	18,753,606
Investments	15	4,302,671	4,344,466
		<b>23,002,177</b>	23,098,072
<b>Current assets</b>			
Debtors	16	249,446	249,879
Investments		1,057,645	801,760
Cash at bank		629,536	1,244,716
		<b>1,936,627</b>	2,296,355
<b>Creditors: amounts falling due within one year</b>	17	<b>(319,347)</b>	(807,888)
<b>Net current assets</b>		<b>1,617,280</b>	1,488,467
<b>Total assets less current liabilities</b>		<b>24,619,457</b>	24,586,539
<b>Creditors: amounts falling due after more than one year</b>	18	<b>(1,971,714)</b>	(2,661,714)
<b>Net assets</b>		<b>22,647,743</b>	21,924,825
<b>The funds of the charity:</b>			
Endowment funds		13,205,060	13,219,933
Including revaluation reserve:			
£347,847 (2017: £362,720)			
Restricted income funds		1,651,323	1,650,801
Unrestricted income funds:			
General funds		1,919,125	1,251,392
Including revaluation reserve:			
£182,946 (2017: £203,076)			
Designated funds		5,872,235	5,802,699
Including revaluation reserve:			
£201,270 (2017: £208,362)			
<b>Total funds</b>	20	<b>22,647,743</b>	21,924,825

The notes on pages 24 to 49 form part of these financial statements. The accounts were approved by the trustees of the Board on the 19 March 2019 and are signed on their behalf by:

  
**Canon SR Harper**  
 Chair

Company number 00650977

# THE NEWCASTLE DIOCESAN BOARD OF FINANCE LIMITED

## STATEMENT OF CASH FLOWS FOR YEAR ENDED 31 DECEMBER 2018

	2018		2017	
	£	£	£	£
<b>Net cash inflow/(outflow) from operating activities</b>		(34,541)		(466,084)
<b>Cash flows from investing activities</b>				
Dividends, interest and rent from investments	184,472		146,113	
Proceeds from the sale of:				
Tangible fixed assets	-		713,067	
Purchase of:				
Tangible fixed assets for the use of the NDBF	(9,226)		(769,077)	
<b>Net cash provided by/(used in) investing activities</b>		175,246		90,103
<b>Cash flow from financing activities</b>				
Loan repaid	(500,000)		-	
<b>Net cash provided by/(used in) financing activities</b>		(500,000)		-
<b>Change in cash and cash equivalents in the reporting period</b>		(359,295)		(375,981)
<b>Cash and cash equivalents at 1 January</b>		2,046,476		2,422,457
<b>Cash and cash equivalents at 31 December</b>		1,687,181		2,046,476
<b>Reconciliation of net movements in funds to net cash flow from operating activities</b>				
<b>Net movements in funds for the year ended 31 December</b>		764,713		591,284
<b>Adjustments for:</b>				
Depreciation charges		63,326		56,745
Dividends, interest and rent from investments		(184,472)		(146,113)
Loss/(profit) on sale of functional assets		-		(549,067)
Decrease in debtors		433		(106,912)
Increase in creditors		11,459		58,979
Decrease in pension liability		(690,000)		(371,000)
<b>Net cash provided by/(used in) operating activities</b>		(34,541)		(466,084)
<b>Analysis of cash and cash equivalents</b>				
Cash in hand		629,536		1,244,716
Deposits (less than 3 months)		1,057,645		801,760
		1,687,181		2,046,476

# THE NEWCASTLE DIOCESAN BOARD OF FINANCE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED 31 DECEMBER 2018

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### 1 PRINCIPAL ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention, with the exception of freehold properties and fixed asset investments. The majority of freehold properties are shown at their 1995 valuation, based on a desk-top study carried out by a Chartered Surveyor working for Black Horse Agencies. Property additions since 1995 are shown at cost or at a lower fair value where the trustees consider that this is appropriate. Fixed asset investments 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 2015), the Companies Act 2006 and applicable accounting standards (FRS 102).

NDBF meets the definition of a public benefit entity under FRS 102.

The financial statements are prepared in sterling which is the functional currency of the charity and are rounded to the nearest £1.

The principal accounting policies and estimation techniques are as follows.

#### a) Income

All income is included in the Statement of Financial Activities (SOFA) when the NDBF 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. **Parish Share** is recognised as income of the year in respect of which it is receivable.

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 NDBF's own use** (i.e. non-investment assets) are accounted for as other incoming resources. 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.

#### 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 which supports the two charitable companies working alongside NDBF at Church House, i.e. the Newcastle Diocesan Education Board and Lindisfarne Regional Training Partnership.



## THE NEWCASTLE DIOCESAN BOARD OF FINANCE LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED 31 DECEMBER 2018

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- 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 NDBF, 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 an approximate staff time basis.
- v. **Pension contributions.** The NDBF's staff are members of the Church Workers Pension Fund and Clergy are members of the Church of England Funded Pensions Scheme (see note 23). The pension costs charged as resources expended represent the NDBF's contributions payable in respect of the accounting period, in accordance with FRS 102. Deficit funding for the pension schemes to which NDBF participates is accrued at current value within creditors.

#### c) **Tangible fixed assets and depreciation**

##### *Freehold properties*

Depreciation is not routinely provided on buildings except in those few cases where the trustees feel that the net book value is higher than the fair value. In such cases annual depreciation is charged, on a straight line basis, at an amount equivalent to 2% of the excess of net book value over fair value. For the vast majority of properties depreciation is not regarded as a material amount due to the very long expected remaining useful economic life in each case, and because the expected residual value is not materially less than the carrying value. The NDBF 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.

##### *Parsonage houses*

The NDBF 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 NDBF 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. The trustees therefore consider the most suitable accounting policy is to capitalise such properties as expendable endowment assets and to capitalise as endowed assets at cost. Parsonage houses are not routinely revalued. Depreciation is not routinely provided on Parsonage houses except in those few cases where the trustees feel that the net book value is higher than the fair value. In such cases annual depreciation is charged, on a straight line basis, at an amount equivalent to 2% of the excess of net book value over fair value.

# THE NEWCASTLE DIOCESAN BOARD OF FINANCE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED 31 DECEMBER 2018

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### d) Other tangible fixed assets

All capital expenditure over £1,000 on computers and other office equipment is capitalised and depreciated as follows. Depreciation is provided in order to write off the cost (less any ultimate disposal proceeds at prices ruling at the time of the asset's acquisition) of other fixed assets over their currently expected useful economic lives at the following initial rates:-

Computers and printers	25% per annum	straight line basis
Equipment, fixtures and fittings	10-25% per annum	straight line basis

### e) Fixed asset investments

Listed investments, which have been classified as fixed assets investments, are measured initially and subsequently at fair value. The statement of financial activities includes the net gains and losses arising on revaluations and disposals throughout the year.

### f) Debtors

Trade and other debtors are recognised at the settlement amount. Prepayments are valued at the amount prepaid net of any trade discounts due.

### g) Cash at bank and in hand

Cash at bank and in hand includes cash and highly liquid investments with a short maturity of three months or less from the date of acquisition or opening of the deposit or similar account.

### h) Liabilities and provisions

Liabilities are recognised when there is an obligation at the balance sheet date as a result of a past event, it is probable that a transfer of economic benefit will be required in settlement, and the amount of the settlement can be estimated reliably. Liabilities are recognised at the amount that the company anticipates it will pay to settle the debt or the amount it has received as advanced payments for the goods or services it must provide. Provisions are measured at the best estimate of the amounts required to settle the obligation. When the effect of the time value of money is material, the provision is based on the present value of those amounts, discounted at the pre-tax discount rate that reflects the risks specific to the liability. The unwinding of the discount is recognised within interest payable and similar charges.

### i) Financial instruments

The company only enters into financial instruments transactions that result in the recognition of basic debt financial assets and liabilities like trade and other accounts receivable and payable, cash and bank balances and loans to or from related parties. All such instruments are due within one year, and are measured, initially and subsequently at the transaction price.

At the end of each reporting period debt financial assets are assessed for impairment, and their carrying value reduced if necessary. Any impairment charge is recognised in the statement of financial activities.

### j) Fund balances

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

- **Unrestricted funds** are the NDBF's corporate funds and are freely available for any purpose within the charitable company's objects, at the discretion of the NDBF. There are two types of unrestricted funds:
  - **General funds** which the NDBF intends to use for the general purposes of the NDBF; and
  - **Designated funds** set aside out of unrestricted funds by the NDBF for a purpose specified by the trustees.
- **Restricted funds** are income funds subject to conditions imposed by the donor as specific terms of trust, or else by legal measure.

## THE NEWCASTLE DIOCESAN BOARD OF FINANCE LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED 31 DECEMBER 2018

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- **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 NDBF (Stipends Fund Capital, Parsonage Houses Fund but not the St Aidan's Fund), 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.

#### k) Estimates and judgments

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

In preparing these financial statements the trustees do not consider there were any significant areas of judgment that were required in applying the company's policies as set out above.

Estimates within these financial statements include depreciation and asset valuations (for example agricultural land). None of the estimates made in the preparation of these financial statements are considered to carry significant estimation uncertainty, nor to bear significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

# THE NEWCASTLE DIOCESAN BOARD OF FINANCE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED 31 DECEMBER 2018

### 2 DONATIONS

#### Parish Contributions

	Unrestricted Funds £	Restricted Funds £	Endowment Funds £	Total Funds 2018 £	Total Funds 2017 £
<b>Parish share</b>					
Current year's allocation	4,998,498	-	-	4,998,498	4,881,346
Shortfall	(516,545)	-	-	(516,545)	(352,950)
Parish contributions	4,481,953	-	-	4,481,953	4,528,396
Arrears for previous years	10,173	-	-	10,173	18,565
	<b>4,492,126</b>	<b>-</b>	<b>-</b>	<b>4,492,126</b>	<b>4,546,961</b>
				89.9%	93.1%

#### Archbishops' Council

	Unrestricted Funds £	Restricted Funds £	Endowment Funds £	Total Funds 2018 £	Total Funds 2017 £
Lowest Income Communities funding	911,246	-	-	911,246	746,664
Transitional funding	517,946	-	-	517,946	571,582
	<b>1,429,192</b>	<b>-</b>	<b>-</b>	<b>1,429,192</b>	<b>1,318,246</b>

#### Other donations

	Unrestricted Funds £	Restricted Funds £	Endowment Funds £	Total Funds 2018 £	Total Funds 2017 £
All Churches Trust grant	119,594	-	-	119,594	119,594
Lord Crewe's Charity grant	86,396	-	-	86,396	120,000
Winchester Diocese grant	35,000	-	-	35,000	70,000
Grants received for Inspired North East Project	63,722	-	-	63,722	69,302
Church Commissioners - restructure funding	78,425	97,570	-	175,995	47,262
Church Commissioners - strategic capacity funding	33,016	-	-	33,016	-
Newcastle Diocesan Society	8,000	-	-	8,000	7,800
Marshall's Charity	-	-	-	-	11,170
Jesmond Holy Trinity	767	-	-	767	41,040
Other	36,572	17,673	-	54,245	33,570
	<b>461,492</b>	<b>115,243</b>	<b>-</b>	<b>576,735</b>	<b>519,738</b>

In 2017, £59,167 related to restricted funds and £460,571 to unrestricted funds.

# THE NEWCASTLE DIOCESAN BOARD OF FINANCE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED 31 DECEMBER 2018

### 3 CHARITABLE ACTIVITIES

	Unrestricted Funds	Restricted Funds	Endowment Funds	Total Funds 2018	Total Funds 2017
	£	£	£	£	£
Statutory fees	316,747	-	-	316,747	321,388
Chaplaincy income	59,276	-	-	59,276	98,682
Guaranteed annuities & stipend grants	1,278	-	-	1,278	1,760
	<b>377,301</b>	<b>-</b>	<b>-</b>	<b>377,301</b>	<b>421,830</b>

In 2017 all income related to unrestricted funds.

### 4 OTHER TRADING ACTIVITIES

	Unrestricted Funds	Restricted Funds	Endowment Funds	Total Funds 2018	Total Funds 2017
	£	£	£	£	£
Rental of houses	200,715	-	-	200,715	175,465
Contributions for use of Church House	24,600	-	-	24,600	20,750
Other contributions	11,800	-	-	11,800	21,788
Other income	-	-	-	-	3,426
	<b>237,115</b>	<b>-</b>	<b>-</b>	<b>237,115</b>	<b>221,429</b>

In 2017 £3,426 related to endowment funds and £218,003 to unrestricted funds.

### 5 INVESTMENT INCOME

	Unrestricted Funds	Restricted Funds	Endowment Funds	Total Funds 2018	Total Funds 2017
	£	£	£	£	£
Income from UK listed investments	120,506	883	-	121,389	98,450
Bank interest receivable	6,395	2,391	-	8,786	3,406
Rents from Glebe	40,955	7,822	-	48,777	39,512
Other rental income	5,520	-	-	5,520	4,745
	<b>173,376</b>	<b>11,096</b>	<b>-</b>	<b>184,472</b>	<b>146,113</b>

In 2017 £10,130 related to restricted funds, £313 to endowment funds and £135,670 to unrestricted funds.

# THE NEWCASTLE DIOCESAN BOARD OF FINANCE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED 31 DECEMBER 2018

### 6 OTHER INCOMING RESOURCES

	Unrestricted Funds £	Restricted Funds £	Endowment Funds £	Total Funds 2018 £	Total Funds 2017 £
Profit on sale of assets	-	-	-	-	549,067
	-	-	-	-	549,067

In 2017, £549,067 related to endowment funds.

### 7 FUNDRAISING COSTS

	Unrestricted Funds £	Restricted Funds £	Endowment Funds £	Total Funds 2018 £	Total Funds 2017 £
Glebe costs	30,462	-	-	30,462	17,772
Parsonage rental costs	53,567	-	-	53,567	36,380
	84,029	-	-	84,029	54,152

# THE NEWCASTLE DIOCESAN BOARD OF FINANCE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED 31 DECEMBER 2018

### 8 CHARITABLE ACTIVITIES

	Unrestricted Funds £	Restricted Funds £	Endowment Funds £	Total Funds 2018 £	Total Funds 2017 £
<b>Contributions to Archbishops' Council</b>					
Training for ministry	166,389	-	-	166,389	161,699
National church responsibilities	132,453	-	-	132,453	128,619
Grants and provisions	14,443	-	-	14,443	14,139
Mission agency pension contributions	1,620	-	-	1,620	1,478
Retired clergy housing costs (CHARM)	55,933	-	-	55,933	53,149
Pooling of ordinand candidates' costs	(20,803)	-	-	(20,803)	(49,824)
	<b>350,035</b>	<b>-</b>	<b>-</b>	<b>350,035</b>	<b>309,260</b>
<b>Resourcing Ministry and Mission</b>					
Parish Ministry					
Stipends and national insurance	2,914,379	-	-	2,914,379	3,004,624
Pension contributions	273,109	-	-	273,109	648,710
Housing costs	705,685	-	-	705,685	807,313
Removal, resettlement and grants	118,448	-	-	118,448	149,771
Other expenses	112,210	-	-	112,210	109,013
	<b>4,123,831</b>	<b>-</b>	<b>-</b>	<b>4,123,831</b>	<b>4,719,431</b>
Support for parish ministry	1,714,459	122,849	-	1,837,308	1,801,163
	<b>5,838,290</b>	<b>122,849</b>	<b>-</b>	<b>5,961,139</b>	<b>6,520,594</b>
<b>Grants to linked charitable companies</b>					
Newcastle Diocesan Education Board	137,025	-	-	137,025	152,250
Lindisfarne College of Theology	-	-	-	-	95,844
	<b>137,025</b>	<b>-</b>	<b>-</b>	<b>137,025</b>	<b>248,094</b>
	<b>6,325,350</b>	<b>122,849</b>	<b>-</b>	<b>6,448,199</b>	<b>7,077,948</b>

£58,769 of 2017 expenditure related to restricted and £7,019,269 to unrestricted funds.

# THE NEWCASTLE DIOCESAN BOARD OF FINANCE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED 31 DECEMBER 2018

### 9 ANALYSIS OF EXPENDITURE INCLUDING ALLOCATION OF SUPPORT COSTS

	Activities Undertaken Directly £	Grant Funding of Activities £	Support Costs £	Total costs 2018 £	Total costs 2017 £
Raising funds	84,029	-	-	84,029	54,152
Charitable activities:					
Contributions to Archbishops' Council	-	350,035	-	350,035	309,260
Resourcing parish ministry	4,989,751	178,585	792,803	5,961,139	6,520,594
Grant to Newcastle Diocesan Education Board (a related charitable company)	-	137,025	-	137,025	152,250
Grant to Lindisfarne College of Theology Partnership (a related charitable company)	-	-	-	-	95,844
	<b>5,073,780</b>	<b>665,645</b>	<b>792,803</b>	<b>6,532,228</b>	<b>7,132,100</b>

### 10 ANALYSIS OF SUPPORT COSTS

	Unrestricted Funds £	Restricted Funds £	Endowment Funds £	Total costs 2018 £	Total costs 2017 £
Central administration	686,384	-	-	686,384	628,633
Governance					
External audit	19,500	-	-	19,500	15,630
Registry and other legal costs	76,055	-	-	76,055	76,319
Synodical costs	10,864	-	-	10,864	10,550
	<b>792,803</b>	<b>-</b>	<b>-</b>	<b>792,803</b>	<b>731,132</b>



# THE NEWCASTLE DIOCESAN BOARD OF FINANCE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED 31 DECEMBER 2018

### 11 ANALYSIS OF GRANTS MADE

	Number	Individuals £	Institutions £	Total costs 2018 £
<i>From unrestricted funds to support national Church responsibilities</i>				
Contributions to Archbishops' Council	6	-	350,035	350,035
<i>From unrestricted funds</i>				
Support for ordinands	15	15,908	80,806	96,714
Newcastle Cathedral	1	-	4,000	4,000
Shepherds Dene Retreat House	1	-	5,000	5,000
Alnmouth Friary	1	-	3,000	3,000
North East Churches Acting Together	1	-	9,000	9,000
Northumbrian Industrial Mission	1	-	2,600	2,600
Together Newcastle	1	-	10,000	10,000
Support for parishes with curates	9	-	1,210	1,210
Continuing Ministerial Development grants	85	14,924	7,201	22,125
Other grants	33	-	13,286	13,286
	148	30,832	136,102	166,935
<i>From restricted funds</i>				
Partners Fund	6	-	8,750	8,750
Clergy Emergency Fund	1	-	2,500	2,500
Clergy Training Fund	1	-	400	400
	8	-	11,650	11,650
<i>From unrestricted funds to support the Diocesan Education Board and the Diocesan Based training company</i>				
Newcastle Diocesan Education Board	1	-	137,025	137,025
	1	-	137,025	137,025
Total Grants Made	163	30,832	634,812	665,645

# THE NEWCASTLE DIOCESAN BOARD OF FINANCE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED 31 DECEMBER 2018

Grant funding of activities in previous year	2017 No. of grants	2017 £
<b>From unrestricted funds</b>		
Contributions to Archbishops' Council	6	309,260
Contributions to Diocesan-based charities		
Newcastle Diocesan Education Board	1	152,250
Lindisfarne Regional Training Partnership	1	95,844
Other grants	160	234,191
<b>From restricted funds</b>		
Other grants	16	27,590
	<hr/> 184	<hr/> 819,135
	<hr/>	<hr/>

# THE NEWCASTLE DIOCESAN BOARD OF FINANCE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED 31 DECEMBER 2018

### 12 STAFF COSTS

	2018	2017
	£	£
Employee costs during the year were as follows:		
Wages and salaries	652,347	858,578
National insurance contributions	82,560	79,041
Pension costs	154,023	144,949
	<u>888,930</u>	<u>1,082,568</u>

The average number of persons employed during the year:	Number	Number
Administration and financial management	17	15
Supporting ministers & chaplains	16	20
Property	2	2
Safeguarding	3	2
	<u>38</u>	<u>39</u>

The average number of persons employed during the year based on full-time equivalents	Number	Number
Administration and financial management	12.6	11.9
Supporting ministers and chaplains	13.1	14.1
Property	2.0	2.0
Safeguarding	1.4	0.8
	<u>29.1</u>	<u>28.8</u>

	2018 number	2017 number
The number of staff whose emoluments (including benefits in kind but excluding pension contributions) amounted to more than £60,000 were as follows:		
£60,000 - £70,000	1	1

Pension payments of £6,263 (2017:£6,159) were made for this employee.

# THE NEWCASTLE DIOCESAN BOARD OF FINANCE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED 31 DECEMBER 2018

	2018 £	2017 £
Stipends	2,736,442	2,777,910
National insurance contributions	177,937	226,714
Pension costs - current year	273,109	277,710
	<u>3,187,488</u>	<u>3,282,334</u>

### Remuneration of key management personnel

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

Diocesan Secretary and Company Secretary	Shane Waddle MSc, FCIPP
Director of Discipleship & Ministry for Mission	Ian H Flintoft MA, MPhil
Property Manager	Ian D Beswick MSc, MRICS
Finance Manager	Philip D Ambrose BA, CPFA

Remuneration, pensions and expenses for these employees amounted to £244,835 (2017: £202,798).

### Trustees' emoluments

No trustee received any remuneration for services as trustee. The trustees received travelling and out of pocket expenses totalling £12,888 and this sum was paid out to 5 trustees in respect of General Synod duties, duties as Archdeacon or Area Dean, and other duties as trustees. (In 2017 £9,185 was paid out to 9 trustees).

The following table gives details of the trustees who were in receipt of a stipend and/or housing provided by the NDBF during the year:

	Stipend	Housing
The Right Revd MSA Tanner	No	Yes
The Venerable GV Miller	Yes	Yes
The Venerable PJA Robinson	Yes	Yes
The Revd Dr BH Carter	Yes	Yes
The Revd Canon PM Scott	Yes	Yes
The Revd Canon JR Sinclair	Yes	Yes
The Revd Canon RA Wood	Yes	Yes

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

The NDBF paid an average of 104.8 (2017: 111.3) stipendiary clergy working in the diocese within stipendiary ministry, and the costs were as follows:

The stipends of the Diocesan Bishop and Assistant Bishop are funded by the Church Commissioners and are in the range of £36,210 - £44,380 (2017: range £34,360 - £43,510). The annual rate of stipend funded by the NDBF paid to Archdeacons in 2018 was in the range £36,100 - £37,500 (2017: range £34,700 - £36,040) and other clergy who were trustees were paid in the range £25,428 - £27,534 (2017: range £24,990 - £27,060).

# THE NEWCASTLE DIOCESAN BOARD OF FINANCE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED 31 DECEMBER 2018

### 13 TRANSFERS BETWEEN FUNDS

#### Analysis of transfers between funds

	General Funds £	Designated Funds £	Unrestricted Funds £	Restricted Funds £	Endowment Funds £	Total Funds 2018 £
Transfer from AllChurches to contribute towards Stipendiary Curates costs	74,142	(74,142)	-	-	-	-
Transfer to general funds	72,174	(69,206)	2,968	(2,968)	-	-
Transfer from Mission Development to contribute towards officer's costs	20,548	(20,548)	-	-	-	-
Transfer of Training (pooling) credit	(20,803)	20,803	-	-	-	-
	<b>146,061</b>	<b>(143,093)</b>	<b>2,968</b>	<b>(2,968)</b>	<b>-</b>	<b>-</b>

- Funds have been transferred from the AllChurches Fund to contribute towards Stipendiary Curates costs.
- Funds of £2,968 have been transferred from the Partners Fund to reimburse the Unrestricted Fund for administrative support.
- A funds transfer of £69,206 has been made in respect of Lowest Income Communities Funding.
- Funds have been transferred from the Mission Development Fund to contribute towards officer's costs.
- Funds have been transferred from the General Fund representing the 2018 credit balance on the training (pooling) element of national church institutions costs.

# THE NEWCASTLE DIOCESAN BOARD OF FINANCE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED 31 DECEMBER 2018

### 14 TANGIBLE FIXED ASSETS

	Unrestricted funds		Endowment funds		TOTAL
	Property	Office Equipment	Parsonages	Glebe Property	
	£	£	£	£	£
<b>At cost or valuation</b>					
At 1 January 2018	5,171,650	121,140	15,507,117	1,323,773	22,123,680
Additions	-	4,980	4,043	203	9,226
Transfers	(334,756)	-	143,579	191,177	-
<b>At 31 December 2018</b>	<b>4,836,894</b>	<b>126,120</b>	<b>15,654,739</b>	<b>1,515,153</b>	<b>22,132,906</b>
<b>Accumulated depreciation</b>					
At 1 January 2018	561,996	94,523	2,478,715	234,840	3,370,074
Charge for the year	25,194	6,984	31,148	-	63,326
Transfers	(59,165)	-	23,399	35,766	-
<b>At 31 December 2018</b>	<b>528,025</b>	<b>101,507</b>	<b>2,533,262</b>	<b>270,606</b>	<b>3,433,400</b>
<b>Net book value at 31 December 2018</b>	<b>4,308,869</b>	<b>24,613</b>	<b>13,121,477</b>	<b>1,244,547</b>	<b>18,699,506</b>
Net book value at 31 December 2017	4,609,654	26,617	13,028,402	1,088,933	18,753,606

#### Properties

These properties were purchased using either unrestricted reserves, the Pastoral Account or the Stipends Capital and Glebe Fund. Included in this category is £429k (2017:£429k) which is attributable to the Bishop Billbrough Fund, being part of the cost of the new Church House office accommodation paid for from the proceeds of the former Church House building. The balance of the cost of Church House is held within the Mary Wilkinson Legacy Fund. The other NDBF properties are included in the NDBF Houses Fund, an unrestricted fund.

#### Parsonage houses

Rectories and vicarages (other than team vicarages) are vested in individual benefices. However the NDBF is responsible for the maintenance and repair of all parsonage houses and carries substantially all the risks of ownership. Following a scheme for pastoral reorganisation the net proceeds of the sale of a parsonage house may be credited to the Diocesan Pastoral Account, which is recognised as an asset of the NDBF.

#### Glebe team vicarages

Team vicarages are included as glebe but they are not held as investments. The proceeds of any sale must be credited to the Stipends Capital Account.

#### Transfers

A review of classification of assets was undertaken during the year, and as a result some property was reclassified. There is no impact on the overall carrying value of assets held.

# THE NEWCASTLE DIOCESAN BOARD OF FINANCE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED 31 DECEMBER 2018

### 15 FIXED ASSET INVESTMENTS

	Investment property £	Unlisted investments £	Listed investments £	TOTAL £
<b>Within the United Kingdom</b>				
At 1 January 2018	1,537,967	-	2,806,499	4,344,466
Revaluation	-	-	(42,095)	(42,095)
Revaluation of Glebe land	300	-	-	300
<b>At 31 December 2018</b>	<b>1,538,267</b>	<b>-</b>	<b>2,764,404</b>	<b>4,302,671</b>
Cost at 31 December 2018	1,450,042	-	2,806,499	4,256,541

#### Investment Properties

An estimate of the value of Glebe land and properties held as investments at the end of the year is £1,538,267. This figure has been provided by the Diocesan Property Manager, Mr I Beswick MRICS.

#### Listed investments

Listed investments are valued at middle market value at the year-end.

### 16 DEBTORS

	2018 £	2017 £
<b>Due within one year</b>		
Church Commissioners: sundry debtors	4,065	4,392
Prepayments	6,562	6,794
Loans for parish buildings	3,773	8,878
Other debtors	229,046	222,815
	<b>243,446</b>	<b>242,879</b>
<b>Due after one year</b>		
Loans for parish buildings > 1 year	6,000	7,000
	<b>6,000</b>	<b>7,000</b>
	<b>249,446</b>	<b>249,879</b>

## THE NEWCASTLE DIOCESAN BOARD OF FINANCE LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED 31 DECEMBER 2018

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#### 17 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2018 £	2017 £
Taxation and social security	33,449	21,153
Loan	-	500,000
Other creditors	154,215	261,088
Accruals	131,683	25,647
<b>Falling due within one year</b>	<b>319,347</b>	<b>807,888</b>

#### 18 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2018 £	2017 £
Deposit held on glebe property	3,714	3,714
Pension liabilities	1,968,000	2,658,000
<b>Falling due after more than one year</b>	<b>1,971,714</b>	<b>2,661,714</b>



# THE NEWCASTLE DIOCESAN BOARD OF FINANCE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED 31 DECEMBER 2018

### 19 SUMMARY OF FUND MOVEMENTS

	Balance at 1 Jan 2018 £	Income £	Expenditure £	Transfers £	Gains and losses £	Balance at 31 Dec 2018 £
<b>Unrestricted Funds</b>						
General Unrestricted Fund	1,251,392	6,133,528	(5,592,026)	146,061	(19,830)	1,919,125
<b>Designated Funds:</b>						
Mary Wilkinson Fund	378,432	52	-	-	-	378,484
DBF Houses Fund	3,846,994	-	-	-	-	3,846,994
Bishop Bilbrough Fund	679,906	-	-	-	(5,130)	674,776
Mission Development Fund	76,773	-	(13,731)	(20,548)	-	42,494
Strategic Mission Fund	353,077	5,677	(40,937)	-	(1,962)	315,855
Training (Pooling) Fund	49,824	-	-	20,803	-	70,627
Sanderson Bequest Fund	11,485	-	(4,958)	-	-	6,527
Building Grants and Loans Fund	102,325	505	-	-	-	102,830
Allchurches Grant Fund	224,030	119,594	(45,454)	(74,142)	-	224,028
Clergy Expenses Fund	10,647	-	-	-	-	10,647
Lowest Income Communities Fund	69,206	911,246	(712,273)	(69,206)	-	198,973
	<b>7,054,091</b>	<b>7,170,602</b>	<b>(6,409,379)</b>	<b>2,968</b>	<b>(26,922)</b>	<b>7,791,360</b>
<b>Restricted Funds</b>						
Partners Fund	68,331	14,596	(7,751)	(2,968)	-	72,208
New Church Building Fund	147,756	626	-	-	-	148,382
Diocesan Pastoral Fund	1,217,265	1,528	(6,692)	-	-	1,212,101
Winchester Project Fund	8,951	-	-	-	-	8,951
Archdeacons Fund	56,759	3,146	(2,500)	-	-	57,405
McFarlane Bequest Fund	103,290	-	(5,747)	-	-	97,543
Botswana Donations Fund	8,314	1,011	(453)	-	-	8,872
Church House Wallsend Fund	39,742	7,822	(3,338)	-	-	44,226
Resourcing Ministerial Education Fund	393	97,570	(96,368)	-	-	1,595
Resource Church Fund	-	40	-	-	-	40
	<b>1,650,801</b>	<b>126,339</b>	<b>(122,849)</b>	<b>(2,968)</b>	<b>-</b>	<b>1,651,323</b>
<b>Endowment Funds</b>						
Stipends Capital and Glebe Fund	3,665,993	-	-	-	(14,037)	3,651,956
Parsonages Houses Fund	9,498,190	-	-	-	-	9,498,190
St Aidan's Fund	55,750	-	-	-	(836)	54,914
	<b>13,219,933</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(14,873)</b>	<b>13,205,060</b>
	<b>21,924,825</b>	<b>7,296,941</b>	<b>(6,532,228)</b>	<b>-</b>	<b>(41,795)</b>	<b>22,647,743</b>

# THE NEWCASTLE DIOCESAN BOARD OF FINANCE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED 31 DECEMBER 2018

### 20 SUMMARY OF ASSETS BY FUND

	Fixed assets Tangible £	Fixed assets Investments £	Current assets £	Long term liabilities £	Net assets £
<b>Unrestricted Income Funds:</b>					
General Unrestricted Fund	24,075	1,321,953	576,811	(3,714)	1,919,125
<b>Designated Funds</b>					
Mary Wilkinson Fund	368,685	-	9,799	-	378,484
DBF Houses Fund	3,611,871	-	235,123	-	3,846,994
Bishop Bilbrough Fund	328,314	336,861	9,601	-	674,776
Mission Development Fund	-	-	42,494	-	42,494
Strategic Mission Fund	-	128,870	186,985	-	315,855
Training (Pooling) Fund	-	-	70,627	-	70,627
Sanderson Bequest Fund	-	-	6,527	-	6,527
Building Grants and Loans Fund	-	-	102,830	-	102,830
The Allchurches Grant Fund	-	-	224,028	-	224,028
Clergy Expenses Fund	-	-	10,647	-	10,647
Lowest Income Communities Fund	538	-	198,435	-	198,973
	<b>4,333,483</b>	<b>1,787,684</b>	<b>1,673,907</b>	<b>(3,714)</b>	<b>7,791,360</b>
<b>Restricted Income Funds:</b>					
Partners Fund	-	-	72,208	-	72,208
New Church Building Fund	-	-	148,382	-	148,382
Diocesan Pastoral Fund	-	-	1,212,101	-	1,212,101
Winchester Project Fund	-	-	8,951	-	8,951
Archdeacons Fund	-	-	57,405	-	57,405
McFarlane Bequest Fund	-	-	97,543	-	97,543
Botswana Fund	-	-	8,872	-	8,872
The Church House Wallsend Fund	-	-	44,226	-	44,226
Resourcing Ministerial Education Fund	-	-	1,595	-	1,595
Resource Church Fund	-	-	40	-	40
	<b>-</b>	<b>-</b>	<b>1,651,323</b>	<b>-</b>	<b>1,651,323</b>
<b>Endowment Funds:</b>					
Stipends Capital and Glebe Fund	1,244,547	2,460,072	(52,663)	-	3,651,956
Parsonages Houses Fund	13,121,476	-	(1,655,286)	(1,968,000)	9,498,190
St Aidan's Fund	-	54,915	(1)	-	54,914
	<b>14,366,023</b>	<b>2,514,987</b>	<b>(1,707,950)</b>	<b>(1,968,000)</b>	<b>13,205,060</b>
<b>Total Funds</b>	<b>18,699,506</b>	<b>4,302,671</b>	<b>1,617,280</b>	<b>(1,971,714)</b>	<b>22,647,743</b>

## THE NEWCASTLE DIOCESAN BOARD OF FINANCE LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED 31 DECEMBER 2018

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#### 21 DESCRIPTION OF FUNDS

**The General or Unrestricted Fund** is available for any purpose within the objects of the Board. It is principally used for payment of stipends, national insurance, pension contributions and housing costs of clergy and licensed lay-workers in parish ministry. It also provides the assets and liquidity for the NDBF to carry out its objectives, including statutory compliance and administration of funds.

**The Mary Wilkinson Fund** is a bequest fund which can be used for general purposes. It has been used to provide part of the costs for buying, modifying and fitting out Church House. In 2015 the fund was used to purchase the Church House caretaker's bungalow from the Newcastle Diocesan Education Board.

**The DBF Houses Fund** is a designated fund for holding those houses which are neither personages nor team vicarages.

**The Bishop Bilbrough Fund** is a bequest which can be used for general purposes. It has been used to provide part of the costs for buying, modifying and fitting out Church House.

**The Mission Development Fund** represents monies received from the Archbishops' Council to support planned mission work in the Diocese in future years. Our final receipt into the fund was in 2016 and the fund will be wound down over the next year.

**The Strategic Mission Fund** has been set up as a designated fund so that NDBF can set aside funds to enable it to bid for matched project funding from the National Church.

**The Training (Pooling) Fund** has been set up as a designated fund in order to assist the Board's contribution to training costs which are pooled nationally across all dioceses. Where the Diocese has higher training costs these are subsidised by dioceses with lower training costs. The amounts are controlled by a national pooling mechanism.

**The Sanderson Bequest Fund** represents the balance remaining from a sum bequeathed to the NDBF in 2009. This money has been taken out of the Unrestricted Fund and designated to resource lay participation on the Leading Your Church into Growth course (LyCiG). This is part of the Diocesan Strategic Vision for growing church bringing hope.

**The Building Grants and Loans Fund** is a designated fund to make loans and grants to parishes to enable them to carry out work on their existing church buildings.

**The Allchurches Grant Fund** is a designated fund which uses the annual grant from the Allchurches Trust to support and resource the NDBF's ministry and activity expenditure.

**The Clergy Expenses Fund** is a designated fund set up to help ensure that clergy can be reimbursed the level of expenses they are entitled to, particularly those working in more deprived areas.

**The Lowest Income Communities Fund** is a designated fund representing funding from the National Church to help resource ministry in the most deprived areas of the Diocese.

**The Partners Fund** is a restricted fund used for making relatively small grants to community-based projects.

**The New Church Building Fund** is a restricted fund used, but not frequently, for making grants and loans to parishes to enable them to acquire new church buildings.

**The Diocesan Pastoral Fund** includes the proceeds of redundant churches and parsonages. The purposes for which the account may be used are laid down in Section 78 of the Pastoral Measure 1983.

## THE NEWCASTLE DIOCESAN BOARD OF FINANCE LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED 31 DECEMBER 2018

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**The Winchester Project Fund** is a restricted fund which holds the balance remaining from historic grants made to Newcastle Diocese by Winchester Diocese over a number of years.

**The Archdeacons' Fund** is a restricted fund which is spent at the discretion of the Archdeacons to help clergy who experience financial difficulties.

**The McFarlane Bequest Fund**, formerly the Hodgson Bequest Fund, is a restricted fund used to help provide for clergy training. A sum in excess of £100,000 was left to the NDBF in 2015.

**The Botswana Fund** receives donations from parishes and individuals which are used to assist projects within our partner Diocese of Botswana.

**The Wallsend Church House Fund** was set up when the Wallsend Church House building was recognised as a glebe asset in the NDBF accounts. At the same time, accumulated rental income was passed across to NDBF from Wallsend Parish. Rental income continues to be paid into the fund and expenditure relating to the Wallsend property is charged against the fund.

**The Resourcing Ministerial Education Fund** receives Block Grants from the Archbishops' Council for ministerial education training for the ordinands sponsored by the Diocese. The Grants may only be expended on initial ministerial education pathways which have been approved by Ministry Division at accredited Theological Education Institutions (TEIs).

**The Resource Church Fund** was set up to receive donations which are contributions to the Resource Church. Funds will be transferred out to the legal body for the Resource Church once it is established.

**The Stipends Capital and Glebe Fund** is governed by the Diocesan Stipends Measure 1953. The income of this endowment fund can only be used for clergy stipends but, since 1993, capital can be applied for improvements to parsonage houses.

**The Parsonage Houses Fund** is an endowment fund. The balance represents the book value of the benefice houses (parsonages) in the Diocese. The fund also holds a cash balance, the proceeds from the sale of a parsonage house, and a liability which relates to the deficit on the clergy pension scheme.

**The St Aidan's Fund** is an endowment fund. The balance is held as units in the Central Board of Finance Investment Fund. Dividend income is paid into the unrestricted fund and is used for ordination training.

## 22 CONTINGENT LIABILITIES AND POST BALANCE SHEET EVENTS

There are no contingent liabilities.

There were no post balance sheet events which have an impact on the figures within these financial statements.

## THE NEWCASTLE DIOCESAN BOARD OF FINANCE LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED 31 DECEMBER 2018

#### 23 PENSIONS

##### *Clergy*

The NDBF participates as a Responsible Body in the Church of England Funded Pensions Scheme for stipendiary clergy, a defined benefit pension scheme. This Scheme is administered by the Church of England Pensions Board (CEPB), which holds the assets of the schemes separately from those of the Responsible Bodies.

Each participating Responsible Body 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 it is not possible to attribute the Scheme's assets and liabilities to each specific Responsible Body, and this means contributions are accounted for as if the Scheme were a defined contribution scheme. The pensions costs charged to the SoFA in the year are contributions payable towards benefits and expenses accrued in that year (2018: £273,109, 2017: £648,710), plus the figures highlighted in the table below as being recognised in the SoFA, giving a total charge of £308,109 for 2018 (2017: £690,710).

A valuation of the Scheme is carried out once every three years. The most recent Scheme valuation completed was carried out at as 31 December 2015. A valuation at 31 December 2018 is currently under way, but the results of this are yet to be determined. The 2015 valuation revealed a deficit of £236m, based on assets of £1,308m and a funding target of £1,544m, assessed using the following assumptions:

- An investment strategy of:
  - for investments backing liabilities for pensions in payment, an allocation to gilts of 33% from the valuation date until 31 December 2019 and thereafter increasing linearly to 70% by 31 December 2030 (with the remainder in return-seeking assets); 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.;
- Mortality in accordance with 80% of the S2NMA and S2NFA tables, with allowance for improvements in mortality rates in line with the CMI 2015 core projections with a long term annual rate of improvement of 1.5%.

Following the 31 December 2015 valuation, a recovery plan was put in place until 31 December 2025 and the deficit recovery contributions (as a percentage of pensionable stipends) are as set out in the table below.

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

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

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

Section 28.11A of FRS 102 requires agreed deficit recovery payments to be recognised as a liability. The movement in the balance sheet liability over 2017 and over 2018 is set out in the table below.

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### NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED 31 DECEMBER 2018

	2018	2017
Balance sheet liability at 1 January	2,658,000	3,029,000
Deficit contribution paid	-312,000	-394,000
Interest cost (recognised in SoFA)	35,000	42,000
Remaining change to the balance sheet liability* (recognised in SoFA)	-442,000	-19,000
Balance sheet liability at 31 December	1,939,000	2,658,000

\* 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:

	December 2018	December 2017	December 2016
Discount rate	2.1% pa	1.4% pa	1.5% pa
Price inflation	3.1% pa	3.0% pa	3.1% pa
Increase to total pensionable payroll	1.6% pa	1.5% pa	1.6% pa

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

#### **Lay staff**

NDBF participates in the Defined Benefits Scheme (DBS) section of the Church Workers Pension Fund (CWPF) for lay staff. The Scheme is administered by the CEPB, which holds the assets of the schemes separately from those of the Employer and the other participating employers.

The CWPF has: (i) a section known as the Defined Benefits Scheme; (ii) a deferred annuity section known as Pension Builder Classic; and (iii) a cash balance section known as Pension Builder 2014.

#### **Defined Benefits Scheme (DBS)**

The DBS section of the CWPF provides benefits for lay staff based on final pensionable salaries.

For funding purposes, DBS is divided into sub-pools in respect of each participating employer as well as a further sub-pool, known as the Life Risk Pool. The Life Risk Pool exists to share certain risks between employers, including those relating to mortality and post-retirement investment returns.

The division of the DBS into sub-pools is notional and is for the purpose of calculating ongoing contributions. They do not alter the fact that the assets of the DBS are held as a single trust fund out of which all the benefits are to be provided. From time to time, a notional premium is transferred from employers' sub-pools to the Life Risk Pool and all pensions and death benefits are paid from the Life Risk Pool.

The Scheme is a multi-employer scheme as described in Section 28 of FRS 102. It is not possible to attribute DBS assets and liabilities to specific employers, since each employer, through the Life Risk Section, is exposed to actuarial risks associated with the current and former employees of other entities participating in DBS. This means that contributions are accounted for as if DBS were a defined contribution scheme. The pensions costs charged to the SoFA during the year are contributions payable towards benefits and expenses accrued in that

## THE NEWCASTLE DIOCESAN BOARD OF FINANCE LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED 31 DECEMBER 2018

year (2018: £nil, 2017: £nil) plus the figures in relation to the DBS deficit highlighted in the table below as being recognised in the SoFA, giving a total charge of £nil for 2018 (2017: £nil).

If, following an actuarial valuation of the Life Risk Pool, there is a surplus or deficit in the pool and the Actuary so recommends, further transfers may be made from the Life Risk Pool to the employers' sub-pools, or vice versa. The amounts to be transferred (and their allocation between the sub-pools) will be settled by the Church of England Pensions Board on the advice of the Actuary.

A valuation of DBS is carried out once every three years. The most recent was carried out as at 31 December 2016. In this valuation, the Life Risk Section was shown to be in deficit by £2.6m and £2.6m was notionally transferred from the employers' sub-pools to the Life Risk Section. This increased the Employer contributions that would otherwise have been payable. The overall deficit in DBS was £26.2m.

Following the valuation, the Employer has entered into an agreement with the CWPF to pay expenses of £3,300 per year. In addition deficit payments of £7,263 per year have been agreed for 5.00 years from 1 April 2018 in respect of the shortfall in the Employer sub-pool. This obligation has been recognised as a liability within the Employer's financial statements.

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 below:

	2018	2017
Balance sheet liability at 1 January	-	-
Deficit contribution paid	-5,000	-
Interest cost (recognised in SoFA)	-	-
Remaining change to the balance sheet liability*(recognised in SoFA)	34,000	-
Balance sheet liability at 31 December	29,000	-

\* Comprises change in agreed deficit recovery plan and change in discount rate 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:

	December 2018	December 2017	December 2016
Discount rate	1.90%	0.00%	0.00%

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.

The next valuation of the scheme will be carried out as at December 2019.

#### Pension Builder Scheme

Apart from the DBS referred to above, the NDBF participates in the Pension Builder Scheme (PB Classic) section of CWPF. This is a deferred annuity scheme and it is operated by the CEPB.

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### NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED 31 DECEMBER 2018

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PB Classic provides a pension for members for payment from retirement, accumulated from contributions paid and converted into a deferred annuity during employment based on terms set and reviewed by the CEPB from time to time. Bonuses may also be declared, depending upon the investment returns and other factors.

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

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

The Scheme is considered to be a multi-employer scheme as described in Section 28 of FRS 102. This is because it is not possible to attribute the Pension Builder Scheme's assets and liabilities to specific employers and that contributions are accounted for as if the Scheme were a defined contribution scheme. During 2016 staff in this scheme were transferred across to the PB Classic defined contributions scheme therefore, the pensions costs charged to the SOFA in the year are contributions payable (2018: £29,000, 2017: £nil).



# THE NEWCASTLE DIOCESAN BOARD OF FINANCE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED 31 DECEMBER 2018

### 24 FINANCIAL INSTRUMENTS

	2018 £	2017 £
Financial assets measured at fair value through income and expenditure	2,764,404	2,806,499
Financial assets that are debt instruments measured at amortised costs	242,884	243,085
Cash and fixed term deposits	1,687,181	2,046,476
	<u>4,694,469</u>	<u>5,096,060</u>
Financial liabilities measured at amortised cost	289,612	790,449
Financial liabilities measured at fair value through income and expenditure	1,968,000	2,658,000
	<u>2,257,612</u>	<u>3,448,449</u>

Financial assets measured at fair value through income and expenditure comprise listed investments.

Financial assets measured at amortised cost comprise debtors.

Financial liabilities measured at amortised cost comprise trade creditors, other creditors and accruals.

Financial liabilities measured at fair value through income and expenditure comprise pension liabilities.

### 25 RELATED PARTY TRANSACTIONS

Charity	Income £	Expenditure £	Debtor £	Creditor £
<b>Newcastle Diocesan Education Board</b>				
<i>Common Trustees. NDBF provides accommodation and a payroll service for NDEB. It also pays a grant to NDEB.</i>	1,000	137,025	-	-
<b>Newcastle Diocesan Society</b>				
<i>Common Trustees. NDBF receives grant income and a contribution towards costs from NDS.</i>	8,000	-	8,000	-
<b>Lord Crewe's Charity</b>				
<i>Common Trustee. Receipt of grants from Charity.</i>	86,396	-	26,436	-

