CARLISLE DIOCESAN BOARD OF FINANCE LIMITED

FINANCIAL STATEMENTS

for the

YEAR ENDED 31 DECEMBER 2018

CARLISLE
DIOCESE

Company Registration No 39625

Registered Charity No 251977

GOD
FOR ALL

CARLISLE DIOCESAN BOARD OF FINANCE LIMITED

DIRECTORS' & TRUSTEES' ANNUAL REPORT FOR THE YEAR ENDED 31st DECEMBER 2018

God for All: By 2020 every person in Cumbria of all ages and backgrounds will have had an opportunity to discover more of God and God's purpose for their life

The Directors, who are also Trustees for the purposes of charity law, present their combined Directors' report, Trustees' report and Strategic report, together with the audited financial statements, for the year ended 31st December 2018. The report is separated into the following sections:

1. Legal objects
2. Strategic aims
3. Activities
4. Objectives set for the year
5. Strategic report containing:
    - 5.1. Activities in the year
    - 5.2. Achievements and performance
    - 5.3. Financial review
    - 5.4. Plans for future periods
    - 5.5. Principal risks and uncertainties
6. Structure, governance and management
7. Funds held as custodian trustee for others
8. Reference and administrative details of the Carlisle Diocesan Board of Finance (Carlisle DBF)
9. Auditors

1. LEGAL OBJECTS

1.1. Objective

The principal objective of the Carlisle Diocesan Board of Finance (Carlisle DBF) is to promote and assist the work, objectives and purposes of the Church of England for the advancement of the Christian religion in the Diocese of Carlisle and elsewhere by acting as the financial executive of the Diocese.

Carlisle DBF acts in conjunction with the Church Commissioners, Archbishops' Council, Bishop's Council, Diocesan and Deanery Synods and Parochial Church Councils to support the work of the Church of England particularly in the Diocese of Carlisle. The major part of Carlisle DBF's activity is to organise and provide funds for the training, housing and stipends of clergy within the Diocese of Carlisle and to support the activities of the other Boards, Councils and Committees of the Diocesan Synod.

1.2. Statutory Functions

- Carlisle DBF has responsibility for the management of glebe property and investments to generate income to support the cost of stipends.
- It is the Diocesan Authority for parochial and other trusts and incorporates the functions and responsibilities of the Diocesan Parsonages Board.
- Carlisle DBF is custodian trustee in relation to PCC property (see section 7).
- The Trustees are aware of the Charity Commission's guidance on public benefit in "The Advancement of Religion for the Public Benefit" and have had regard to it in their administration of Carlisle DBF. The Trustees believe that, by promoting the work of the

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

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

2. STRATEGIC AIMS

Carlisle DBF's strategy for achieving its objectives is to maintain the sound financial structure needed to enable it to continue supporting the clergy through the payment of stipends, managing parsonages and other ministerial housing and also by providing other facilities and resources in support of the ministry of both clergy and lay people in parishes across the Diocese. Since 2015 Carlisle DBF has sought to allocate its resources in the most effective way to support the strategy "God for All" which was jointly developed by Carlisle Diocese and the Cumbrian Methodist and United Reformed churches with the aim that "by 2020 every person in Cumbria of all ages and backgrounds will have had an opportunity to discover more of God and God's purpose for their life."

In terms of resourcing, the strategy requires the DBF to invest in lay and ordained ministry development, enable the establishment of a new organisational structure of around 35 Mission Communities across the county, support the creation of "Fresh Expressions of Church" such as Network Youth Churches and continue to provide OpShops serving local communities, as far as may be financially viable.

3. ACTIVITIES

The key activities may be summarised as:

- Mission and ministry in the local church (includes all clergy training, housing, stipends and pension costs and all other expenditure supporting locally-based ministry);
- Education funding (includes support services and capital expenditure support for schools); and
- Provision of a Diocesan Retreat House and conference centre;
- Contributions to the Archbishops' Council (mainly by grant) to support the National Church.

4. OBJECTIVES FOR THE YEAR

As part of Carlisle DBF's overall strategy the Trustees set the following specific objectives for this year and following years:

- The Trustees have set an overall balanced budget for the period from 2015 to 2020 (subject to maintaining free reserves at target level);
- The Trustees have sought to hold down increases in income needed from parishes in order to allow funds to be spent on mission activity locally;

- The ongoing objective is to resource Diocesan needs, as determined by Synod and informed by local and National Church institutions. This is currently focused on implementing the strategy "God for All" which was launched with ecumenical partners in 2015.
- Carlisle DBF continues to invest in local ministry including greater emphasis on learning and development for lay, as well as ordained, ministers.

5. STRATEGIC REPORT

5.1. Activities in the year

5.1.1. Specific Activities

In 2018 Carlisle DBF continued to manage the Diocesan finances in support of God for All and in line with the conclusions of the Diocesan Resourcing Review undertaken in 2013-14. Specific activities in support of this strategy included:

- Carlisle DBF continued to support local ministry with the full reimbursement to the Church Commissioners for the cost of stipends, employer's national insurance, apprenticeship levy and pension contributions for an average of 86 stipendiary clergy in the Diocese. It also paid in full the DBF's share of the training costs for Ordinands and curates. The DBF also paid the full costs of providing housing for all stipendiary and house for duty clergy;
- Funding was provided to enable the continued growth in outreach and evangelism throughout the Diocese as a key plank of God for All (see above), particularly through the work of the Reach Team. This included further support for the creation and growth of Fresh Expressions of Church, the country's biggest ever Messy Church event, new digital outreach initiatives and the ecumenical Moving Mountains mission.
- Learning and development work was carried out by Cumbria Christian Learning (CCL), which throughout 2018 was a wholly owned subsidiary of the DBF.
- The appointment of a Stewardship Enabler has led to the creation of a new approach to promoting and supporting good stewardship, and parishes/mission communities are encouraged to liaise with her to review their stewardship activities and plan effective campaigns.
- An investment Sub-Committee, reporting to the Finance Committee, continued to monitor the mix and performance of the Diocese's investment portfolio and the professional advisors used, to ensure that these assets generate an optimum level of return given the level of appropriate risk associated with each asset class.
- Following on from the initial work to review the Parish Offer system in 2017, a pilot phase was begun, during which representatives of the Diocese met with six Mission Communities to discuss the issues, challenges, and possible ways forward in the effective funding of local mission and ministry, through generous and realistic parish offers. This will continue into 2019.

5.1.2. Grant-making (Beneficiary-selection) Policy

Grants are made to the National Church to cover a proportion of its central costs (see Note 11 to the financial statements). Grants are paid to parishes and to retired clergy and to other charitable projects which appear to the Trustees to support the furtherance of Carlisle DBF's objects (see Note 14 to the financial statements).

5.1.3. Programme Related Investments

Loans are made to parishes in the Diocese at a low rate of interest, to enable them to undertake projects which further the objects of Carlisle DBF including improving and maintaining their buildings (see note 24 to the financial statements).

5.1.4. Volunteers

The Trustees recognise and are grateful for the enormous contribution that volunteers throughout the Diocese give of their time for the work of the Diocese in many different ways. In particular, surveys show that the average contribution from non-stipendiary ministers, at between 20 and 25 hours per week, is very significant. Retired clergy also give freely of their time. Churchwardens, Parochial Church Council Treasurers, Secretaries and Safeguarding Officers continue to enable to local church to provide mission and ministry to local communities across Cumbria. God for All envisages a substantial growth in self-supporting (volunteer) lay and ordained ministry in the future, with stipendiary clergy roles being increasingly to discern, equip and support those ministers.

5.2. Achievements against objectivities

5.2.1. Achievements in 2018

The approved budget for 2018 assumed that income from parish offers would have increased in cash terms by 0.4% from the 2017 receipts to **£4,895,000**, resulting in a deficit of £78,000. Offers received from parishes totalled £4,883,000, but the overall collection rate of offers (including arrears from previous years' unpaid offers) reduced by 1.1% to 98.1%. This resulted in a net decrease in actual receipts compared with 2017 of £82,000 to **£4,792,000**. The Trustees recognise the challenges faced by parishes to maintain their parish offer giving, and are tremendously aware of, and thankful for the sacrificial giving throughout the Diocese that makes that possible.

5.2.2. Operational Performance

The operational performance of Carlisle DBF in 2018 helped to achieve most of the aspirations set out above. Expenditure on local clergy (primarily stipends, pension and housing), chaplains and Network Youth Church leaders accounted for 70% of the total group expenditure from general funds. Total expenditure on resourcing ministry and mission amounted to £7,068,000. Together with expenditure on education and the Diocesan retreat house at Rydal, the expenditure on charitable activities accounted for 98% of total expenditure.

The stipend for clergy of incumbent status was increased by 1.6% with effect from 1st April 2018 to £26,030, £454 above the North West Regional average. Curates' stipends were increased by 2.0% to £24,280 in line with the increases in the National Minimum Stipend. Carlisle DBF was able to provide full funding to reimburse the Church Commissioners for all the costs of clergy stipends, NI, pensions and the new national apprenticeship levy. 2018 saw further progress in the 5-year plan to establish new patterns of ministry in mission communities. The associated reduction in the number of stipendiary clergy (with an increase in self-supporting ministry) will help to align the cost of local ministry with the Diocese's income. A careful balance was achieved investing in the maintenance and improvement of clergy property whilst operating within a well-managed budget for each project. The large number of clergy moves in the year gave rise to additional requirements for ingoing work to properties, leading to expenditure of £1,170,000, up £117,000.

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Continued investment was made to implement the God for All strategy through the work of the Reach Team and Cumbria Christian Learning. Expenditure on the Reach Team's work to support local churches and church members to become more outward looking, including establishing new fresh expressions of church such as Messy Church and Mountain Pilgrims, further growing Network Youth Churches, continuing to invest in pioneering ministries, undertaking the Moving Mountains mission, promoting Christmas church-going, piloting the Cumbria Text-a-Prayer initiative and creating "prayer spaces" was £352,000.

Spending on Learning and Development activities was £844,000. This included providing start-up funding for Cumbria Christian Learning, contributing £260,000 towards the national costs of ordination training, implementing the Diocesan Vocations Strategy, training stipendiary and non-stipendiary curates, lay ministry development, a development programme for leaders in Mission Communities, recruiting and training consultants for Mission Communities and running the Mission Shaped Ministry course. In 2018 substantial work was undertaken in partnership with the Church Mission Society to redesign ordination training in ways that will enable local clergy and their church congregations to be more effective in mission and outreach to their local communities.

In 2018 much groundwork was done to prepare for the integration of all support for God for All. This involved planning for the reorganisation of the Reach Team and Cumbria Christian Learning into one team.

Grant funding, following a successful bid to the Archbishop's Council's Strategic Development Fund, is being received over the three years from 2017-2019 and continued to support the work of the Reach Team and Cumbria Christian Learning.

£8,000 in donations and collections from parishes and £47,000 investment income were added to the Diocesan Growth Fund. Out of this, grants were paid to parishes and deaneries totalling £22,000. The balance on the Growth Fund, which is available to support the establishment of network youth church congregations and help parishes and deaneries initiate new work designed to achieve church growth, now stands at £1.338 million.

The Board for Education spent £266,000 to support education in Cumbria with its support for Church schools. The Good Shepherd Multi Academy Trust, which aims to support the provision of excellent education within a caring and Christian ethos in academies in Cumbria remains of strategic importance as the debate over the academisation of schools continues. It currently includes six schools.

Carlisle DBF's network of "OpShops" in Carlisle continued to provide community support, recycling and reuse, and Christian ministry in partnership with local churches. In 2018 the income generated from the shops was £198,000, a further increase of £14,000 compared to the previous year. The network as a whole made a deficit of £47,000 although around half of this was incurred on a project carried out to establish and put in place a more effective operating structure. In 2019 OpShops will become a separate charitable company with its own board of trustees and a business plan to achieve a more secure and sustainable long-term future. OpShops benefits from the hard work of many volunteers.

2018 saw a further decrease of £13,000 of income from the Archbishops' Council's Lowest Income Communities Funding (previously the 'selective allocation'). An additional £262,000 was received in 2018 from the Archbishops' Council, being the second year's grant following the Diocese's successful bid for £859,000 over three years from the Strategic Development Fund. £129,000 of restructuring funding and £18,000 of capacity funding was also received.

The statutory fees for occasional offices conducted by the Church decreased by £36,000, although allowing for timing were roughly level across the two years. Rents received from letting parsonages during vacancies increased by £91,000 as a result of the Diocese's active approach to renting out properties wherever possible. Overall total income increased by 1.7%.

Rydal Hall Ltd is the wholly-owned subsidiary company of Carlisle DBF operating the Diocesan Conference Centre and Retreat House at Rydal. On 21 December 2017 Rydal Hall Ltd became a registered charity, with a trading subsidiary, Rydal Hall Trading Limited also being established. The company paid £60,000 rent to the DBF in 2018. After two difficult years, the trustees and management of Rydal Hall, with backing from the DBF, have concentrated upon restoration of financial stability. A new General Manager was appointed in March 2018 and some significant improvement has been seen during the course of the year, with the pre-tax consolidated loss falling from £99,000 to £29,000, and a focus on stronger marketing of this beautiful venue to existing and new visitors alike.

In 2018 the DBF supported the Churches Trust for Cumbria through a grant of £22,000, in support of their work to provide external support for the care, conservation and development of church buildings across Cumbria.

5.2.3. Investment Performance

Investments are held in both restricted and unrestricted funds. In 2018 the price of the CBF Investment Fund shares fell by 1.5% for the year (which was in line with similar funds and markets in general and has strengthened significantly in early 2019). CBF Property Fund shares increased by 2.8%. Unsurprisingly given market conditions, total unrealised gains on investments were only £82,000, compared to over £2.9 million in the previous year, but these gains are notional – they do not alter the number of shares held hence the future income streams for which these shares are held, are unaffected. The two hydroelectric plants within Cumbria in which the DBF has invested continued to perform well in 2018, despite the exceptionally dry summer months, and with the loans being fully repaid during 2018, they will both provide a strong, long-term income stream for many years to come.

August 2018 saw an increase in the Bank of England's Base Rate to 0.75%, and the CBF Deposit Fund rate has increased, in small steps, to its current level, also of 0.75%.

Dividends received from the CBF Property Fund and Investment Fund were 7.43p and 54.35p per share respectively in the year, giving dividend yields of 5.31% and 3.37% based on the year end valuations. The total income from dividends for the year was £244,000 higher than the previous year, partly due to the investment of receipts from property sale proceeds in further shares, and partly due to the start of dividend distributions from the two hydroelectric schemes in 2018. Interest received decreased by £4,000. Strong profit prior to the start of dividends being paid out from the Rydal Hydro scheme also increased our (unrealised) return by £51,000.

Commercial property performance has improved compared to 2017, with net rent increasing by £73,000. One ground floor unit in the Penrith office remains unoccupied, and plans for its possible use for Diocesan training purposes are being explored. Negotiations to sell the former Diocesan Office site and old vicarage at West Walls, Carlisle have continued with both sites being sold in early 2019. In 2018 continued efforts were made to obtain planning consent for residential development on low yielding agricultural land holdings on the edge of settlements. A number of such developments have come to market in the year. All sale proceeds from these will be invested to generate a sustainable long term revenue stream to fund the work of the Diocese in the future.

The total return on investment – net receipts and valuation gains on investments as a percentage of the investment valuations at year-end, fell from 11.9% last year to 3.3% this year as a result of the fall in global stock markets. Average yield (net receipts as a percentage of the investment valuations at year-end), however, increased from 2.5% to 3.1%, a result of a larger proportion of investments being held in higher yielding CBF Property Fund shares, as well as the modest increase in the UK base rate.

5.2.4. External Factors Affecting Performance

There are a number of external factors continuing to affect the performance of Carlisle DBF. The fall (in both cash and real terms) in the offers made to Carlisle DBF from parishes is evidence of lower incomes in the parishes, reflecting a decline in church membership and the burden of local costs such as church repairs and energy bills. A small number of significant, larger churches reduced their Offer in 2018. This reduces the DBF's ability to fund ministry in the future.

There is a continuing difficulty in filling vacancies in clergy posts as the number of clergy retiring throughout the country exceeds the numbers being ordained and the Northern province of the Church of England is not seen as being as attractive to ministers. Although this reduces financial pressure in the short term, it represents an operational concern as the leadership and pastoral work of clergy is key in recruiting and developing self-supporting lay and ordained ministry and helping the local church to continue to evolve. Within the Diocese, a low number of clergy movements and retirements has delayed, in some areas, reorganisation into Mission Communities.

5.3. Financial Review

5.3.1. Review of the Financial Position

The Statement of Financial Activities (SOFA) for the year shows net incoming resources of £1,081,000 (2017: net incoming resources of £631,000) before net gains on investments and other recognised gains and losses.

After revaluation adjustments, the net increase in funds amounted to £492,000 (2017: £4,017,000). Total fund balances are now £74,995,000 of which £71,644,000 (95.5%) is restricted, mainly by ecclesiastical measures, and a further £1,356,000 has been designated for specific use by the Trustees.

Overall there was a net cash outflow for the year of £177,000 (2017: £886,000). Total net current assets fell by £536,000 to £563,000 with those relating to general funds increasing by £446,000. In part this is a result of moving some cash deposits into investment funds to increase investment income.

Going Concern

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

5.3.2. Reserves Policy

In 2018 around 62.7% (2017: 65.2%) of Carlisle DBF's general income came from contributions from parishes through their offers and a further 7.9% (2017: 8.3%) came from National Church LINC Allocation. In 2018 62% of parishes paid some, if not all, of their parish offer by monthly standing order with 63% of parish offer paid regularly each month. Allowing for these income streams, and Carlisle DBF's other sources of income, the Charity's policy is to hold a level of free reserves of one month's expenditure. At 31st December 2018 the total of general funds amounted to £1,995,000 of which £1,389,000 was held in fixed assets, including programme related investments. This leaves a positive balance of £606,000 as free reserves and, allowing for long term borrowings of £500,000, there is a balance of £1,106,000 on net current assets which equates to 2.02 months of expenditure. The Trustees keep the position under review at their bi-monthly meetings and are currently confident that cash flows can be managed to ensure that sufficient free reserves are held to enable Carlisle DBF's commitments to be met.

5.3.3. Investment Policies

Carlisle DBF's power to invest its funds is governed by the Memorandum and Articles of Association. It exercises these powers having due regard to the provisions of the Trustee Act 2000 in so far as it applies to Carlisle DBF as a company.

Carlisle DBF's investment policies, which were updated in 2017 and are reviewed annually, are based on two key principles:

Ethical investment – Carlisle DBF seeks to pursue an investment policy consistent with the values of the Christian religion. Thus it adheres to the policy as developed by the Church Commissioners and CCLA Investment Management Ltd for their Central Board of Finance Church of England Funds.

Long-term responsibilities - Investment policy for long-term funds seeks to strike the right balance between providing an income to help the Diocese to carry out its purposes effectively in the short term and maintain and enhance the value of the invested funds so as to enable the Diocese effectively to continue to carry out its purposes in the long term. The glebe investments are held for the purpose of raising income to achieve the maximum contribution possible to clergy stipends on an ongoing basis. Unrestricted and restricted fund investments are invested to balance income, liquidity and the maintenance of capital.

Investments

Glebe property investments are held by Carlisle DBF in agricultural land, commercial and residential land and buildings. They are managed by the DBF's agents, Penrith Farmers' & Kidd's, Walton Goodland Ltd and Savills and account for 53% of the total glebe investments.

42% of the glebe investments are invested through CCLA Investment Management Ltd in the CBF Church of England Funds or held on deposit. They are split between investments in equities and property via common investment funds to spread risk, and deposits. The remaining 5% consists of shares in a hydroelectric scheme on Scandale Beck.

Investments made in relation to the other DBF funds are also mainly held in CBF Church of England deposit accounts, investment and property funds, with shares also being held in a hydroelectric scheme on Rydal Beck.

Other Funds

Funds which may be needed for working capital in the short term are held as deposits with the Central Board of Finance.

The performance of all the DBF's investments is monitored regularly by the Trustees at their bi-monthly board meetings, and by the Investment Sub-Committee.

5.3.4. Remuneration Policy

The Board operates a set salary scale and employees are placed on this with regard to benchmarking against comparable roles in this and other dioceses and the external employment market. Cost of living increases are determined as part of the process of setting the budget which is approved by the Finance Committee and the Members. Remuneration of higher-paid employees is determined in consultation between the Chair of the Finance Committee, the Diocesan Secretary and the HR Manager.

5.4 Plans for Future Periods

The DBF's ongoing objective is to resource Diocesan needs, as determined by Synod and informed by local and national Church institutions. In particular this will include investing to meet the objectives set out in the God for All Strategy up to the end of 2020. The DBF is on track at least to break even over the current budget period 2015-2020. The overall strategic objective is to reach the end of 2020 having implemented God for All successfully – and this is now just 18 months away.

The local ministry cost base is expected to have fallen substantially in real terms by 2020 as Mission Communities are established and more self-supporting ministry is developed. However, beyond 2020 clergy numbers are planned to stabilise. This means that unless investment or other income streams grow substantially, contributions from the local church towards the costs of this ministry will need to increase in line with costs after that date. Work is now underway to refresh the Diocesan Vision and Strategy for the period beyond 2020 and this will be integrated with resource and budget planning in 2019 and 2020. A budget for the period 2021-2025 is likely to be considered in mid-2020.

5.5 Principal Risks and Uncertainties

The Trustees confirm that the major risks, to which Carlisle DBF and its subsidiary company is exposed, as identified by the Trustees and staff, are continually reviewed and that systems and procedures have been established to manage those risks. The principal risks and uncertainties which face Carlisle DBF relate to:

- the reliability and timing of the income it receives from local churches which is voluntary in nature, Parish Offer accounting for 63% of total charity income;
- investment performance, particularly in respect of commercial property; and
- expenditure on clergy payroll if clergy numbers are above assumptions.

As part of the risk management strategy, the officers of the Company report at each meeting of the Trustees. The principal risks are reviewed by the Trustees and, where necessary, further information and data are gathered to enable a more detailed examination of the risks to be made and decisions taken on the basis of the probability and likely impact of the risks occurring. A major review of the parish offer process and its effectiveness was carried out in 2016 to assess the risk of a significant fall in parish offer income. Further work to develop the system in the light of the implementation of

God for All and to pilot new approaches was carried out in 2018. Alongside this work began to review the approach taken to encouraging good stewardship in the local church. The appointment of a Stewardship Enabler is seen as a key way in which the diocese can support parishes and mission communities in raising income locally which, in turn, will enable them to continue making a generous parish offer to support the cost of local mission and ministry.

A detailed analysis of likely clergy retirements and movements has been undertaken and a more proactive approach to managing deployment has been taken as a result.

Other actions taken to manage risks include the purchase of insurance to indemnify Carlisle DBF, its Trustees, officers and employees against any liabilities that might arise during the provision of services operated under the authority of the Diocesan Bishop and Synod.

6. Structure, Governance and Management

6.1 Organisational Structure

The Diocese of Carlisle was founded in 1133. It covers an area of 2,480 square miles and includes all of Cumbria, except for small areas in the east of the county which are included in the neighbouring Diocese of Newcastle. The overall population of the Diocese is 498,000.

The Diocese is one of the 43 English dioceses of the Church of England which is organised as two provinces. The Diocese of Carlisle is part of the Northern Province led by the Archbishop of York. The Southern Province is led by the Archbishop of Canterbury.

The Diocese of Carlisle is led by the Diocesan Bishop the Rt Revd James Newcome. It is arranged into three archdeaconries; Carlisle covering the northern and eastern part with 4 deaneries, West Cumberland in the western part with 3 deaneries and Westmorland and Furness in the southern part with 4 deaneries. In total there are 228 parishes grouped into 109 benefices with 86 full-time equivalent stipendiary parochial clergy and 3 serving in house for duties posts. Together with 28 non-stipendiary ministers, 128 readers, 59 commissioned lay ministers and many other retired clergy and lay members they provide ministry in 328 churches in the Diocese.

6.2 Diocesan Governance

Diocesan Synod

The Diocese is governed by Standing Orders approved in 1969 and as subsequently amended. Its statutory governing body is the Diocesan Synod, which is an elected body with representation from all parts of the Diocese. Membership consists of Bishops and Archdeacons (*ex officio members*), clergy members *elected* by the Houses of Clergy in Deanery Synods, lay persons *elected* by the Houses of Laity in Deanery Synods, up to five persons who may be *co-opted* by each of the Houses of Clergy or Laity and a maximum of ten members *nominated* by the Diocesan Bishop. The Diocesan Synod normally meets three times a year. Its role is to:

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

Deanery Synods

Each deanery in the Diocese has its own Deanery Synod which has two houses, laity and clergy. Its role is to:

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

Bishop's Council and Standing Committee

Bishop's Council consists of 9 ex officio members, including the Diocesan and Suffragan Bishop and the three Archdeacons, three clergy elected by the House of Clergy from among their number and six lay persons elected by the members of the House of Laity. A maximum of two members may also be nominated by the Diocesan Bishop.
Under the constitution of the Diocesan Synod, Bishop's Council has the following functions:

- To plan the business of the Synod, to prepare the agenda for its sessions and to circulate to members information about matters for discussion (delegated to the Steering Committee);
- To initiate proposals for action by the Synod and to advise it on matters of policy;
- To advise the President of Synod on any matter;
- Subject to the directions of the Synod, to transact the business of the Synod when the Synod is not in session;
- Subject to the directions of the Synod, to appoint members of committees or nominate individuals for election to committees; and
- To carry out such functions as the Synod may delegate to it.

6.3 Carlisle Diocesan Board of Finance

The company, Carlisle Diocesan Board of Finance Ltd (Carlisle DBF), was formed to manage the financial affairs and hold the assets of the Diocese. It was incorporated on 22nd September 1893 as a charitable company limited by membership guarantees (No. 39625) and its governing documents are the Memorandum and Articles of Association. Carlisle DBF has been registered with the Charity Commission since 1st May 1967 (No. 251977). The Memorandum and Articles of Association have been altered by Special Resolutions the latest of which were passed on 1st May 2018 and 12th July 2006.

From 11th November 2006 every member of Diocesan Synod is a member of Carlisle DBF for company law purposes, unless they are excluded by reason of being appointed to any salaried office of the Company or any office of the Company paid by fees. Each member has a personal liability limited to £1 under their guarantee as company members in the event of its being wound up.

Trustees

From 1st January 2007 the Bishop of Carlisle and the three Archdeacons have served as ex-officio Directors of the Company. A further five Directors are elected by the members of Carlisle DBF and the Directors have power to co-opt another two Directors.

The Revd Canon Martin Jayne was appointed Chairman on 19th November 2014 and served as Chair until 31 December 2018 when he retired. Revd Martin served the Board for over a decade and made a very significant contribution as Chair, particularly in relation to resourcing the God for All Vision and Strategy, focusing the Board on managing key risks and creating more effective accountability structures within the Diocese.

One new Director, Mr John Edwards was co-opted on 16 May 2018.

At 31 December 2018, the 3-years terms of office came to an end for Mrs Gillian Troughton and Mr David Dickinson. Neither chose to stand for re-election. The hard work and valuable contribution made by the Trustees standing down this year, to the Board and the Diocese as a whole, is greatly appreciated.

Elections for new Trustees were held following Diocesan Synod in October 2018, and Mr Jim Johnson, Mr John Edwards, Mr Rob Cook and Mr Derek Bradley were elected (Mr Johnson and Mr Edwards having previously served as co-opted Directors).

All the Directors are also the Trustees and, when newly appointed, are given induction training. All Trustees are offered ongoing training, as appropriate.

Trustees' Responsibilities

The Trustees (who are also the Directors of Carlisle Diocesan Board of Finance Limited for the purposes of company law) are responsible for preparing the Trustees' Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Company law requires the Trustees to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the charitable company and the group and of the incoming resources and application of resources, including the income and expenditure of the charitable group, for that year. In preparing these financial statements the Trustees are required to:

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

The Trustees are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the charitable company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the corporate and trust assets of the charitable company and group ensuring their proper application under charity law and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

6.4 Decision-making Structure

Diocesan Synod has delegated the following functions to Carlisle DBF:

- Management of the funds and property of the Diocese;
- Preparation of annual estimates of expenditure;
- Advising on action needed to raise the income necessary to finance expenditure;
- Oversight of expenditure by bodies in receipt of Diocesan Synod's funds against estimates of expenditure approved by Diocesan Synod;
- Advising Diocesan Synod of the financial aspects of its policy and on any other matters referred to it; and
- Carrying out any other functions delegated by Diocesan Synod.

Finance Committee

The Trustees meet as the Finance Committee of Carlisle DBF six times a year. At these meetings they receive regular reports from the officers of the DBF and consider any matters for which they are responsible. The number of meetings (and proportion of those eligible for attendance) that each Trustee attended in 2018 was:

The Rt Revd James Newcome	5 (83%)
The Ven Richard Pratt	6 (100%)
The Ven Vernon Ross	6 (100%)
The Ven Lee Townend	5 (83%)
Mr David Dickinson	5 (83%)
Mr John Edwards	4 (100%)
The Revd Canon Martin Jayne	6 (100%)
Mr Jim Johnson	6 (100%)
The Revd Andrew Towner	3 (50%)
Mrs Gillian Troughton	4 (67%)

The Trustees have delegated responsibility for the day-to-day management of the company to the Diocesan Secretary who is supported by a small number of staff.

Committee Structure

There are a number of Diocesan Synod committees that, although not sub-committees of Carlisle DBF, can influence its operations.

Those following are statutory committees:

Carlisle Diocesan Board of Education has responsibility for 104 Church schools across the Diocese, provides pastoral and professional support to all its schools and has a particular commitment to enhancing the quality of provision for religious education, collective worship and the spiritual, moral, social, and cultural development of all pupils.

The Parsonages Board is responsible for determining policy concerning the management of parsonage houses in each benefice, including setting the policy for buying, repairing, maintaining and disposing of all parsonage houses, team vicarages and houses owned by Carlisle DBF. In Carlisle, the Diocesan Board of Finance is designated as the Diocesan Parsonages Board. A number of its functions are delegated to Archdeaconry Sub-Committees under the terms of a scheme passed by Diocesan Synod on 12th October 2013.

The Diocesan Pastoral Committee is responsible for the task of approving pastoral reorganisation, taking account of available clergy numbers and making use of new patterns of ministry. It also has responsibility for finding appropriate alternative uses for churches which have closed.

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

Carlisle Diocesan Board of Patronage is constituted under the provisions of the Patronage (Benefices) Measure 1986 and is sole patron or joint patron of a number of benefices.

6.5 Related Parties

General Synod

Carlisle DBF has to comply with Measures passed by the General Synod of the Church of England. General Synod is the legislative and deliberative body at national level, making decisions on matters of doctrine, the holding of church services and relations with other churches. General Synod passes measures which, if accepted by Parliament, have the effect of acts of Parliament. It is made up of three groups or houses of members: the Houses of Bishops, of Clergy and of Laity, and meets in London or York at least twice annually to consider legislation for the broader good of the Church.

Archbishops' Council

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

Carlisle DBF is required to make certain annual payments to the Archbishops' Council towards the running costs of the National Church according to a formula agreed by General Synod.

Church Commissioners

The Church Commissioners manage the historic assets of the Church of England, spending most of their income on pensions for the clergy. The costs of episcopal administration through the Diocesan and Suffragan Bishops are met by the Church Commissioners. The Church Commissioners also make grants to the Archbishops' Council for ministry in poorer dioceses and parishes.

Although Carlisle DBF is responsible for the funding of its clergy stipend costs, the national clergy payroll is administered by the Church Commissioners. Carlisle DBF reimburses the Church Commissioners monthly for the costs of stipendiary clergy deployed in the Diocese.

Church of England Pensions Board

The Church of England Pensions Board was established by the Church Assembly in 1926 as the Church of England's pensions' authority and to administer the pension scheme for the clergy. Subsequently it has been given wider powers, in respect of discretionary benefits and accommodation both for those retired from stipendiary ministry and for widows and widowers of those who have served in that ministry, and to administer pension schemes for lay employees of Church organisations.

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

Carlisle DBF contributes monthly to the Pensions Board for both the clergy and the lay pension schemes.

The Cathedral

The Cathedral Church of the Holy and Undivided Trinity is the mother church of the Diocese of Carlisle and legally is constituted as a separate charity currently exempt from Charity Commission registration and supervision. Copies of its Trustees' report and financial statements may be obtained from the Cathedral Office, 7 The Abbey, Carlisle, CA3 8TZ.

Parishes and Parochial Church Councils (PCCs)

The PCC is the elected governing body of an individual parish which broadly is the smallest pastoral area in the Church of England. Each PCC is an independent charity and most are currently excepted from registration with the Charity Commission. However, under the terms of the Charities Act 2011 those PCCs whose gross income for the year is above £100,000 are required to register. PCCs are able to influence the decision-making within Carlisle DBF and at Diocesan Synod level through representations and input of their Deanery Synods.

The main income of Carlisle DBF is the contribution, by way of the parish offer, from the 228 parishes of the Diocese. From 2009 the parish offer system has been based on voluntary offers made by parishes towards the costs of ministry incurred throughout the whole of the Diocese of Carlisle.

Except where shown, the transactions of PCCs do not form part of these financial statements. Financial statements of an individual PCC can be obtained from the relevant PCC treasurer.

6.6 Subsidiary Undertakings

Carlisle DBF is responsible for the operation of the Diocesan Conference Centre and Retreat House, Rydal Hall. This is achieved through Rydal Hall Limited, a wholly owned subsidiary of Carlisle DBF. The activities of the subsidiary are included in the consolidated financial statements.

Cumbria Christian Learning was established in 2016 by bringing together the Diocesan Training Team and the Lancashire and Cumbria Theological Partnership (LCTP) following the decisions of Blackburn Diocese and the University of Cumbria to withdraw from LCTP. This meant that LCTP became a subsidiary of Carlisle DBF. LCTP exists to support vocational discernment and to equip and enable ministry in all its forms. It provides learning and development for lay ministry, initial education for ordained ministry (IME1&2), continued ministerial education, leadership development, and pioneer ministry development.

On 31 January 2019, the staff, most of the activities, and net assets of Cumbria Christian Learning were transferred into the Carlisle Diocesan Board of Finance Limited. The IME1 activities will also transfer when accreditation contracts are novated during 2019.

6.7 Rydal Hydro Limited

Carlisle DBF owns 50% of the issued share capital of Rydal Hydro Limited, with Ellergreen Hydro Limited and Gilkes Hydro Limited the other 50%. The joint venture company has constructed a hydroelectricity generating plant within the grounds of Rydal Hall Limited providing a renewable source of electricity for Rydal Hall and the surrounding area as well as providing a significant return on the DBF's investment.

6.8 Other Connected Companies

Carlisle DBF has joined with the four other dioceses from the North West of England and with York Diocese to have equal shares in DBE Services Limited, a company formed to provide various services to schools. These include inspections, teaching and curriculum support, administrative services, building, equipment and construction support and insurance. DBE Services Limited has several employees with other staff employed by the participating dioceses who invoice the company for their time. The profits of DBE Services Limited are distributed to the shareholders by means of gift aid donations.

7. Funds Held as Custodian Trustee for Others

Carlisle DBF is required by Measure to be custodian trustee in relation to PCC property. Carlisle DBF also holds funds on behalf of Church of England schools in the Diocese. All assets held as custodian trustee are kept independently from the Company's own assets and their details are recorded in a separate trust ledger. The assets are mainly invested through CCLA Investment Management Limited in their range of CBF Church of England Funds or on deposit with major UK clearing banks.

At 31 December 2018 the total value of these funds was £9,485,000.

8. Reference and Administrative Details of the Carlisle Diocesan Board of Finance

In accordance with the Companies Act 2006 and the Statement of Recommended Practice: Accounting and Reporting by Charities issued in 2015 (SORP 2015), the Directors (for the purposes of company law) and the Trustees (for the purposes of charity law) during the year and as at the date of signing follow:

President	Rt Revd James Newcome
Chairman	Revd Canon M P Jayne (to 31 December 2018)
Acting Chairman	Mr J A E Johnson (from 1 January 2019)

Ex-officio Directors

The Right Reverend James Newcome, Bishop of Carlisle
The Venerable Dr R Pratt, Archdeacon of West Cumberland
The Venerable L S Townend, Archdeacon of Carlisle
The Venerable V Ross, Archdeacon of Westmorland and Furness

Elected by the Members

Mr D J Bradley (Appointed 1 January 2019)
Mr R Cook (Appointed 1 January 2019)
Mr D W Dickinson (Retired 31 December 2018)
Mr J Edwards (Appointed 1 January 2019)
Revd Canon M P Jayne (Resigned 31 December 2018)
Mr J A E Johnson (Appointed 1 January 2019)
The Revd A P J Towner
Mrs G M Troughton (Retired 31 December 2018)

Co-opted by the Directors

Mr J A E Johnson (to 31 December 2018)
Mr J Edwards (to 31 December 2018)

Secretary	Mr D Hurton
Head of Finance	Mr R Jaques
Director of Education	Mr M Mill
Registered Office	Diocesan Church House, 19-24 Friargate, Penrith, CA11 7XR
Telephone	01768 807777
Facsimile	01768 868918
Website	www.carlislediocese.org.uk
e-mail	enquiries@carlislediocese.org.uk
Company registration number	39625 (England & Wales)
Charity registration number	251977
Auditors	Dodd & Co Limited, FIFTEEN Rosehill, Montgomery Way, Carlisle, CA1 2RW
Bankers	HSBC plc, City Office, 29 English Street, Carlisle, CA3 8JT
Legal Adviser	Mrs J Lowdon Sintons, The Cube, Barrack Road, Newcastle Upon Tyne,

	NE4 6DB
Investment Advisers	CCLA Investment Management Ltd, Senator House 85 Queen Victoria Street London EC4V 4ET
Glebe Property Agents	Penrith Farmers' & Kidd's plc, Agricultural Hall, Skirsgill, Penrith, CA11 0DN
Glebe Property Agents (continued)	Savills, 64 Warwick Road, Carlisle CA1 1DR
	Walton Goodland Ltd, 10 Lowther Street, Carlisle, CA3 8DA

9. Auditors

The Trustees as a Board confirm that to the best of their knowledge there is no information relevant to the audit of which the auditors are unaware. In addition the Trustees have taken all reasonable steps to ensure that they themselves are aware of all relevant audit information and that this information has been communicated to the auditors.

A resolution to reappoint Dodd & Co Limited as auditors to the company and to authorise the Trustees to fix their remuneration will be proposed at the Annual General Meeting.

The Directors' and Trustees' annual report, together with the strategic report which is incorporated into the Directors' and Trustees' annual report, have been approved by the Directors/Trustees and signed on their behalf by:

Mr J A E Johnson
Director and Trustee

18th June 2019

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

Opinion

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

In our opinion, the financial statements:

- give a true and fair view of the state of the Charity's affairs as at 31 December 2018 and of its incoming resources and application of resources for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

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

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

Other information

The trustees are responsible for the other information. The other information comprises the information included in the annual report other than the financial statements and our auditor's

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

report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the trustees' report (incorporating the strategic report and the directors' report) for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the trustees' report (incorporating the strategic report and the directors' report) have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

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

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

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

Responsibilities of the trustees

As explained more fully in the trustees' responsibilities statement, the trustees 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 they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Our responsibilities for the audit of the financial statements

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

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

Use of our report

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

.....

Faye Armstrong

Senior Statutory Auditor

for and on behalf of:
Dodd & Co Limited, Statutory Auditor
FIFTEEN Rosehill
Montgomery Way
Rosehill Estate
CARLISLE
CA1 2RW

16/9/19

CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES
For the year ended 31 December 2018

	Note	Unrestricted funds General £'000	Unrestricted funds Designated £'000	Restricted Funds £'000	Endowment Funds £'000	Total funds 2018 £'000	Total funds 2017 £'000
Income and endowments from							
Donations	2						
Parish contributions		4,792	-	-	-	4,792	4,874
Archbishop's Council		1,015	-	44	-	1,059	1,033
Other donations		169	13	19	163	364	178
Charitable activities	3						
Fees & chaplaincy income		519	45	13	-	577	640
Rydal Hall	15	-	913	-	-	913	941
Sales of goods & services	3	4	198	-	-	202	187
Other activities	4	311	-	-	-	311	220
Investments	5	832	48	278	-	1,158	906
Other sources	6	-	-	89	40	129	365
Total		7,642	1,217	443	203	9,505	9,344
Expenditure on							
Raising funds	7	161	-	5	-	166	151
Charitable activities							
Resourcing ministry & mission	8	6,112	715	241	-	7,068	7,090
Education	9	266	-	90	-	356	419
Rydal Hall	15	22	889	-	-	911	1,026
Other purposes	10	-	-	-	-	-	27
Total	12	6,561	1,604	336	-	8,501	8,713
Net income/(expenditure) before investment gains		1,081	(387)	107	203	1,004	631
Net gains/(losses) on investments		(4)	(21)	(79)	186	82	2,959
Net income/(expenditure)		1,077	(408)	28	389	1,086	3,590
Transfers between funds	22	(577)	641	(290)	226	-	-
Other recognised gains/(losses)							
Gains/(losses) on revaluation of fixed assets		-	-	88	-	88	(20)
Actuarial gains/(losses) on defined benefit pension schemes		(8)	-	-	-	(8)	447
Net movement in funds		492	233	(174)	615	1,166	4,017
Total funds brought forward		1,503	1,123	19,006	52,197	73,829	69,812
Total funds carried forward		1,995	1,356	18,832	52,812	74,995	73,829

All activities derive from continuing activities. The notes on pages 28 to 56 form part of the financial statements.

CARLISLE DIOCESAN BOARD OF FINANCE

CHARITY STATEMENT OF THE FINANCIAL ACTIVITIES
For the year ended 31 December 2018

	Note	Unrestricted funds General £'000	Unrestricted funds Designated £'000	Restricted Funds £'000	Endowment Funds £'000	Total funds 2018 £'000	Total funds 2017 £'000
Income and endowments from							
Donations	2						
Parish contributions		4,792	-	-	-	4,792	4,874
Archbishop's Council		1,015	-	44	-	1,059	1,033
Other donations		169	8	19	163	359	178
Charitable activities	3						
Fees & chaplaincy income		519	-	13	-	532	564
Rydal Hall	15	60	-	-	-	60	60
Sales of goods & services	3	4	198	-	-	202	187
Other activities	4	311	-	-	-	311	220
Investments	5	832	47	278	-	1,157	906
Other	6	-	-	89	40	129	365
Total		7,702	253	443	203	8,601	8,387
Expenditure on							
Raising funds	7	161	-	5	-	166	151
Charitable activities							
Resourcing ministry & mission	8	6,588	267	241	-	7,096	7,023
Education	9	266	-	90	-	356	419
Rydal Hall	15	22	2	-	-	24	20
Other	10	-	-	-	-	-	27
Total		7,037	269	336	-	7,642	7,640
Net income/(expenditure) before investment gains		665	(16)	107	203	959	747
Net gains/(losses) on investments		(4)	(51)	(79)	186	52	2,747
Net income/(expenditure)		661	(67)	28	389	1,011	3,494
Transfers between funds	22	(161)	225	(290)	226	-	-
Other recognised gains/(losses)							
Gains/(losses) on revaluation of fixed assets		-	-	88	-	88	(20)
Actuarial gains/(losses) on defined benefit pension schemes		(8)	-	-	-	(8)	447
Net movement in funds		492	158	(174)	615	1,091	3,921
Total funds brought forward		1,503	1,213	19,006	52,197	73,919	69,998
Total funds carried forward		1,995	1,371	18,832	52,812	75,010	73,919

All activities derive from continuing activities. The notes on pages 28 to 56 form part of the financial statements.

CARLISLE DIOCESAN BOARD OF FINANCE

CONSOLIDATED SUMMARY INCOME AND EXPENDITURE ACCOUNT
For the year ended 31 December 2018

	Total 2018 £'000	Total 2017 £'000
Total income per reconciliation below	9,283	13,224
Resources expended per reconciliation below	(8,727)	(9,442)
Operating surplus for the year	556	3,782
Interest receivable	19	17
Net gains/(losses) on investments	(104)	381
Net income for the year	471	4,180
Other comprehensive income:		
Revaluation of fixed assets	88	(20)
Actuarial gains/(losses) on defined benefit pension schemes	(8)	447
Total comprehensive income for the year	551	4,607

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.

Reconciliation of Summary Income and Expenditure to SOFA	Total 2018 £'000	Total 2017 £'000
Total incoming resources per SOFA	9,505	9,344
Less: interest receivable	(19)	(17)
total endowment additions	(203)	(284)
Add: endowment capital transferred to income funds	-	4,181
Total income per above	9,283	13,224
Resources expended per SOFA	8,501	8,713
Less: expenditure charged to endowment capital	-	(27)
Add: income funds reclassified as endowment capital	226	756
Total expenditure per above	8,727	9,442

CARLISLE DIOCESAN BOARD OF FINANCE

CONSOLIDATED BALANCE SHEET
At 31 December 2018

Company Number – 39625

	Note	2018 £'000	2018 £'000	2017 £'000	2017 £'000
FIXED ASSETS					
Tangible assets	23		44,718		44,842
Investments	24		31,728		30,140
			76,446		74,982
CURRENT ASSETS					
Stock		6		9	
Debtors	25	1,881		1,637	
Cash on deposit	26	1,080		1,432	
Cash at bank and in hand		910		735	
		3,877		3,813	
CREDITORS: amounts falling due within one year	27	(3,114)		(2,714)	
NET CURRENT ASSETS			763		1,099
TOTAL ASSETS LESS CURRENT LIABILITIES			77,209		76,081
CREDITORS: amounts falling due after more than one year					
Pension scheme liabilities	28	(1,514)		(1,652)	
Other creditors		(700)		(600)	
			(2,214)		(2,252)
Provisions for liabilities	29		-		-
NET ASSETS			74,995		73,829
FUNDS					
Endowment funds					
(Including investment revaluation reserve of £30,801,000 (2017: £30,615,000)			52,812		52,197
Restricted income funds					
(Including investment revaluation reserve of £5,417,000 (2017: £5,408,000)			18,832		19,006
Unrestricted income funds:					
General funds (Including revaluation reserve of £564,000 (2017: £517,000)			1,995		1,503
Designated funds (Including revaluation reserve of £364,000 (2017: £414,000)			1,356		1,123
TOTAL FUNDS	30		74,995		73,829

The Cash Flow Statement and the Notes form part of these financial statements. The financial statements were approved by the Trustees and authorised for issue on and signed on behalf of the Board by:

Mr J.A.E. Johnson

CARLISLE DIOCESAN BOARD OF FINANCE

CHARITY BALANCE SHEET
At 31 December 2018

Company Number – 39625

	Note	2018 £'000	2018 £'000	2017 £'000	2017 £'000
FIXED ASSETS					
Tangible assets	23		44,646		44,812
Investments	24		31,736		30,179
			76,382		74,991
CURRENT ASSETS					
Debtors	25	1,809		1,599	
Subsidiary companies		244		333	
Cash on deposit	26	993		1,160	
Cash at bank and in hand		729		631	
		3,775		3,723	
CREDITORS: amounts falling due within one year	27	(2,933)		(2,543)	
NET CURRENT ASSETS			842		1,180
TOTAL ASSETS LESS CURRENT LIABILITIES			77,224		76,171
CREDITORS: amounts falling due after more than one year					
Pension scheme liabilities	28	(1,514)		(1,652)	
Other creditors		(700)		(600)	
			(2,214)		(2,252)
NET ASSETS			75,010		73,919
FUNDS					
Endowment funds					
(Including investment revaluation reserve of £30,801,000 (2017: £30,615,000)			52,812		52,197
Restricted income funds					
(Including investment revaluation reserve of £5,417,000 (2017: £5,408,000)			18,832		19,006
Unrestricted income funds:					
General funds (Including revaluation reserve of £564,000 (2017: £517,000)			1,995		1,503
Designated funds (Including revaluation reserve of £364,000 (2017: £414,000)			1,371		1,213
TOTAL FUNDS			75,010		73,919

The Cash Flow Statement and the Notes form part of these financial statements. The financial statements were approved by the Trustees and authorised for issue on and signed on behalf of the Board by:

Mr J.A.E. Johnson

CARLISLE DIOCESAN BOARD OF FINANCE

CASH FLOW STATEMENT
For the year ended 31 December 2018

	2018		2017	
	£'000	£'000	£'000	£'000
Net cash inflow/(outflow) from operating activities		103		(814)
Cash flows from investing activities				
Dividends, interest and rent from investments	1,158		906	
Interest paid	(14)		(14)	
Proceeds from the sale of:				
Tangible fixed assets	328		1,297	
Investments	69		296	
Purchase of:				
Tangible fixed assets	(56)		(39)	
Fixed asset investments	(1,665)		(2,418)	
Movement on deposit fund investments	-		-	
Net cash provided by/(used in) investing activities		(180)		28
Cash flows from financing activities				
Repayment of loans	(100)		(100)	
New loans received	-		-	
Adjustments to loans payable	-		-	
Net cash provided by/(used in) financing activities		(100)		(100)
Change in cash and cash equivalents in the reporting period		(177)		(886)
Cash and cash equivalents at 1 January		2,167		3,053
Cash and cash equivalents at 31 December		1,990		2,167
Reconciliation of net movements in funds to net cash flow from operating activities				
Net movement in funds for the year ended 31 December		1,004		631
Adjustments for:				
Depreciation charges		30		45
Dividends, interest and rent from investments		(1,158)		(906)
Interest paid		14		14
Repayment of loans advanced		212		267
Advancement of loans		(73)		(19)
Loss/(profit) on sale of functional assets		(88)		(287)
Share of (profit)/loss in joint venture		(51)		(113)
Actuarial gains/(losses) on defined benefit pensions		(8)		447
Decrease/(increase) in stock		3		(4)
Decrease/(increase) in debtors		(244)		(442)
Increase/(decrease) in creditors		462		(447)
Net cash provided by/(used in) operating activities		103		(814)
Analysis of cash and cash equivalents				
Cash in hand		910		735
Notice deposits (less than 3 months)		1,080		1,432
		1,990		2,167

1. ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention, with the exception of freehold properties, which are included as determined under the applicable valuation method as detailed in c), and fixed asset investments, which are included at their market value at the balance sheet date. The financial statements have been prepared in accordance with the Statement of Recommended Practice for Charities (SORP 2015), the Companies Act 2006 and applicable accounting standards (FRS102).

The principle accounting policies and estimation techniques are as follows:

a) Consolidation

Consolidated financial statements have been prepared on a line by line basis in accordance with FRS102. The consolidated financial statements incorporate the accounts of:

The Carlisle Diocesan Board of Finance Limited (Carlisle DBF); and
The wholly owned subsidiary company, Rydal Hall Limited; and
The wholly owned subsidiary company, Lancashire & Cumbria Theological Partnership (Income and expenditure consolidated from 1 September 2016 when it became wholly owned).

b) Income

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

i) **Parish Offer and parochial fees** are recognised as income of the year in which it is received or within one month after the financial year end.

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) **Donations** other than grants are recognised when receivable.

vi) **Gains on disposal of fixed assets for the DBF's own use** (i.e. non-investment assets) are accounted for as other income. Losses on disposal of such assets are accounted for as other expenditure.

1. ACCOUNTING POLICIES (continued)

vii) **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.

c) 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** include investment management costs of glebe and any other investment properties and interest costs on defined benefit pension scheme liabilities.

ii) **Charitable expenditure** is analysed between contributions to the Archbishops' Council, expenditure on resourcing mission and ministry in the parishes of the diocese, expenditure relating to the running of the diocesan retreat centre, and expenditure on education and Church of England schools in the diocese.

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 DBF, 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. 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 DBF's staff are members of the Church Workers Pension Fund and Clergy are members of the Church of England Funded Pensions Scheme (see note 31). The pension costs charged as resources expended represent the DBF's contributions payable in respect of the accounting period, in accordance with FRS102. Deficit funding for the pension schemes to which DBF participates is accrued at current value in creditors distinguished between contributions falling due within one year and after more than one year.

1. ACCOUNTING POLICIES (continued)

d) Tangible fixed assets and depreciation

Freehold properties
Depreciation is not provided on buildings as any provision (annual or cumulative) would not be material due to the very long expected remaining useful economic life in each case, and because their expected residual value is not materially less than their carrying value. The DBF 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 FRS102 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 DBF has followed the requirements of FRS102 in its accounting treatment for benefice houses (parsonages). FRS102 requires the accounting treatment to follow the substance of arrangements rather than their strict legal form. The DBF 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 carry them at their deemed cost at a fair valuation at 1 January 2014.

e) Other tangible fixed assets

All capital expenditure over £1,000 is capitalised and depreciated. 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:-

DBF furniture, fittings, equipment and computers	10% to 20% per annum on a straight line basis;
Rydal Hall furniture, fittings, equipment and plant	10-25% per annum on a straight line basis.

1. ACCOUNTING POLICIES (continued)

f) Other accounting policies

i) **Fixed asset investments** are included in the balance sheet at market value and the gain or loss taken to the Statement of Financial Activities.

ii) **Leases**. The DBF has entered only into operating lease arrangements for the use of certain assets, the rental for which is charged in full as expenditure in the year to which it relates. Where rent free periods are given as part of an operating lease, the impact of this rent free period is reflected in the Statement of Financial Activities over the shorter of the overall lease term or first break clause whichever is shorter in time.

g) Fund balances

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

- **Unrestricted funds** are the DBF's corporate funds and are freely available for any purpose within the charitable company's objects, at the discretion of the DBF. There are two types of unrestricted funds:
  - **General funds** which the DBF intends to use for the general purposes of the DBF; and
  - **Designated funds** set aside out of unrestricted funds by the DBF for a purpose specified by the Trustees.
- **Restricted funds** are income funds subject to conditions imposed by the donor as specific terms of trust, or else by legal measure.
- **Endowment funds** are those held on trust to be retained for the benefit of the charitable company as a capital fund. In the case of the endowment funds administered by the DBF (Parsonage Houses Fund and Retired Clergy and Dependants 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.

"Special trusts" (as defined by the Charities Act 2011) and any other trusts where the company acts as trustee and controls the management and use of the funds, are included in the company's own financial statements as charity branches. Trusts where the DBF acts merely as custodian trustee with no control over the management of the funds are not included in the financial statements but are summarised in the notes to the financial statements.

2. DONATIONS

Parish Contributions

The majority of donations are collected from the parishes of the diocese through the parish offer system.

	Unrestricted funds		Restricted	Endowment	Total funds	
	General	Designated	Funds	Funds	2018	2017
	£'000	£'000	£'000	£'000	£'000	£'000
Current year						
Offer	4,883	-	-	-	4,883	4,914
Shortfall in contributions	(126)	-	-	-	(126)	(49)
	4,757	-	-	-	4,757	4,865
Receipts for previous years	35	-	-	-	35	9
Total Income	4,792	-	-	-	4,792	4,874

Total receipts (including for previous years) represent 98.1% of the parish offer (2017 – 99.2%).

Archbishop's Council

	Unrestricted funds		Restricted	Endowment	Total funds	
	General	Designated	Funds	Funds	2018	2017
	£'000	£'000	£'000	£'000	£'000	£'000
LINC allocation	604	-	-	-	604	617
Strategic Development Grant	262	-	-	-	262	297
Restructure Grant	129	-	-	-	129	110
Other grants	20	-	44	-	64	9
	1,015	-	44	-	1,059	1,033

Other donations

	Unrestricted funds		Restricted	Endowment	Total funds	
	General	Designated	Funds	Funds	2018	2017
	£'000	£'000	£'000	£'000	£'000	£'000
All Churches Trust	99	-	-	-	99	99
Other grants	1	-	18	-	19	47
Donations	69	8	-	-	77	32
Legacies	-		1	163	164	
Sundry appeals	-	-	-	-	-	-
	169	8	19	163	359	178

3. CHARITABLE ACTIVITIES

Fees and chaplaincy income

	Unrestricted funds		Restricted	Endowment	Total funds	
	General	Designated	Funds	Funds	2018	2017
	£'000	£'000	£'000	£'000	£'000	£'000
Statutory fees	440	-	-	-	440	476
Chaplaincy	78	-	-	-	78	66
Course and other fees	1	-	13	-	14	22
Company Total	519	-	13	-	532	564
Course and other fees	-	45	-	-	45	76
Group Total	519	45	13	-	577	640

Other sales

	Unrestricted funds		Restricted	Endowment	Total funds	
	General	Designated	Funds	Funds	2018	2017
	£'000	£'000	£'000	£'000	£'000	£'000
Printing and advertising	4	-	-	-	4	3
Diocesan Opshops	-	198	-	-	198	184
Education services	-	-	-	-	-	-
	4	198	-	-	202	187

4. OTHER TRADING ACTIVITIES

	Unrestricted funds		Restricted	Endowment	Total funds	
	General	Designated	Funds	Funds	2018	2017
	£'000	£'000	£'000	£'000	£'000	£'000
Parsonage rents	311	-	-	-	311	220
	311	-	-	-	311	220

5. INVESTMENT INCOME

	Unrestricted funds		Restricted	Endowment	Total funds	
	General	Designated	Funds	Funds	2018	2017
	£'000	£'000	£'000	£'000	£'000	£'000
Dividends receivable	450	47	206	-	703	463
Interest receivable	8	-	10	-	18	17
Share of Joint Venture Income	51	-	-	-	51	114
Rents receivable	323	-	62	-	385	312
Company total	832	47	278	-	1,157	906
Subsidiary's interest	-	1	-	-	1	-
Consolidated total	832	48	278	-	1,158	906

6. OTHER INCOMING RESOURCES

	Unrestricted funds		Restricted	Endowment	Total funds	
	General	Designated	Funds	Funds	2018	2017
	£'000	£'000	£'000	£'000	£'000	£'000
Gain on sale of properties	-	-	89	40	129	307
Sales of redundant churches	-	-	-	-	-	58
	-	-	89	40	129	365

7. RAISING FUNDS

	Unrestricted funds		Restricted	Endowment	Total funds	
	General	Designated	Funds	Funds	2018	2017
	£'000	£'000	£'000	£'000	£'000	£'000
Investment management	117	-	5	-	122	111
Generating voluntary income	44	-	-	-	44	40
	161	-	5	-	166	151

8. RESOURCING MISSION AND MINISTRY

Ministry in the communities – stipend costs

	Unrestricted funds		Restricted	Endowment	Total funds	
	General	Designated	Funds	Funds	2018	2017
	£'000	£'000	£'000	£'000	£'000	£'000
Stipends	2,269	-	-	-	2,269	2,420
National insurance/Ap. Levy	148	-	-	-	148	191
Pension costs	445	-	-	-	445	584
Removal, resettlement & other grants	98	-	-	-	98	119
Other costs	221	-	-	-	221	197
	3,181	-	-	-	3,181	3,511

Ministry in the communities – housing costs

	Unrestricted funds		Restricted	Endowment	Total funds	
	General	Designated	Funds	Funds	2018	2017
	£'000	£'000	£'000	£'000	£'000	£'000
Repairs & improvements	682	-	-	-	682	578
Council tax	239	-	-	-	239	226
Water charges	59	-	-	-	59	61
Insurance	29	-	-	-	29	29
Rent payable	5	-	-	-	5	1
Other costs	156		-	-	156	158
	1,170	-	-	-	1,170	1,053
	4,351	-	-	-	4,351	4,564

8. RESOURCING MISSION AND MINISTRY (continued)

Support for ministry

	Unrestricted funds		Restricted	Endowment	Total funds	
	General	Designated	Funds	Funds	2018	2017
	£'000	£'000	£'000	£'000	£'000	£'000
Lay ministry & chaplaincies						
Network Youth Ministers	190	-	-	-	190	191
Chaplains	28	-	-	-	28	44
	218	-	-	-	218	235
Training & ministry development						
Ordained ministry:-						
Ordinands	299	-	41	-	340	287
Grants to CCL	504	-	-	-	504	437
Curates	-	-	-	-	-	-
Ministry development	-	-	-	-	-	-
Lay training	-	-	-	-	-	-
	803	-	41	-	844	724
Opshops network	14	245	-	-	259	207
God For All strategy						
Support for local churches	-	22	29	-	51	98
Reach Team	317	-	17	-	334	310
Pioneering ministries	18	-	-	-	18	22
	335	22	46	-	403	430
Care for church buildings	41	-	88	-	129	72
Ministry support						
National Church	263	-	-	-	263	253
Diocesan Church	542	-	-	-	542	443
Partnerships	21	-	-	-	21	24
Retired clergy	-	-	66	-	66	71
	826	-	66	-	892	791
Total support for ministry	2,237	267	241	-	2,745	2,459
Total Company resourcing mission & ministry	6,588	267	241	-	7,096	7,023
Training & ministry development –						
Ministry development	(476)	448	-	-	(28)	67
Total Group resourcing mission & ministry	6,112	715	241	-	7,068	7,090

9. EDUCATION

	Unrestricted funds		Restricted	Endowment	Total funds	
	General	Designated	Funds	Funds	2018	2017
	£'000	£'000	£'000	£'000	£'000	£'000
Support for church schools	253	-	90	-	343	400
Multi Academy Trust support	13	-	-	-	13	19
Grants to church schools	-	-	-	-	-	-
	266	-	90	-	356	419

10. OTHER RESOURCES EXPENDED

	Unrestricted funds		Restricted	Endowment	Total funds	
	General	Designated	Funds	Funds	2018	2017
	£'000	£'000	£'000	£'000	£'000	£'000
Deficit on fixed assets	-	-	-	-	-	27
Company total	-	-	-	-	-	27
Share of loss of joint venture	-	-	-	-	-	-
Consolidated total	-	-	-	-	-	27

11. ANALYSIS OF CONTRIBUTIONS TO ARCHBISHOPS' COUNCIL

	Unrestricted funds		Restricted	Endowment	Total funds	
	General	Designated	Funds	Funds	2018	2017
	£'000	£'000	£'000	£'000	£'000	£'000
National Church	163	-	-	-	163	158
Grants & provisions	18	-	-	-	18	17
Mission Agency pensions	2	-	-	-	2	2
Retired clergy housing	69	-	-	-	69	65
	252	-	-	-	252	242

12. ANALYSIS OF EXPENDITURE INCLUDING ALLOCATION OF SUPPORT COSTS

	Activities Undertaken Directly £'000	Grant Funding of Activities £'000	Support Costs £'000	Total costs 2018 £'000	Total costs 2017 £'000
Raising funds	95	-	71	166	151
Charitable activities:					
Resourcing Mission & Ministry	6,183	524	361	7,068	7,090
Education	300	-	56	356	419
Rydal Hall	889	-	22	911	1,026
Other	-	-	-	-	27
	7,467	524	510	8,501	8,713

13. ANALYSIS OF SUPPORT COSTS

	Unrestricted funds General £'000	Unrestricted funds Designated £'000	Restricted Funds £'000	Endowment Funds £'000	Total funds 2018 £'000	Total funds 2017 £'000
Finance and administration	250	-	-	-	250	205
Interest cost on defined benefit pension schemes	26	-	-	-	26	39
Management costs	91	-	-	-	91	83
Human resources	65	-	-	-	65	47
Auditor's remuneration	12	-	-	-	12	12
Governance	66	-	-	-	66	67
	510	-	-	-	510	453

14. ANALYSIS OF GRANTS MADE

	Grants to Institutions £'000	Grants to Individuals £'000	Total 2018 £'000	Total 2017 £'000
From unrestricted funds:				
Contributions to Archbishops' Council	252	-	252	242
From restricted funds:				
Resourcing ministry and mission:				
Grants to parishes	28	-	28	32
Grants for ordinands	-	79	79	66
Grants to clergy	-	99	99	120
Grants to retired clergy	-	64	64	68
	280	242	522	528

15. RYDAL HALL

Rydal Hall Ltd is a wholly owned subsidiary company incorporated in England. On 21 December 2017 it became a registered charity. It is the sole owner of a newly established trading company, Rydal Hall Trading Ltd. Its principal activity is the operation of the Carlisle Diocesan Retreat House and Conference Centre at Rydal Hall, Ambleside. Rydal Hall is owned by the Carlisle DBF and leased to the subsidiary. Any taxable profits made by the subsidiary are donated to the DBF. Audited accounts are filed annually with Companies House. A summary of consolidated trading results is shown below.

	Unrestricted funds		Restricted	Endowment	Total funds	
	General	Designated	Funds	Funds	2018	2017
	£'000	£'000	£'000	£'000	£'000	£'000
Turnover	-	913	-	-	913	934
Other operating income	-	4	-	-	4	7
	-	917	-	-	917	941
Interest receivable	-	1	-	-	1	-
Total income	-	918	-	-	918	941
Cost of sales	-	122	-	-	122	135
Administrative expenses	-	826	-	-	826	905
Total expenditure	-	948	-	-	948	1,040
Profit on ordinary activities before tax	-	(30)	-	-	(30)	(99)
Taxation	-	-	-	-	-	(25)
Profit on ordinary activities after tax	-	(30)	-	-	(30)	(124)
Retained profits b/f	-	(231)	-	-	(231)	(107)
Retained profits c/f	-	(261)	-	-	(261)	(231)
Other reserves	-	269	-	-	269	269
Total funds carried forward	-	8	-	-	8	38
Fixed assets	-	72	-	-	72	30
Net current assets	-	(64)	-	-	(64)	8
Liabilities	-	-	-	-	-	-
Net assets	-	8	-	-	8	38

Included in administrative costs above are payments to the DBF of £60,000 rent.

16. RYDAL HYDRO LIMITED

Carlisle DBF owns a 50% share of Rydal Hydro Limited as a joint venture after investing £700,000 in the issued share capital of the company. Rydal Hydro Limited was incorporated in England on 26th February 2014 in order to construct a hydroelectric plant on Rydal Beck in the grounds of Rydal Hall to generate renewable electricity. The DBF's share of the results and net assets of Rydal Hydro Limited are shown below.

	Unrestricted funds		Restricted	Endowment	Total funds	
	General	Designated	Funds	Funds	2018	2017
	£'000	£'000	£'000	£'000	£'000	£'000
Turnover	190	-	-	-	190	218
Cost of sales	(7)	-	-	-	(7)	(6)
Gross profit	183	-	-	-	183	212
Administrative expenses	(66)	-	-	-	(66)	(66)
Operating profit	117	-	-	-	117	146
Interest payable	-	-	-	-	-	(4)
Profit/(Loss) on ordinary activities before tax	117	-	-	-	117	142
Taxation	(24)	-	-	-	(24)	(27)
Profit/(loss) for the year	93	-	-	-	93	115
Retained profits b/f	196	-	-	-	196	81
Dividends paid	(42)				(42)	
Retained profits c/f	247	-	-	-	247	196
Called up share capital	7	-	-	-	7	7
Share premium account	693	-	-	-	693	693
Total funds carried forward	947	-	-	-	947	896
Fixed assets	943	-	-	-	943	963
Net current assets	68	-	-	-	68	75
Creditors falling due after more than one year	(64)	-	-	-	(64)	(142)
Net assets	947	-	-	-	947	896

17. CUMBRIA CHRISTIAN LEARNING LIMITED (Previously called LANCASHIRE & CUMBRIA THEOLOGICAL PARTNERSHIP LIMITED)

On 1 September 2016 the Carlisle DBF took full control of the Lancashire & Cumbria Theological Partnership (now called Cumbria Christian Learning Ltd), a company limited by guarantee and a registered charity. The balance sheet at 31 December 2017 and 2018 has been consolidated into the Group balance sheet, and income and expenditure arising since 1 September 2016 has been consolidated into the Group statement of financial activities. 2017 below therefore represents 16 months.

In 2018 the decision was taken to bring the net assets, staff, and activities back into the Carlisle Diocesan Board of Finance. This transfer took place on 31 January 2019.

	Unrestricted funds		Restricted	Endowment		
	General	Designated	Funds	Funds	2018	2017 (16 months)
	£'000	£'000	£'000	£'000	£'000	£'000
Income from:						
Charitable activities	-	521	-	-	521	454
Total income	-	521	-	-	521	454
Resources expended:						
Costs of training	-	(448)	-	-	(448)	(446)
Net income for the year	-	73	-	-	73	8
Retained funds b/f	-	(88)	-	-	(88)	(96)
Retained funds c/f	-	(15)	-	-	(15)	(88)
Fixed assets	-	-	-	-	-	-
Net current assets	-	(15)	-	-	(15)	(88)
Creditors falling due after more than one year	-	-	-	-	-	-
Net assets	-	(15)	-	-	(15)	(88)

18. TAXATION

Carlisle DBF is a registered charity and has no liability to corporation tax.
The analysis of the tax charge of the Rydal Hall subsidiary company is:

	2018 £'000	2017 £'000
Current tax:		
Corporation tax	-	-
Deferred tax charge / (credit)	-	25
Tax charge / (credit) on profits on ordinary activities	-	25

19. STAFF COSTS

	2018 £'000	2017 £'000
Employee costs during the year were as follows:		
Wages and salaries	1,774	1,680
National insurance contributions	138	136
Employer's contributions to defined benefit pension schemes	281	249
	2,193	2,065

The average number of persons employed by the group during the year:	Number	Number
Resourcing ministry and mission	37	35
Education	4	4
Opshops	10	7
Cumbria Christian Learning	8	8
Rydal Hall staff	19	18
Rydal Hall community	15	13
	93	85

The average number of persons employed by the group during the year based on full-time equivalents:	Number	Number
Resourcing ministry and mission	30	26
Education	3	3
Opshops	6	5
Lancaster & Cumbria Theological Partnership	7	6
Rydal Hall staff	15	14
Rydal Hall community	12	11
	73	65

The numbers of staff whose emoluments (including benefits in kind but excluding pension contributions) amounted to more than £60,000 were as follows:	Number	Number
£60,000 - £70,000	-	1
£70,000 - £80,000	1	-

20. COSTS OF STIPENDIARY CLERGY

Carlisle DBF is responsible for funding, via the Church Commissioners, the stipends of licensed stipendiary clergy in the diocese, other than bishops and cathedral staff. The DBF is also responsible for the provision of housing for stipendiary clergy in the diocese including the Suffragan Bishop but excluding the Diocesan Bishop and cathedral staff.

The stipends of the Diocesan Bishop and Suffragan Bishop, funded by the Church Commissioners, are in the range £50,000 - £55,000 (2017 range £50,000 - £55,000). The annual rate of stipend, funded by Carlisle DBF, paid to Archdeacons in 2018 was £35,225 (2017 - £34,570). The Diocesan standard stipend for 2018 was £25,928 (2017 - £25,495).

Carlisle DBF paid an average of 86 (2017 – 99) stipendiary clergy as office-holders holding parochial or diocesan appointments in the diocese and the costs were as follows:

	2018 £'000	2017 £'000
Stipends	2,247	2,522
National insurance contributions	178	198
Employer's contributions to defined benefit pension schemes:		
Current year	612	637
Deficit reduction	260	348
	3,297	3,705

21. REMUNERATION OF TRUSTEES AND OTHER KEY MANAGEMENT PERSONNEL

Trustees' emoluments
No Trustee received any remuneration for services as Trustee. The Trustees received travelling and out of pocket expenses, totalling £30,000 (2017 - £24,000) in respect of General Synod duties, duties as archdeacon and other duties as Trustees.

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

	Stipend	Housing
The Right Revd James Newcome	Yes	Yes
The Venerable Dr R Pratt	Yes	Yes
The Venerable V Ross	Yes	Yes
The Venerable L S Townend	Yes	Yes

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
Director of Education
Head of Finance

Remuneration, pensions and expenses for these 3 employees (2017: 3) amounted to £233,000 (2017: £233,000).

22. ANALYSIS OF TRANSFERS BETWEEN FUNDS

	Unrestricted funds		Restricted Funds	Endowment Funds
	General £'000	Designated £'000	£'000	£'000
Transfer to Stipends Income Fund	76	-	(76)	-
From Barchester Fund for Educational support	157	-	(157)	-
Transfer from Pastoral a/c for housing costs	57	-	(57)	-
Support of OpShops from General Fund	(225)	225	-	-
From General Fund to Stipends Capital Fund for reduction of clergy pensions deficit	(226)	-	-	226
Net transfers between funds	(161)	225	(290)	226
Income from Rydal Hall	60	(60)	-	-
Grant to Cumbria Christian Learning	(476)	476	-	-
Group Net transfers between funds	(577)	641	(290)	226

23. TANGIBLE FIXED ASSETS

Consolidated	Freehold Land and Buildings £'000	Parsonages Houses £'000	Freehold Improvements £'000	Furniture and Equipment £'000	Total £'000
Cost or valuation					
At 1st January 2018	10,296	34,443	74	436	45,249
Additions	-	-	38	18	56
Transfers	-	-	-	-	-
Disposals	(240)	-	-	-	(240)
Revaluations	90	-	-	-	90
At 31st December 2018	10,146	34,443	112	454	45,155
Depreciation					
At 1st January 2018	-	-	52	355	407
Disposals	-	-	-	-	-
Depreciation for the year	-	-	11	19	30
At 31st December 2018	-	-	63	374	437
Net Book Value:					
At 31st December 2018	10,146	34,443	49	80	44,718
At 31st December 2017	10,296	34,443	22	81	44,842

23. TANGIBLE FIXED ASSETS (continued)

Company

	Freehold Land and Buildings	Parsonages Houses	Freehold Improvements	Furniture and Equipment	Total
	£'000	£'000	£'000	£'000	£'000
Cost or valuation					
At 1st January 2018	10,296	34,443	-	116	44,855
Additions	-	-	-	1	1
Transfers	-	-	-	-	-
Disposals	(240)	-	-	-	(240)
Revaluations	90	-	-	-	90
At 31st December 2018	10,146	34,443	-	117	44,706
Depreciation					
At 1st January 2018	-	-	-	43	43
Disposals	-	-	-	-	-
Depreciation for the year	-	-	-	17	17
At 31st December 2018	-	-	-	60	60
Net Book Value:					
At 31st December 2018	10,146	34,443	-	57	44,646
At 31st December 2017	10,296	34,443	-	73	44,812

All of the properties in the balance sheet are freehold and are vested in Carlisle DBF, except for benefice houses which are vested in the incumbent. Land and buildings at 31 December 2018 are valued at fair value as deemed cost as at 31st December 2013 or subsequent cost. Properties are subject to a five-year cycle of survey and consequent repairs are charged as expenditure.

24. INVESTMENTS

FIXED ASSET INVESTMENTS

Consolidated	Value at 1st January 2018 £'000	Additions £'000	Disposals £'000	Transfers £'000	Change in Market Value £'000	Value at 31st December 2018 £'000
Unrestricted Funds						
Investment in joint ventures	982	-	(87)	-	51	946
CBF Investment Fund	255	-	-	-	(3)	252
	1,237	-	(87)	-	48	1,198
Designated Funds						
CBF Investment Fund	1,415	55	-	-	(21)	1,449
	1,415	55	-	-	(21)	1,449
Restricted Funds						
Investment properties	3,126	-	(70)	-	(36)	3,020
CBF Property Fund	797	500	-	-	19	1,316
CBF Investment Fund	3,821	560	-	-	(65)	4,316
	7,744	1,060	(70)	-	(82)	8,652
Endowment Funds						
Investment properties	9,910	-	-	-	262	10,172
Hydroelectric Schemes	1,010	-	(51)	-	(12)	947
CBF Property Fund	1,055	200	-	-	27	1,282
CBF Investment Fund	7,619	350	-	-	(90)	7,879
CBF Deposit Fund	13	-	-	-	-	13
	19,607	550	(51)	-	187	20,293
Total Consolidated	30,003	1,665	(208)	-	132	31,592
Total Historical Cost	11,503	1,665	(208)	-	-	12,960

SOCIAL INVESTMENTS

Consolidated and Company	Value at 1st January 2018 £'000	New loans £'000	Repaid £'000	Transfers £'000	Adjustment on settlement £'000	Value at 31st December 2018 £'000
Unrestricted Funds						
Loans to parishes	137	73	(74)	-	-	136
	137	73	(74)	-	-	136

TOTAL INVESTMENTS

Total Consolidated Investments	30,140	1,738	(282)	-	132	31,728

24. INVESTMENTS (continued)

The social investments of Carlisle DBF consist of concessionary loans made to parishes and Church of England schools for charitable purposes.

All the investments relate to the Company. The Company also has an investment of £8,000 (2017 £38,000)– original cost £250,100 (2017: £250,100) in Rydal Hall Limited.

25. DEBTORS

	Consolidated		Company	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Due within one year				
Unrestricted funds				
Trade debtors	57	23	57	23
Inter fund balances	1,316	745	1,316	745
Other debtors	131	144	131	144
	1,504	912	1,504	912
Designated funds				
Trade debtors	1	6	-	-
Inter fund balances	22	-	22	
Other debtors	71	32	-	-
	94	38	22	-
Restricted funds				
School debtors	189	264	189	264
Inter fund balances	86	415	86	415
	275	679	275	679
Endowment Funds				
Inter fund balances	8	8	8	8
	8	8	8	8
Total debtors due within one year	1,881	1,637	1,809	1,599

26. DEPOSITS

	Consolidated		Company	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Unrestricted funds				
CBF Deposit Funds	217	216	217	216
Designated funds				
CBF Deposit Funds	90	283	3	11
Restricted funds				
CBF Deposit Funds	708	866	708	866
Deposits with Church Commissioners	28	30	28	30
	736	896	736	896
Endowment funds				
CBF Deposit Funds	37	37	37	37
Total deposits	1,080	1,432	993	1,160

27. CREDITORS: amounts falling due within one year

	Consolidated		Company	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Unrestricted funds				
Sundry creditors and accruals	480	451	498	451
Inter fund balances	115	423	115	423
Loan repayment instalments:				
Central Board of Finance	100	100	100	100
Cumberland Building Society	-	300	-	300
	695	1,274	713	1,274
Designated funds				
Inter fund balances	341	257	341	257
Trade creditors	102	39	-	-
Sundry creditors and accruals	97	132	-	-
	540	428	341	257
Restricted funds				
Inter fund balances	611	419	611	419
Sundry creditors and accruals	644	176	644	176
	1,255	595	1,255	595
Endowment funds				
Inter fund balances	364	69	364	69
Clergy pension scheme	260	348	260	348
	624	417	624	417
Total creditors falling due within one year	3,114	2,714	2,933	2,543

28. CREDITORS: amounts falling due after more than one year

	Consolidated		Company	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Unrestricted funds				
Loan repayment instalments:				
Central Board of Finance	500	600	500	600
Cumberland Building Society	200	-	200	-
	700	600	700	600
Designated funds				
Accruals and deferred income – deferred grants	-	-	-	-
	-	-	-	-
Restricted funds				
Loan repayment instalments:				
Church Commissioners value linked loans for houses	-	-	-	-
	-	-	-	-
Endowment funds				
Clergy pension scheme	1,514	1,652	1,514	1,652
	1,514	1,652	1,514	1,652
Total creditors falling due after one year	2,214	2,252	2,214	2,252

£1 million was borrowed from the Central Board of Finance Deposit Fund Diocesan Loan Scheme in 2014 in order to finance the investment in Rydal Hydro Limited. It is repayable in equal annual instalments of £100,000 over ten years with interest charged at 0.55% above the CBF Deposit Fund rate (currently 0.75%).

The loan from the Cumberland Building Society is held on behalf of parishes. The loan is rolling facility with up to £500,000 available. Interest is charged at 1.99% below the Society's commercial variable base rate. The loan is secured on Rydal Hall and is due for renewal in December 2020.

The maturity of the loans is analysed as follows:

	2018 £'000	2017 £'000
Between one and two years	300	100
Between two and five years	300	300
In five years or more	100	200
	700	600

29. PROVISIONS

	Consolidated		Company	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Designated funds				
Deferred taxation				
Provision at 1st January 2017	-	(26)	-	-
Deferred tax charge	-	26	-	-
Provision at 31st December 2017	-	-	-	-

30. SUMMARY OF FUND MOVEMENTS

Unrestricted Funds	Balance at 1st January 2018 £'000	Income £'000	Expenditure £'000	Transfers £'000	Gains and losses £'000	Balance 31st December 2018 £'000
General funds						
Realised reserve	986	7,642	(6,561)	(577)	(59)	1,431
Revaluation reserve	517	-	-	-	47	564
	1,503	7,642	(6,561)	(577)	(12)	1,995
Designated Funds						
Diocesan Growth Fund	1,326	55	(22)	-	(21)	1,338
Resources Centre	1	-	-	-	-	1
Rydal Hall	39	-	(2)	-	(30)	7
OpShops	(153)	198	(245)	225	-	25
Total Company Designated	1,213	253	(269)	225	(51)	1,371
Cumbria Christian Learning	(88)	45	(448)	476	-	(15)
Rydal Hall Limited	(2)	919	(887)	(60)	30	-
Total Group Designated Funds	1,123	1,217	(1,604)	641	(21)	1,356
Total Group Unrestricted Funds	2,626	8,859	(8,165)	64	(33)	3,351

The Diocesan Growth Fund was created from a legacy from the late Miss A F Hope. It has been supplemented from the Mission Development grants from the Church Commissioners and transfers from General Funds. The Fund is used to support the establishment of youth congregations and help parishes and deaneries initiate new work designed to achieve church growth.

The Rydal Hall Fund represents the balance of Carlisle DBF's investment in the subsidiary company, Rydal Hall Limited.

The OpShops Fund represents the investment in the network of local shops through which the diocese and local churches provide community support and outreach for the local communities.

Restricted Income Funds

	Balance at 1st January 2018 £'000	Income £'000	Expenditure £'000	Transfers £'000	Gains and losses £'000	Balance 31st December 2018 £'000
Barchester Fund	6,197	182	(94)	(157)	(72)	6,056
Stipends Income Fund	82	-	-	(76)	-	6
Pastoral Account	1,524	57	(110)	271	(2)	1,740
Diocesan Houses Fund	10,539	88	-	(328)	90	10,389
Parish Property Fund	319	11	(6)	-	(5)	319
Retired Clergy & Dependants Income Fund	31	50	(66)	-	-	15
Sundry Appeal Funds	3	-	-	-	-	3
Other Restricted Income Funds	311	55	(60)	-	(2)	304
Total Group Restricted Income Funds	19,006	443	(336)	(290)	9	18,832

The Barchester Fund comprises closed schools and school houses and their sale proceeds. These are held by the DBF and administered by the Diocesan Board of Education to support religious education and the work of Church schools in the Diocese. School Funds, of which Carlisle DBF is Custodian Trustee, are not included within the Barchester Fund as the DBF receives no benefit from these funds.

The Stipends Income Fund is governed by the Diocesan Stipends Measure 1953, as subsequently amended, and is used to augment the clergy stipends. Its income comes from glebe and other Stipends Capital Account investments, assigned fees and the Church Commissioners. The income is included in the DBF's General Funds in accordance with the stated accounting policy where it contributes towards the total cost of stipends which are paid from General Funds.

The Diocesan Pastoral Account receives the sale proceeds of Churches and Parsonages which have become redundant under pastoral reorganisation. Its uses are governed by Section 78 of the Pastoral Measure 1983, and include grants and loans for Parsonage and Church provision, restoration, improvement or repair and other purposes of the Diocese or any benefice or parish. The reserves are represented by investments with the Central Board of Finance and by loans to parishes. These assets are included under the appropriate headings in the DBF's Balance Sheet.

The Diocesan Houses Fund consists of those properties in the legal ownership of Carlisle DBF (as distinct from benefice houses) other than investment properties. The purchase of such properties is funded primarily from the Pastoral Account.

The Parish Property Fund (formerly Diocesan Loan Fund) is used to provide loans and grants to parishes for improvements and repairs to churches and other parish property.

Endowment Funds

	Balance at 1st January 2018 £'000	Income £'000	Expenditure £'000	Transfers £'000	Gains and losses £'000	Balance 31st December 2018 £'000
Permanent Endowment Funds						
Stipends Capital Fund	16,427	203	-	226	195	17,051
Education	33	-	-	-	(1)	32
PWM World Mission	51	-	-	-	(1)	50
Readers Board	1	-	-	-	-	1
General	131	-	-	-	4	135
	16,643	203	-	226	197	17,269
Expendable Endowment Funds						
Parsonages Houses Fund	34,450	-	-	-	-	34,450
Retired Clergy & Dependants Fund	1,104	-	-	-	(11)	1,093
	35,554	-	-	-	(11)	35,543
Total Group Endowment Funds	52,197	203	-	226	186	52,812

The Permanent Endowment Funds are held where the DBF has no power to convert the capital into income. The capital is invested and the income used for the purposes as indicated.

The Diocesan Stipends Fund Capital Account is governed by Section 35 of the Endowments and Glebe Measure 1976. It consists of investments with the Central Board of Finance and glebe properties and is held to produce income for clergy stipends. These assets are included under the appropriate headings in the DBF's Balance Sheet.

The Parsonages Houses Fund represents those houses which are benefice property, vested in the incumbents. Carlisle DBF nevertheless has financial responsibility for parsonages and they have been included in the Balance Sheet valued at deemed cost based on valuations at 31 December 2013.

The Retired Clergy and Dependants Fund provides for the relief of poverty by assisting retired clergy, licensed lay workers or deserted spouses of clergy who reside or served in the Diocese and their dependants.

31. SUMMARY OF ASSETS BY FUND

Company

	Fixed Assets		Net Current	Liabilities	Net Assets	Net Assets
	Tangible	Investments	Assets	after 1 year	2018	2017
	£'000	£'000	£'000	£'000	£'000	£'000
Unrestricted Funds						
General Funds	55	1,334	1,306	(700)	1,995	1,503
Designated Funds						
Diocesan Growth Fund	-	1,449	(111)	-	1,338	1,326
Resources Centre	-	-	1	-	1	1
Rydal Hall	-	8	(1)	-	7	39
OpShops	2	-	23	-	25	(153)
	2	1,457	(88)	-	1,371	1,213
Restricted Funds						
Barchester Fund	-	5,641	415	-	6,056	6,197
Stipends Income Fund	-	-	6	-	6	82
Pastoral Account	-	1,690	50	-	1,740	1,524
Diocesan Houses Fund	9,976	750	(337)	-	10,389	10,539
Parish Property Fund	-	327	(8)	-	319	319
Retired Clergy Income	-	23	(8)	-	15	31
Sundry Appeal Funds	-	-	3	-	3	3
Other Income Funds	-	221	83	-	304	311
	9,976	8,652	204	-	18,832	19,006
Permanent Endowment Funds						
Stipends Capital Fund	-	19,190	(625)	(1,514)	17,051	16,427
Education	-	32	-	-	32	33
PWM World Mission	-	50	-	-	50	51
Readers Board	-	1	-	-	1	1
General	-	135	-	-	135	131
	-	19,408	(625)	(1,514)	17,269	16,643
Expendable Endowment Funds						
Parsonages Houses Fund	34,443	-	7	-	34,450	34,450
Retired Clergy & Dependants Fund	170	885	38	-	1,093	1,104
	34,613	885	45	-	35,543	35,554
Total Endowment Funds	34,613	20,293	(580)	(1,514)	52,812	52,197
Total Company Funds	44,646	31,736	642	(2,014)	75,010	73,919
Unrestricted Funds						
Cumbria Christian Learning	-	-	(16)	-	(16)	(89)
Rydal Hall Ltd	72	(8)	(63)	-	1	(1)
Total Consolidated Funds	44,718	31,728	763	(2,214)	74,995	73,829

32. PENSIONS

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

These schemes are multi-employer last man standing defined benefit pension schemes for which the DBF is unable to identify its share of the underlying assets and liabilities as each employer is exposed to actuarial risks associated with the current and former employees of other entities participating in the scheme. For multi-employer schemes where this is the case, paragraph 28.11 of FRS102 requires the DBF to account for pension costs on the basis of contributions actually payable to the scheme in the year and, where contributions are affected by a surplus or deficit in the scheme, to disclose information about the surplus or deficit and the implications of the surplus or deficit for the DBF. A valuation of each scheme is carried out once every three years.

Church of England Funded Pension Scheme

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

At the end of the year the DBF was paying contributions for 99 members of the scheme out of a total membership of approximately 8,500 active members. Each participating employer in the scheme pays contributions at a common contribution rate applied to the previous year's National Minimum Stipend. As this is a multi-employer scheme and it is not possible to attribute the scheme's assets and liabilities to specific employers, the scheme pension costs are accounted for as if the scheme were a defined contribution scheme and the pension cost charged to the Statement of Financial Activities is the contributions payable for the year towards benefits earned in that year plus the impact of any deficit contributions (see below).

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 £236 million, based on assets of £1,308 million and a funding target of £1,544 million, assessed using the following assumptions:

- An investment strategy of:
    - for investments backing liabilities for pensions in payment, an allocation to gilts of 33% from the valuation date until 31 December 2019 and thereafter increasing linearly to 70% by 31 December 2030; and
    - a 100% allocation to return-seeking assets for investments backing liabilities prior to retirement;
- Investment returns equivalent to 2.6% p.a. on gilts and 4.6% p.a. on return seeking assets;

- RPI inflation of 3.2% p.a. (and pension increases consistent with this);
- Increase in pensionable stipends of 3.2% p.a.;
- 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 valuation of the scheme as at 31 December 2015, the contribution rate from 1 January 2018 is 39.9% of pensionable stipends (i.e. the previous year's NMS), of which 28.0% relates to providing the benefit in relation to ongoing pensionable service, including 1.2% for the day-to-day expenses of running the scheme, and 11.9% relates to recovery of the deficit over the eight years to 31 December 2025. This means that payments by the DBF relating to the deficit based on active members and pensionable stipends as at 31 December 2016, would be £260,000 in 2018 and £260,000 in 2019. The discounted deficit payments of £1.774 million over the next 7 years in respect of the shortfall have been recognised as a liability in the balance sheet.

A reconciliation of the balance sheet liability is set out below:

	2018 £'000	2017 £'000
Balance sheet liability as at 1 January	2,000	2,756
Deficit contribution paid	(260)	(348)
Interest cost (recognised in the SOFA)	26	39
Re-measurement of the balance sheet liability	8	(447)
Balance sheet liability as at 31 December	£1,774	2,000

Church Workers Pension Fund – Defined Benefits Scheme

The Defined Benefits Scheme ("DBS") section of the Church Workers Pension Fund provides benefits for lay staff based on final pensionable salaries. At 31 December 2018, the DBF had 4 active members, 12 deferred and 34 pensioner members in the scheme.

It is not possible to attribute the scheme's assets and liabilities to specific employers, since each employer, through the Life Risk Pool, is exposed to actuarial risks associated with the current and former employees of other entities participating in the DBS. In such cases FRS102 requires the scheme pension costs to be accounted for as if the scheme were a defined contribution scheme and the pension cost charged to the Statement of Financial Activities is the contributions payable for the year towards benefits earned in that year (£69,000 over 2018 compared to £59,000 over 2017) plus the impact of any deficit contributions (see below).

For funding purposes, the 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. 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 the DBS is carried out once every three years, the most recent having been 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 Pool. This increased the employer contributions that would otherwise have been payable. The overall deficit in the DBS was £26.9m.

Following the valuation, the DBF has entered into an agreement with the Church Workers Pension Fund to a contribution rate from 44.6% of pensionable salaries and expenses of £5,300 per year.

	2018 £'000	2017 £'000
Balance sheet liability as at 1 January	-	-
Contributions paid	-	-
Interest cost (recognised in the SOFA)	-	-
Re-measurement of the balance sheet liability	-	-
Balance sheet liability as at 31 December	-	-

33. CAPITAL COMMITMENTS

Expenditure contracted for but not provided on the financial statements was £nil (2017: £nil).

34. RELATED PARTY TRANSACTIONS

Details of transactions with the main related parties of Carlisle DBF are given in the appropriate notes to the financial statements.

Archbishops' Council and the Church Commissioners

As detailed in note 2 Carlisle DBF received grants from the Archbishops' Council totalling £1,059,000 (2017: £1,033,000). £35,000 (2017: £35,000) was received from the Church Commissioners for rent of the Bishop's House. Payments were made to the Archbishops' Council for contributions to the National Church and for training of Ordinands totalling £512,000 (2017: £480,000). Payments of £2,436,000 (2017: £2,720,000) were made to the Church Commissioners for clergy stipends and the Church of England Pensions Board was paid £872,000 (2017: £985,000) for clergy pensions. In all cases there was no balance outstanding at the year end. Further payments were made to the Pensions Board for lay pensions of £208,000 (2017: £173,000). The balance due to the Pensions Board at the year end for December's contributions was £17,000 (2017: £15,000).

Rydal Hall Ltd (see note 15)

During the year Carlisle DBF invoiced Rydal Hall Ltd £60,000 (2017: £100,000) for rent.
At the year-end Rydal Hall Ltd owed £156,000 (2017: £156,000) for outstanding rent and staff salaries.

Rydal Hydro Ltd (see note 16)

In 2015 Carlisle DBF granted a loan of £350,000 to Rydal Hydro Ltd at an interest rate of 5% per annum. £87,000 of this loan was repaid in 2018 (2017: £137,000). Rent of £20,000 (2017: £17,000) and interest on the loan of £nil (2017: £4,000), and dividends of £42,000 (2017: £nil) were received from Rydal Hydro Ltd. At 31 December 2018 the balance of the loan was £nil (2017: £87,000).

Scandale Hydro Ltd (see note 24)

In 2015 Carlisle DBF completed its investment of £1,000,000 in Scandale Hydro Ltd, consisting of £750,000 of share capital and a loan of £250,000. £51,000 of this loan was repaid in 2018 (2017: £93,000). Interest on the loan of £nil (2017: £6,000) and dividends of £112,000 (2017: £nil) were received. At 31 December 2018 the balance of the loan was £nil (2017: £51,000).

Cumbria Christian Learning Limited
(Previously called Lancashire and Cumbria Theological Partnership Ltd)

Carlisle DBF paid £330,000 (2017: £330,000) for training and vocational costs, and made a grant of £146,000 (2017 £83,000). It charged CCL £nil (2017: £27,000) for salaries and administration costs. At 31 December 2018 CCL owed Carlisle DBF £88,000 (2017: £177,000).

In 2018 the decision was taken to bring the net assets, staff, and activities back into the Carlisle Diocesan Board of Finance. This transfer took place on 31 January 2019.

DBE Services Ltd

Carlisle DBF received gift aid distributions from DBE Services in 2018 totalling £7,000 (2017: £14,000).