

**CARLISLE DIOCESAN BOARD OF FINANCE LIMITED**

**FINANCIAL STATEMENTS**

for the

**YEAR ENDED 31 DECEMBER 2016**



**Company Registration No 39625**

**Registered Charity No 251977**

## CARLISLE DIOCESAN BOARD OF FINANCE LIMITED

### DIRECTORS' & TRUSTEES' ANNUAL REPORT FOR THE YEAR ENDED 31<sup>st</sup> DECEMBER 2016



*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 31<sup>st</sup> December 2016. 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).

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### **DIRECTORS' & TRUSTEES' ANNUAL REPORT (2016) continued**

- 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 35-40 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:

- Contributions to the Archbishops' Council (mainly by grant) to support the National Church;
- 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.

## **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);

## **CARLISLE DIOCESAN BOARD OF FINANCE LIMITED**

### **DIRECTORS' & TRUSTEES' ANNUAL REPORT (2016) continued**

- 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 2016 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 and pension contributions for an average of 107 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 throughout the Diocese. This included the further development of the Reach Team under the direction of the Bishop of Penrith. The Reach Team includes two part-time Youth, Children and Family Evangelism Enablers, a Diocesan Fresh Expressions Enabler, a Diocesan Evangelism Enabler and, from January 2017 a BigReach Innovator aiming to connect the county's residents and visitors with the reality of God through new creative and digital platforms;
- Learning and development work was reconfigured with the establishment of Cumbria Christian Learning (CCL), a wholly owned subsidiary of the DBF which brought together the diocesan Training Team and the Lancashire and Cumbria Theological Partnership to provide an integrated approach encompassing all aspects of ministry development in support of the God for All strategy;
- During 2016 the DBF actively supported interim management at Rydal Hall to resolve operational issues and achieve financial stability.
- Relocating the Diocesan Office from Carlisle to Penrith to provide a more accessible hub for the Diocese in which Diocesan and partners' staff could be co-located.

#### **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 and schools in the Diocese, either interest free or 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 23 to the financial statements).

## **CARLISLE DIOCESAN BOARD OF FINANCE LIMITED**

### **DIRECTORS' & TRUSTEES' ANNUAL REPORT (2016) continued**

#### **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. 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 objectives**

##### **5.2.1. Achievements in 2016**

The approved budget for 2016 assumed that income from parish offers would remain level in cash terms with the 2015 budget, at £4,961,000 and result in a deficit budget of £44,400. The final offers made were £51,000 less than this. However, the overall collection rate of offers (including arrears from previous years' unpaid offers) increased by 0.9% to 100.5%, for which the parishes of the Diocese are to be warmly thanked. This resulted in a net increase in actual receipts over 2015 of £57,000 to £4,937,000.

##### **5.2.2. Operational Performance**

The operational performance of Carlisle DBF in 2016 helped to achieve most of the aspirations set out above. The overall expenditure on local ministry costs accounted for 81% of the total expenditure from general funds. Total expenditure on resourcing ministry and mission amounted to £7,464,000. 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 2.0% with effect from 1<sup>st</sup> April 2016 to £25,120, £1,150 above the North West Regional Stipend Benchmark. Curates' stipends were increased by 0.8% to £23,440 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 and pensions.

Significant investment was made in implementing the God for All strategy through the work of the Reach Team and the creation of 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, preparing for the Moving Mountains mission in 2018 and creating "prayer spaces" was £162,000. An additional £187,000 was spent on pioneering ministries.

Spending on Learning and Development activities was £526,000. This included 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. Grant funding, following a successful bid to the Archbishop's Council's Strategic Development Fund, will be received over the three years from 2017-2019 and will support the work of the Reach Team and Cumbria Christian Learning.

A further £40,000 of Mission Development funding provided by the Church Commissioners was transferred into the Diocesan Growth Fund together with £5,000 in donations and collections from

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### DIRECTORS' & TRUSTEES' ANNUAL REPORT (2016) continued

parishes and £46,000 investment income. Out of this £25,000 was used to help pay the salary costs for the deanery network youth ministers and £150,000 was used to fund the Reach Team. In addition grants to parishes and deaneries were paid from the Growth Fund totalling £24,000 and a further £24,000 paid from other funds. 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 £1.226 million.

The Board for Education spent £296,000 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 consists of five 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 2016 the income generated from the shops was £129,000, a decrease of £28,000 compared to the previous year. This was in part a result of the impact of the flooding in December 2015 following Storm Desmond which closed the OpShop warehouse for a period and reduced demand in subsequent months as the second hand market was displaced by donations. The package of welfare reforms implemented by the Government has also had an impact on the incomes of the target customer groups and the general economic situation has reduced donations of saleable items. 2015 was also the last year in which the grant funding from the Church Commissioners was received. The result of reduced sales and no grant funding in 2016 was a substantially worse trading position at a time when demand for the community support provided by OpShops was rising. The network as a whole made a deficit of £58,000 when the one-off impact of the floods and the costs of opening a new shop in Penrith were taken into account.

2016 saw a further decrease of £15,000 of income from the Archbishops' Council's selective allocation. The statutory fees for certain occasional offices conducted by the Church fell by £78,000 whilst rents received from parsonages during vacancies fell by £7,000. Overall total income decreased by 3%.

Rydal Hall Ltd is the wholly-owned subsidiary company of Carlisle DBF operating the Diocesan Conference Centre and Retreat House at Rydal. The company paid £60,000 rent to the DBF in 2016. Its turnover for the year fell by £13,000 but costs increased by £100,000 and it made an overall loss of £120,000 in the year. The DBF supported the appointment of an interim manager to deal with operational issues, restore financial stability and develop a sustainable business plan for 2017 and beyond. In order to ensure Rydal remained solvent, the DBF purchased £200,000 of share capital in Rydal Hall Ltd in March 2017.

In 2016 the DBF supported the Churches Trust for Cumbria through a grant of £11,000. In July 2016, following the appointment of new trustees, the Trust came out of hibernation 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 2016 the price of the CBF Investment Fund shares rose by 11.1% and the CBF Property Fund shares decreased by 3.0% for the year. The total unrealised gains on investments increased in value by over £1.3 million. The two hydroelectric plants within Cumbria in which the BDF has invested performed well in 2016 and should provide a strong, long-term income stream.

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### **DIRECTORS' & TRUSTEES' ANNUAL REPORT (2016) continued**

August 2016 saw a cut in the Bank of England's Base Rate to 0.25%, and the CBF Deposit Fund rate has been cut, in small steps, to its current level of 0.25%.

Dividends received from the CBF Property Fund and Investment Fund were 7.43p and 43.80p per share respectively for the year giving dividend yields of 5.67% and 2.91% on the year end valuations. A change in the timing of dividend payments from the Investment Fund reduced the income received and yield in 2016, but this was a one-off timing change and the yield is expected to increase back again in 2017. The total income from dividends for the year was £50,000 less than the previous year, primarily owing to the Investment Fund dividend timing change. Interest received decreased by £9,000.

Commercial property performance has remained patchy. The Old Registry Office which adjoins the new Diocesan Office and the ground floor space in the new office were actively marketed during the second half of 2016 and the Registry Office was subsequently sold in early 2017. Tenants are expected to occupy space in the new office in 2017. Discussions about the future of the former Diocesan Office site at in Carlisle have continued with a possible purchaser. During the year a number of pieces of agricultural land across the Diocese were progressed towards sale as development sites.

Unrealised gains on investments increased to £1.2 million from £0.8 million in 2015, mainly a result of the rising share price on the CBF Investment Fund in the second half of the year.

The total return on investment – net receipts and valuation gains on investments as a percentage of the investment valuations at year-end, rose from 5.5% last year to 7.0% this year.

#### **5.2.4. External Factors Affecting Performance**

There a number of external factors continuing to affect the performance of Carlisle DBF. The fall (in real terms) in the offers made to Carlisle DBF from parishes is a reflection of lower incomes in the parishes and a decline in church membership. 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 while reorganisation has been delayed in some areas by a low level of clergy moves or retirements. The relatively depressed nature of the Cumbria domestic and commercial property market in 2017 meant that surplus properties did not sell and vacant units were not easily let.

#### **5.3. Financial Review**

##### **5.3.1. Review of the Financial Position**

The Statement of Financial Activities (SOFA) for the year shows net outgoing resources of £316,000 (2015: net incoming resources of £525,000) before net gains on investments and other recognised gains and losses.

After revaluation adjustments, the net increase in funds amounted to £1,258,000 (2015: £1,282,000). Total fund balances are now £69,812,000 of which £67,529,000 (97%) is restricted, mainly by ecclesiastical measures, and a further £951,000 has been designated for specific use by the Trustees.

Overall there was a net cash outflow for the year of £960,000 (2015: net cash inflow of £258,000), although £585,000 of this relates to a reclassification of inter-fund balances from cash to debtors. Total net current assets fell by £656,000 to £1,801,000 with those relating to general funds falling by £316,000.

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**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 2016 around 71.8% (2015: 69.6%) of Carlisle DBF's general income came from contributions from parishes through their offers and a further 9.1% (2015: 9.2%) came from National Church Selective Allocations. All of this money, together with other income, was used for resourcing ministry and mission in the Diocese. In 2015 60% of parishes paid some, if not all, of their parish offer by monthly standing order with 52% of parish offer paid regularly each month. Allowing for Carlisle DBF's other sources of income, the Trustees' policy is to aim for a level of free reserves of two months expenditure. At 31st December 2016 the total of general funds amounted to £1,332,000 of which £1,478,000 was held in fixed assets, including programme related investments. This leaves a negative balance of £146,000 as free reserves but, allowing for long term borrowings of £700,000, there is a balance of £554,000 on net current assets which equates to 0.9 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. Given the degree of stability observed in the monthly payments by parishes of their offers, the smoothed cash flow suggests that the Trustees should review their Reserves Policy during the course of 2017 to reflect current performance.

**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 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 55% of the total glebe investments.



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The remaining glebe investments are invested primarily 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. Other investments include shares in hydroelectric plants on Scandale Beck and 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.

#### **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. Given the losses incurred on general funds in 2015 and 2016 it is unlikely that the budget will be balanced over the whole budget period 2015-2020 and the Trustees will be considering this during the course of 2017. The overall strategic objective is to reach 2020 having implemented God for All successfully. The local ministry cost base is expected to fall substantially in real terms by 2020 as Mission Communities are established and more self-supporting ministry is developed but in the interim there is a risk that costs will exceed revenue. In considering its plans for the 2018-2022 budget the DBF is taking a view as to the extent to which the transition can be funded without seriously compromising its ability to provide significant long term funding for the Church.

#### **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 64% of total charity income;
- investment performance, particularly in respect of commercial property; and
- expenditure on clergy payroll if clergy numbers do not fall in line with 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

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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 is planned for 2017 along with a review of the approach taken to encouraging good stewardship in the local church. 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 497,000.

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 240 parishes grouped into 114 benefices with 107 full-time equivalent stipendiary parochial clergy and 12 serving in house for duties posts. Together with 33 non-stipendiary ministers, 81 readers, 72 commissioned lay ministers and many other retired clergy and lay members they provide ministry in 340 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 ex officio members, including the Bishops and Archdeacons, clergy members elected by the Houses of Clergy in Deanery Synods, lay persons elected by the Houses of Laity in Deanery Synods, 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.

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#### **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;
- To initiate proposals for action by the Synod and to advise it on matters of policy;
- To advise the President 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 22<sup>nd</sup> 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 1<sup>st</sup> May 1967 (No. 251977). The Memorandum and Articles of Association have been altered by Special Resolutions the latest of which were passed on 26<sup>th</sup> April and 12<sup>th</sup> 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.

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The Revd Canon Martin Jayne was appointed Chairman on 19<sup>th</sup> November 2014 and served as Chair throughout 2016. The Venerable Kevin Roberts and The Venerable Penny Driver, both ex-officio Directors, resigned on 17<sup>th</sup> April 2016 and 25<sup>th</sup> February 2017 respectively. The Venerable Lee Townend and the Venerable Ross Vernon, being new Archdeacons in the Diocese, were appointed as ex-officio Directors on 25<sup>th</sup> February 2017. The Directors have co-opted two further Directors, Mr Jim Johnson appointed on 16<sup>th</sup> July 2014 and Mr Richard Morris appointed on 28<sup>th</sup> January 2015.

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;

## **CARLISLE DIOCESAN BOARD OF FINANCE LIMITED**

### **DIRECTORS' & TRUSTEES' ANNUAL REPORT (2016) continued**

- 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 2016 was:

The Rt Revd James Newcome	4 (67%)
The Ven Penny Driver	6 (100%)
The Ven Richard Pratt	6 (100%)
The Ven Kevin Roberts	2 (100%)
Mr Michael Bonner	6 (100%)
Mr David Dickinson	6 (100%)
The Revd Canon Martin Jayne	6 (100%)
Mr Jim Johnson	6 (100%)
Mr Richard Morris	5 (80%)
The Revd Andrew Towner	6 (100%)
Mrs Gillian Troughton	3 (50%)

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 105 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 12<sup>th</sup> 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.

## **CARLISLE DIOCESAN BOARD OF FINANCE LIMITED**

### **DIRECTORS' & TRUSTEES' ANNUAL REPORT (2016) continued**

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 DIOCESAN BOARD OF FINANCE LIMITED**

### **DIRECTORS' & TRUSTEES' ANNUAL REPORT (2016) continued**

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.

Until his resignation in 2016, Carlisle DBF made a contribution to the Cathedral towards the housing costs of the Archdeacon of Carlisle who resided in Cathedral owned properties, and received a contribution from the Cathedral towards his stipend costs in respect of the time spent on Cathedral Ministry.

#### **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 266 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.

## **CARLISLE DIOCESAN BOARD OF FINANCE LIMITED**

### **DIRECTORS' & TRUSTEES' ANNUAL REPORT (2016) continued**

#### **6.7 Rydal Hydro Limited**

Carlisle DBF has formed a joint venture company called Rydal Hydro Limited, in which it owns 50% of the issued share capital, 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 2016 the total value of these funds was £7,760,000.

#### **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:

<b>President</b>	The Rt Revd James Newcome
<b>Chairman</b>	The Revd Canon M P Jayne

##### **Ex-officio Directors**

The Right Reverend James Newcome, Bishop of Carlisle  
The Venerable P M Driver, Archdeacon of Westmorland and Furness (resigned 25<sup>th</sup> February 2017)  
The Venerable Dr R Pratt, Archdeacon of West Cumberland  
The Venerable K T Roberts, Archdeacon of Carlisle (resigned 17<sup>th</sup> April 2016)  
The Venerable L S Townend, Archdeacon of Carlisle (appointed 25<sup>th</sup> February 2017)  
The Venerable V Ross, Archdeacon of Westmorland and Furness (appointed 25<sup>th</sup> February 2017)

##### **Elected by the Members**

Mr M Bonner	Mr D W Dickinson
The Revd Canon M P Jayne	Mrs G R Troughton
The Revd A P J Towner (appointed 1 <sup>st</sup> January 2016)	

##### **Co-opted by the Directors**

Mr J A E Johnson	Mr R Morris
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**CARLISLE DIOCESAN BOARD OF FINANCE LIMITED**

**DIRECTORS' & TRUSTEES' ANNUAL REPORT (2016) continued**

<b>Secretary</b>	Mr D Hurton
<b>Finance Secretary</b>	Mr N Barrett (resigned 31 <sup>st</sup> December 2016)
<b>Head of Finance</b>	Mr R Jaques (appointed 24 <sup>th</sup> November 2016)
<b>Director of Education</b>	Mr M Mill
<b>Registered Office</b>	Diocesan Church House, 19-24 Friargate, Penrith, CA11 7XR
<b>Telephone</b>	01768 807777
<b>Facsimile</b>	01768 868918
<b>Website</b>	<a href="http://www.carlislediocese.org.uk">www.carlislediocese.org.uk</a>
<b>e-mail</b>	<a href="mailto:enquiries@carlislediocese.org.uk">enquiries@carlislediocese.org.uk</a>
<b>Company registration number</b>	39625 (England & Wales)
<b>Charity registration number</b>	251977
<b>Auditors</b>	Dodd & Co Limited, FIFTEEN Rosehill, Montgomery Way, Carlisle, CA1 2RW
<b>Bankers</b>	HSBC plc, City Office, 29 English Street, Carlisle, CA3 8JT
<b>Legal Adviser</b>	Mrs J Lowdon, Sintons, The Cube, Barrack Road, Newcastle Upon Tyne, NE4 6DB
<b>Investment Advisers</b>	CCLA Investment Management Ltd, 80 Cheapside, London, EC2V 6DZ

**CARLISLE DIOCESAN BOARD OF FINANCE LIMITED**

**DIRECTORS' & TRUSTEES' ANNUAL REPORT (2016) continued**

**Glebe Property Agents**

Penrith Farmers' & Kidd's plc,  
Agricultural Hall,  
Skirsgill,  
Penrith,  
CA11 0DN

Savills,  
64 Warwick Road,  
Carlisle  
CA1 1DR

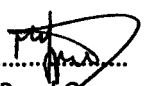
Walton Goodland Ltd,  
10 Lowther Street,  
Carlisle,  
CA3 8DA

**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:

  
.....  
The Revd Canon M P Jayne  
Director and Trustee

12<sup>th</sup> July 2017

**Independent Auditor's Report to the Members of Carlisle Diocesan Board of Finance Limited.**

We have audited the financial statements of Carlisle Diocesan Board of Finance Limited for the year ended 31 December 2016 which comprise the 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. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

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

**Respective responsibilities of trustees and auditors**

As explained more fully in the Statement of Trustees Responsibilities (set out on page 10), the trustees (who are also the directors of the charitable company for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

We have been appointed as auditor under the Companies Act 2006. Our responsibility is to audit and express an opinion on the consolidated financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

**Scope of the audit of the financial statements trustees and auditors**

A description of the scope of an audit of the financial statements is provided on the APB's website at [www.frc.org.uk/apb/scope/private.cfm](http://www.frc.org.uk/apb/scope/private.cfm).

**Opinion on the financial statements**

In our opinion the financial statements:

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

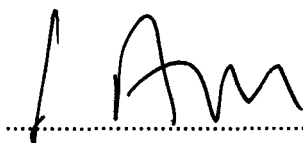
**Opinion on matters prescribed by the Companies Act 2006**

In our opinion the information given in the Director's and Trustees' Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

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

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

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



12/2/12

Faye Armstrong

**Senior Statutory Auditor**

for and on behalf of:

Dodd & Co Limited, Statutory Auditor

FIFTEEN Rosehill

Montgomery Way

Rosehill Estate

CARLISLE

CA1 2RW

# CARLISLE DIOCESAN BOARD OF FINANCE

## CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES For the year ended 31 December 2016

		Unrestricted funds		Restricted	Endowment	Total funds	
		General	Designated	Funds	Funds	2016	2015
	Note	£'000	£'000	£'000	£'000	£'000	Restated £'000
<b>Income and endowments from</b>							
Donations	2						
Parish contributions		4,937	-	-	-	4,937	4,880
Archbishop's Council		629	40	-	-	669	726
Other donations		114	6	69	-	189	202
Charitable activities	3						
Fees & chaplaincy income		522	6	14	-	542	635
Rydal Hall	15	-	911	-	-	911	924
Sales of goods & services		7	129	-	-	136	206
Other activities	4	175	-	-	-	175	182
Investments	5	568	37	171	-	776	773
Other sources	6	-	-	253	24	277	380
<b>Total</b>		<b>6,952</b>	<b>1,129</b>	<b>507</b>	<b>24</b>	<b>8,612</b>	<b>8,908</b>
<b>Expenditure on</b>							
Raising funds	7	167	-	5	-	172	169
Charitable activities							
Resourcing ministry & mission	8	6,780	312	372	-	7,464	6,988
Education	9	157	-	139	-	296	332
Rydal Hall	15	61	933	-	-	994	894
Other purposes	10	-	-	1	1	2	-
<b>Total</b>	<b>12</b>	<b>7,165</b>	<b>1,245</b>	<b>517</b>	<b>1</b>	<b>8,928</b>	<b>8,383</b>
<b>Net income/(expenditure) before investment gains</b>		<b>(213)</b>	<b>(116)</b>	<b>(10)</b>	<b>23</b>	<b>(316)</b>	<b>525</b>
Net gains on investments		16	118	451	644	1,229	807
<b>Net income/(expenditure)</b>		<b>(197)</b>	<b>2</b>	<b>441</b>	<b>667</b>	<b>913</b>	<b>1,332</b>
<b>Transfers between funds</b>	<b>22</b>	<b>(324)</b>	<b>(275)</b>	<b>(69)</b>	<b>668</b>	<b>-</b>	<b>-</b>
<b>Other recognised gains/(losses)</b>							
Gains/(losses) on revaluation of fixed assets		-	-	(200)	166	(34)	(168)
Actuarial gains/(losses) on defined benefit pension schemes		379	-	-	-	379	118
<b>Net movement in funds</b>		<b>(142)</b>	<b>(273)</b>	<b>172</b>	<b>1,501</b>	<b>1,258</b>	<b>1,282</b>
<b>Total funds brought forward</b>		<b>1,474</b>	<b>1,224</b>	<b>14,570</b>	<b>51,286</b>	<b>68,554</b>	<b>67,272</b>
<b>Total funds carried forward</b>		<b>1,332</b>	<b>951</b>	<b>14,742</b>	<b>52,787</b>	<b>69,812</b>	<b>68,554</b>

All activities derive from continuing activities. The notes on pages 20 to 55 form part of the financial statements

# CARLISLE DIOCESAN BOARD OF FINANCE

## CHARITY STATEMENT OF THE FINANCIAL ACTIVITIES

For the year ended 31 December 2016

		Unrestricted funds		Restricted	Endowment	Total funds	
		General	Designated	Funds	Funds	2016	2015
	Note	£'000	£'000	£'000	£'000	£'000	Restated £'000
<b>Income and endowments from</b>							
Donations	2						
Parish contributions		4,937	-	-	-	4,937	4,880
Archbishop's Council		629	40	-	-	669	726
Other donations		114	6	69	-	189	202
Charitable activities	3						
Fees & chaplaincy income		522	-	14	-	536	635
Rydal Hall	15	100	-	-	-	100	120
Sales of goods & services		7	129	-	-	136	206
Other activities	4	175	-	-	-	175	182
Investments	5	568	36	171	-	775	772
Other	6	-	-	253	24	277	356
<b>Total</b>		<b>7,052</b>	<b>211</b>	<b>507</b>	<b>24</b>	<b>7,794</b>	<b>8,079</b>
<b>Expenditure on</b>							
Raising funds	7	167	-	5	-	172	169
Charitable activities							
Resourcing ministry & mission	8	6,780	209	372	-	7,361	6,988
Education	9	157	-	139	-	296	332
Rydal Hall	15	60	-	-	-	60	88
Other	10	-	-	1	1	2	-
<b>Total</b>		<b>7,164</b>	<b>209</b>	<b>517</b>	<b>1</b>	<b>7,891</b>	<b>7,577</b>
<b>Net income/(expenditure) before investment gains</b>		<b>(112)</b>	<b>2</b>	<b>(10)</b>	<b>23</b>	<b>(97)</b>	<b>502</b>
<b>Net gains on investments</b>		<b>23</b>	<b>118</b>	<b>451</b>	<b>644</b>	<b>1,236</b>	<b>807</b>
<b>Net income/(expenditure)</b>		<b>(89)</b>	<b>120</b>	<b>441</b>	<b>667</b>	<b>1,139</b>	<b>1,309</b>
<b>Transfers between funds</b>	22	<b>(424)</b>	<b>(175)</b>	<b>(69)</b>	<b>668</b>	<b>-</b>	<b>-</b>
<b>Other recognised gains/(losses)</b>							
Gains/(losses) on revaluation of fixed assets		-	-	(200)	166	(34)	(168)
Actuarial gains/(losses) on defined benefit pension schemes		379	-	-	-	379	118
<b>Net movement in funds</b>		<b>(134)</b>	<b>(55)</b>	<b>172</b>	<b>1,501</b>	<b>1,484</b>	<b>1,259</b>
<b>Total funds brought forward</b>		<b>1,466</b>	<b>1,192</b>	<b>14,570</b>	<b>51,286</b>	<b>68,514</b>	<b>67,255</b>
<b>Total funds carried forward</b>		<b>1,332</b>	<b>1,137</b>	<b>14,742</b>	<b>52,787</b>	<b>69,998</b>	<b>68,514</b>

All activities derive from continuing activities. The notes on pages 20 to 55 form part of the financial statements

**CARLISLE DIOCESAN BOARD OF FINANCE**

**CONSOLIDATED SUMMARY INCOME AND EXPENDITURE ACCOUNT**  
**For the year ended 31 December 2016**

	<b>Total 2016 £'000</b>	<b>Total 2015 Restated £'000</b>
Total income per reconciliation below	8,560	9,059
Resources expended per reconciliation below	(9,595)	(8,763)
Operating surplus/(deficit) for the year	(1,035)	296
Interest receivable	28	37
Net gains on investments	585	146
<b>Net income for the year</b>	<b>(422)</b>	<b>479</b>
<b>Other comprehensive income:</b>		
Revaluation of fixed assets	(200)	(168)
Actuarial gains on defined benefit pension schemes	379	118
<b>Total comprehensive income for the year</b>	<b>(243)</b>	<b>429</b>

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.

<b>Reconciliation of Summary Income and Expenditure to SOFA</b>	<b>Total 2016 £'000</b>	<b>Total 2015 £'000</b>
Total incoming resources per SOFA	8,612	8,908
Less: interest receivable	(28)	(37)
total endowment additions	(24)	(338)
Add: endowment capital transferred to income funds	-	526
<b>Total income per above</b>	<b>8,560</b>	<b>9,059</b>
Resources expended per SOFA	8,928	8,383
Less: expenditure charged to endowment capital	(1)	(21)
Add: income funds reclassified as endowment capital	668	401
<b>Total expenditure per above</b>	<b>9,595</b>	<b>8,763</b>

# CARLISLE DIOCESAN BOARD OF FINANCE

## CONSOLIDATED BALANCE SHEET

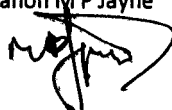
At 31 December 2016

Company Number – 39625

		2016		2015 Restated	
	Note	£'000	£'000	£'000	£'000
<b>FIXED ASSETS</b>					
Tangible assets	23		45,877		45,503
Investments	24		25,194		24,456
			<u>71,071</u>		<u>69,959</u>
<b>CURRENT ASSETS</b>					
Stock		5		4	
Debtors	25	1,195		1,318	
Cash on deposit	26	1,898		1,832	
Cash at bank and in hand		1,155		2,122	
		<u>4,253</u>		<u>5,276</u>	
<b>CREDITORS: amounts falling due within one year</b>	27	(2,452)		(2,819)	
<b>NET CURRENT ASSETS</b>			<u>1,801</u>		<u>2,457</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			<u>72,872</u>		<u>72,416</u>
<b>CREDITORS: amounts falling due after more than one year</b>					
Pension scheme liabilities	28	(2,386)		(3,057)	
Other creditors		(700)		(801)	
		<u></u>		<u></u>	
<b>Provisions for liabilities</b>	29		(3,086) 26		(3,858) (4)
<b>NET ASSETS</b>			<u>69,812</u>		<u>68,554</u>
<b>FUNDS</b>					
<b>Endowment funds</b>					
(Including investment revaluation reserve of £29,018,000 (2015: £28,063,000))			52,787		51,286
<b>Restricted income funds</b>					
(Including investment revaluation reserve of £5,040,000 (2015: £4,883,000))			14,742		14,570
<b>Unrestricted income funds:</b>					
General funds (Including revaluation reserve of £383,000 (2015: £201,000))			1,332		1,474
Designated funds (Including revaluation reserve of £520,000 (2015: £402,000))			951		1,224
<b>TOTAL FUNDS</b>	30		<u>69,812</u>		<u>68,554</u>

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:

The Revd Canon M P Jayne





# CARLISLE DIOCESAN BOARD OF FINANCE

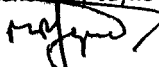
## CHARITY BALANCE SHEET At 31 December 2016

Company Number – 39625

		2016		2015 Restated	
	Note	£'000	£'000	£'000	£'000
<b>FIXED ASSETS</b>					
Tangible assets	23		45,854		45,473
Investments	24		25,244		24,498
			<u>71,098</u>		<u>69,971</u>
<b>CURRENT ASSETS</b>					
Debtors	25	1,144		1,292	
Subsidiary companies		338		99	
Cash on deposit	26	1,659		1,647	
Cash at bank and in hand		1,093		2,008	
		<u>4,234</u>		<u>5,046</u>	
<b>CREDITORS: amounts falling due within one year</b>	27	(2,248)		(2,646)	
<b>NET CURRENT ASSETS</b>			<u>1,986</u>		<u>2,400</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			<u>73,084</u>		<u>72,371</u>
<b>CREDITORS: amounts falling due after more than one year</b>					
Pension scheme liabilities	28	(2,386)		(3,057)	
Other creditors		(700)		(800)	
		<u>(3,086)</u>		<u>(3,857)</u>	
<b>NET ASSETS</b>			<u><u>69,998</u></u>		<u><u>68,514</u></u>
<b>FUNDS</b>					
<b>Endowment funds</b>					
(Including investment revaluation reserve of £29,018,000 (2015: £28,063,000))			52,787		51,286
<b>Restricted income funds</b>					
(Including investment revaluation reserve of £5,040,000 (2015: £4,883,000))			14,742		14,570
<b>Unrestricted income funds:</b>					
General funds (Including revaluation reserve of £383,000 (2015: £201,000))			1,332		1,466
Designated funds (Including revaluation reserve of £520,000 (2015: £402,000))			1,137		1,192
<b>TOTAL FUNDS</b>			<u><u>69,998</u></u>		<u><u>68,514</u></u>

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:

The Revd Canon M P Jayne



# CARLISLE DIOCESAN BOARD OF FINANCE

## CASH FLOW STATEMENT

For the year ended 31 December 2016

	2016	2015
	£'000	£'000
<b>Net cash inflow/(outflow) from operating activities</b>		
<b>Cash flows from investing activities</b>	(1,597)	(197)
Dividends, interest and rent from investments	776	773
Interest paid	(16)	(21)
Proceeds from the sale of:		
Tangible fixed assets	-	545
Investments	366	686
Purchase of:		
Tangible fixed assets	(94)	(186)
Fixed asset investments	(295)	(1,275)
Movement on deposit fund investments	-	166
<b>Net cash provided by/(used in) investing activities</b>	737	688
<b>Cash flows from financing activities</b>		
Repayment of loans	(100)	(285)
New loans received	-	-
Adjustments to loans payable	-	52
<b>Net cash provided by/(used in) financing activities</b>	(100)	(233)
<b>Change in cash and cash equivalents in the reporting period</b>	(960)	258
<b>Cash and cash equivalents at 1 January</b>	3,428	3,170
<b>Cash and cash equivalents at 31 December</b>	2,468	3,428
<b>Reconciliation of net movements in funds to net cash flow from operating activities</b>		
<b>Net movement in funds for the year ended 31 December</b>	(316)	523
<b>Adjustments for:</b>		
Depreciation charges	22	16
Dividends, interest and rent from investments	(776)	(773)
Interest paid	16	21
Repayment of loans advanced	252	244
Advancement of loans	(45)	-
Loss/(profit) on sale of functional assets	(43)	(356)
Share of (profit)/loss in joint venture	(73)	(24)
Actuarial gains/(losses) on defined benefit pensions	379	118
Decrease/(increase) in stock	(1)	-
Decrease/(increase) in debtors	123	(231)
Increase/(decrease) in creditors	(1,135)	265
<b>Net cash provided by/(used in) operating activities</b>	(1,597)	(197)
<b>Analysis of cash and cash equivalents</b>		
Cash in hand	570	1,596
Notice deposits (less than 3 months)	1,898	1,832
	2,468	3,428

## 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 reducing balance 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.

**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 31 December 2016**

**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	2016	2015
	£'000	£'000	£'000	£'000	£'000	£'000
Current year						
Offer	4,910	-	-	-	4,910	4,899
Shortfall in contributions	(22)	-	-	-	(22)	(63)
	<u>4,888</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,888</u>	<u>4,836</u>
Receipts for previous years	49	-	-	-	49	44
Total Income	<u>4,937</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,937</u>	<u>4,880</u>

Total receipts (including for previous years) represent 100.5% of the parish offer (2015 – 99.6%).

**Archbishop's Council**

	Unrestricted funds		Restricted	Endowment	Total funds	
	General	Designated	Funds	Funds	2016	2015
	£'000	£'000	£'000	£'000	£'000	£'000
Selective allocation	629	-	-	-	629	644
Mission Development Fund	-	40	-	-	40	40
Other grants	-	-	-	-	-	42
	<u>629</u>	<u>40</u>	<u>-</u>	<u>-</u>	<u>669</u>	<u>726</u>

**Other donations**

	Unrestricted funds		Restricted	Endowment	Total funds	
	General	Designated	Funds	Funds	2016	2015
	£'000	£'000	£'000	£'000	£'000	£'000
All Churches Trust	99	-	-	-	99	96
Other grants	4	-	17	-	21	38
Donations	11	6	2	-	19	20
Sundry appeals	-	-	50	-	50	48
	<u>114</u>	<u>6</u>	<u>69</u>	<u>-</u>	<u>189</u>	<u>202</u>

**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended 31 December 2016

**3. CHARITABLE ACTIVITIES****Fees and chaplaincy income**

	Unrestricted funds		Restricted	Endowment	Total funds	
	General	Designated	Funds	Funds	2016	2015
	£'000	£'000	£'000	£'000	£'000	£'000
Statutory fees	406	-	-	-	406	484
Chaplaincy	99	-	-	-	99	96
Course and other fees	17	6	14	-	37	55
	<u>522</u>	<u>6</u>	<u>14</u>	<u>-</u>	<u>542</u>	<u>635</u>

Rydal Hall – see note 15

**Other sales**

	Unrestricted funds		Restricted	Endowment	Total funds	
	General	Designated	Funds	Funds	2016	2015
	£'000	£'000	£'000	£'000	£'000	£'000
Printing and advertising	7	-	-	-	7	13
Diocesan Opshops	-	129	-	-	129	157
Education services	-	-	-	-	-	36
	<u>7</u>	<u>129</u>	<u>-</u>	<u>-</u>	<u>136</u>	<u>206</u>

**4. OTHER TRADING ACTIVITIES**

	Unrestricted funds		Restricted	Endowment	Total funds	
	General	Designated	Funds	Funds	2016	2015
	£'000	£'000	£'000	£'000	£'000	£'000
Parsonage rents	175	-	-	-	175	182
	<u>175</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>175</u>	<u>182</u>

**5. INVESTMENT INCOME**

	Unrestricted funds		Restricted	Endowment	Total funds	
	General	Designated	Funds	Funds	2016	2015
	£'000	£'000	£'000	£'000	£'000	£'000
Dividends receivable	238	35	112	-	385	435
Interest receivable	21	1	5	-	27	36
Share of Joint Venture Income	73	-	-	-	73	-
Rents receivable	236	-	54	-	290	301
<b>Company total</b>	<u>568</u>	<u>36</u>	<u>171</u>	<u>-</u>	<u>775</u>	<u>772</u>
Subsidiary's interest	-	1	-	-	1	1
<b>Consolidated total</b>	<u>568</u>	<u>37</u>	<u>171</u>	<u>-</u>	<u>776</u>	<u>773</u>



## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

**6. OTHER INCOMING RESOURCES**

	Unrestricted funds		Restricted	Endowment	Total funds	
	General	Designated	Funds	Funds	2016	2015
	£'000	£'000	£'000	£'000	£'000	£'000
Gain on sale of properties	-	-	-	24	24	338
Sales of redundant churches	-	-	253	-	253	18
Share of joint venture profit	-	-	-	-	-	24
	-	-	253	24	277	380

**7. RAISING FUNDS**

	Unrestricted funds		Restricted	Endowment	Total funds	
	General	Designated	Funds	Funds	2016	2015
	£'000	£'000	£'000	£'000	£'000	£'000
Investment management	132	-	5	-	137	138
Generating voluntary income	35	-	-	-	35	31
	167	-	5	-	172	169

**8. RESOURCING MISSION AND MINISTRY****Ministry in the communities – stipend costs**

	Unrestricted funds		Restricted	Endowment	Total funds	
	General	Designated	Funds	Funds	2016	2015
	£'000	£'000	£'000	£'000	£'000	£'000
Stipends	2,655	-	-	-	2,655	2,573
National insurance	206	-	-	-	206	196
Pension costs	587	-	-	-	587	598
Removal, resettlement & other grants	67	-	-	-	67	99
Other costs	136	-	-	-	136	197
	3,651	-	-	-	3,651	3,663

**Ministry in the communities – housing costs**

	Unrestricted funds		Restricted	Endowment	Total funds	
	General	Designated	Funds	Funds	2016	2015
	£'000	£'000	£'000	£'000	£'000	£'000
Repairs & improvements	753	-	-	-	753	775
Council tax	260	-	-	-	260	251
Water charges	67	-	-	-	67	62
Insurance	27	-	-	-	27	28
Rent payable	-	-	-	-	-	11
Other costs	225	-	-	-	225	139
	1,332	-	-	-	1,332	1,266
	4,983	-	-	-	4,983	4,929

**CARLISLE DIOCESAN BOARD OF FINANCE**

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2016

**8. RESOURCING MISSION AND MINISTRY (continued)**

**Support for ministry**

	Unrestricted funds		Restricted Funds	Endowment Funds	Total funds	
	General £'000	Designated £'000	£'000	£'000	2016 £'000	2015 £'000
<b>Lay ministry &amp; chaplaincies</b>						
Network Youth Ministers	183	-	-	-	183	179
Chaplains	69	-	-	-	69	70
	<u>252</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>252</u>	<u>249</u>
<b>Training &amp; ministry development</b>						
<b>Ordained ministry:-</b>						
Ordinands	330	-	-	-	330	299
Curates	39	-	-	-	39	52
Ministry development	55	-	-	-	55	60
Lay training	102	-	-	-	102	139
	<u>526</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>526</u>	<u>550</u>
<b>Opshops network</b>	<u>13</u>	<u>185</u>	<u>-</u>	<u>-</u>	<u>198</u>	<u>204</u>
<b>God For All strategy</b>						
Support for local churches	-	24	-	-	24	28
Reach Team	162	-	-	-	162	39
Pioneering ministries	101	-	86	-	187	131
	<u>263</u>	<u>24</u>	<u>86</u>	<u>-</u>	<u>373</u>	<u>198</u>
<b>Care for church buildings</b>	<u>55</u>	<u>-</u>	<u>233</u>	<u>-</u>	<u>288</u>	<u>72</u>
<b>Ministry support</b>						
National Church	248	-	-	-	248	235
Diocesan Church	420	-	-	-	420	492
Partnerships	20	-	-	-	20	17
Retired clergy	-	-	53	-	53	42
	<u>688</u>	<u>-</u>	<u>53</u>	<u>-</u>	<u>741</u>	<u>786</u>
<b>Total support for ministry</b>	<u>1,797</u>	<u>209</u>	<u>372</u>	<u>-</u>	<u>2,378</u>	<u>2,059</u>
<b>Total Company resourcing mission &amp; ministry</b>	<u>6,780</u>	<u>209</u>	<u>372</u>	<u>-</u>	<u>7,361</u>	<u>6,988</u>
<b>Training &amp; ministry development – LCTP</b>	<u>-</u>	<u>103</u>	<u>-</u>	<u>-</u>	<u>103</u>	<u>-</u>
<b>Total Group resourcing mission &amp; ministry</b>	<u>6,780</u>	<u>312</u>	<u>372</u>	<u>-</u>	<u>7,464</u>	<u>6,988</u>

# CARLISLE DIOCESAN BOARD OF FINANCE

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

### 9. EDUCATION

	Unrestricted funds		Restricted	Endowment	Total funds	
	General	Designated	Funds	Funds	2016	2015
	£'000	£'000	£'000	£'000	£'000	£'000
Support for church schools	157	-	139	-	296	295
Multi Academy Trust support	-	-	-	-	-	35
Grants to church schools	-	-	-	-	-	2
	<u>157</u>	<u>-</u>	<u>139</u>	<u>-</u>	<u>296</u>	<u>332</u>

### 10. OTHER RESOURCES EXPENDED

	Unrestricted funds		Restricted	Endowment	Total funds	
	General	Designated	Funds	Funds	2016	2015
	£'000	£'000	£'000	£'000	£'000	£'000
Deficit on fixed assets	-	-	1	1	2	-
Company total	<u>-</u>	<u>-</u>	<u>1</u>	<u>1</u>	<u>2</u>	<u>-</u>
Share of loss of joint venture	-	-	-	-	-	-
Consolidated total	<u>-</u>	<u>-</u>	<u>1</u>	<u>1</u>	<u>2</u>	<u>-</u>

### 11. ANALYSIS OF CONTRIBUTIONS TO ARCHBISHOPS' COUNCIL

	Unrestricted funds		Restricted	Endowment	Total funds	
	General	Designated	Funds	Funds	2016	2015
	£'000	£'000	£'000	£'000	£'000	£'000
National Church	142	-	-	-	142	139
Grants & provisions	17	-	-	-	17	18
Mission Agency pensions	11	-	-	-	11	11
Retired clergy housing	61	-	-	-	61	58
	<u>231</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>231</u>	<u>226</u>

**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 31 December 2016**

**12. ANALYSIS OF EXPENDITURE INCLUDING ALLOCATION OF SUPPORT COSTS**

	Activities Undertaken Directly £'000	Grant Funding of Activities £'000	Support Costs £'000	Total costs 2016 £'000	2015 £'000
Raising funds	114	-	58	172	169
Charitable activities:					
Resourcing Mission & Ministry	6,624	390	423	7,437	6,988
Education	257	-	39	296	332
Rydal Hall	1,003	-	20	1,023	894
Other	-	-	-	-	-
	<u>7,998</u>	<u>390</u>	<u>540</u>	<u>8,928</u>	<u>8,383</u>

**13. ANALYSIS OF SUPPORT COSTS**

	Unrestricted funds General £'000	Designated £'000	Restricted Funds £'000	Endowment Funds £'000	Total funds 2016 £'000	2015 £'000
Finance and administration	263	-	-	-	263	158
Interest cost on defined benefit pension schemes	81	-	-	-	81	84
Management costs	77	-	-	-	77	75
Human resources	56	-	-	-	56	73
Governance	63	-	-	-	63	59
	<u>540</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>540</u>	<u>449</u>

**14. ANALYSIS OF GRANTS MADE**

	Grants to Institutions £'000	Grants to Individuals £'000	Total 2016 £'000	Total 2015 £'000
<b>From unrestricted funds:</b>				
Contributions to Archbishops' Council	231	-	231	226
<b>From restricted funds:</b>				
<b>Resourcing ministry and mission:</b>				
Grants to parishes	48	-	48	32
Grants for ordinands	-	58	58	91
Grants to clergy	-	68	68	99
Grants to retired clergy	-	53	53	42
Overseas – Link Dioceses	-	-	-	-
Education – grants to schools	-	-	-	2
	<u>279</u>	<u>179</u>	<u>458</u>	<u>492</u>

**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended 31 December 2016

**15. RYDAL HALL**

Rydal Hall Ltd is a wholly owned subsidiary company incorporated in England. 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 under gift aid to the DBF. Audited accounts are filed annually with Companies House. A summary of trading results is shown below.

	Unrestricted funds		Restricted	Endowment	Total funds	
	General	Designated	Funds	Funds	2016	2015
	£'000	£'000	£'000	£'000	£'000	£'000
Turnover	-	905	-	-	905	919
Other operating income	-	5	-	-	5	5
	-	910	-	-	910	924
Interest receivable	-	1	-	-	1	1
<b>Total income</b>	-	911	-	-	911	925
Cost of sales	-	180	-	-	180	167
Administrative expenses	-	881	-	-	881	761
<b>Total expenditure</b>	-	1,061	-	-	1,061	928
<b>Profit on ordinary activities before tax</b>	-	(150)	-	-	(150)	(3)
Taxation	-	30	-	-	30	2
<b>Profit on ordinary activities after tax</b>	-	(120)	-	-	(120)	(1)
Retained profits b/f	-	13	-	-	13	14
<b>Retained profits c/f</b>	-	(107)	-	-	(107)	13
Other reserves	-	69	-	-	69	69
<b>Total funds carried forward</b>	-	(38)	-	-	(38)	82
Fixed assets	-	24	-	-	24	30
Net current assets	-	(61)	-	-	(61)	57
Liabilities	-	(1)	-	-	(1)	(5)
<b>Net assets</b>	-	(38)	-	-	(38)	82
The following expenditure has been incurred by Carlisle DBF in relation to Rydal Hall:						
Employment costs	61	-	-	-	61	66
Allocated support costs	-	-	-	-	-	22
	61	-	-	-	61	88

Included in administrative costs above are payments to the DBF of £60,000 rent and £40,000 management charge.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

**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 26<sup>th</sup> 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	2016	2015
	£'000	£'000	£'000	£'000	£'000	£'000
Turnover	180	-	-	-	180	95
Cost of sales	(6)	-	-	-	(6)	(1)
Gross profit	174	-	-	-	174	94
Administrative expenses	(72)	-	-	-	(72)	(47)
Operating profit	102	-	-	-	102	47
Interest payable	(11)	-	-	-	(11)	(14)
Profit/(Loss) on ordinary activities before tax	91	-	-	-	91	33
Taxation	(18)	-	-	-	(18)	(9)
Profit/(loss) for the year	73	-	-	-	73	24
Retained profits b/f	8	-	-	-	8	(16)
Retained profits c/f	81	-	-	-	81	8
Called up share capital	7	-	-	-	7	7
Share premium account	693	-	-	-	693	693
Total funds carried forward	781	-	-	-	781	708
Fixed assets	983	-	-	-	983	975
Net current assets	47	-	-	-	47	74
Creditors falling due after more than one year	(249)	-	-	-	(249)	(341)
Net assets	781	-	-	-	781	708

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

**17. LANCASHIRE & CUMBRIA THEOLOGICAL PARTNERSHIP**

On 1 September 2016 the Carlisle DBF took full control of the Lancashire & Cumbria Theological Partnership, a company limited by guarantee and registered charity. The balance sheet at 31 December 2016 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.

	Unrestricted funds		Restricted	Endowment	
	General	Designated	Funds	Funds	2016
	£'000	£'000	£'000	£'000	£'000
Income from:					
Charitable activities	-	6	-	-	6
Total income	-	6	-	-	6
Resources expended:					
Costs of training	-	(54)	-	-	(54)
<b>Net income for the year</b>	-	(48)	-	-	(48)
Retained funds b/f	-	(48)	-	-	(48)
<b>Retained funds c/f</b>	-	(96)	-	-	(96)
Fixed assets	-	-	-	-	-
Net current assets	-	(96)	-	-	(96)
Creditors falling due after more than one year	-	-	-	-	-
<b>Net assets</b>	-	(96)	-	-	(96)

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

**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:

	2016 £'000	2015 £'000
Current tax:		
Corporation tax	-	(1)
Deferred tax	30	3
Tax charge on profits on ordinary activities	30	2

**19. STAFF COSTS**

	2016 £'000	2015 £'000
Employee costs during the year were as follows:		
Wages and salaries	1,369	1,195
National insurance contributions	106	82
Employer's contributions to defined benefit pension schemes	240	215
	1,715	1,492

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

	Number	Number
Resourcing ministry and mission	43	35
Education	4	6
Opshops	8	9
Lancaster & Cumbria Theological Partnership	1	-
Rydal Hall staff	18	16
Rydal Hall community	8	5
	82	71

The average number of persons employed by the group during the year based on full-time equivalents:

	Number	Number
Resourcing ministry and mission	30	24
Education	3	4
Opshops	6	6
Lancaster & Cumbria Theological Partnership	1	-
Rydal Hall staff	14	12
Rydal Hall community	8	5
	62	51

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	1



## CARLISLE DIOCESAN BOARD OF FINANCE

### NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

#### 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 (2015 range £50,000 - £55,000). The annual rate of stipend, funded by Carlisle DBF, paid to Archdeacons in 2016 was £34,052 (2015 - £33,505). The Diocesan standard stipend for 2016 was £24,997 (2015 - £24,510).

Carlisle DBF paid an average of 107 (2015 – 109) stipendiary clergy as office-holders holding parochial or diocesan appointments in the diocese and the costs were as follows:

	2016 £'000	2015 £'000
Stipends	2,674	2,682
National insurance contributions	207	206
Employer's contributions to defined benefit pension schemes:		
Current year	622	633
Deficit reduction	370	367
	<u>3,873</u>	<u>3,888</u>

#### 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 £21,000 (2015 - £21,000) 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 P M Driver	Yes	Yes
The Venerable Dr R Pratt	Yes	Yes
The Venerable K T Roberts (resigned 17 April 2017)	Yes	Yes
The Venerable V Ross (appointed 25 February 2017)	Yes	Yes
The Venerable L S Townend (appointed 25 February 2017)	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 2016 they were:

Diocesan Secretary and Company Secretary  
Director of Education  
Assistant Diocesan Secretary (Finance) (resigned 31 December 2016)  
Head of Finance (appointed 24 November 2016)

Remuneration, pensions and expenses for these 4 employees amounted to £234,000 (2015: £222,000).

**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 31 December 2016**

**22. ANALYSIS OF TRANSFERS BETWEEN FUNDS**

	Unrestricted funds General £'000	Designated £'000	Restricted Funds £'000	Endowment Funds £'000
Transfer to Stipends Income Fund	69	-	(69)	-
From Growth Fund for God For All	150	(150)	-	-
From Growth Fund for Youth Ministry	25	(25)	-	-
Income from Rydal Hall	100	(100)	-	-
From Barchester Fund for MAT support	-	-	-	-
Sale proceeds of parsonages From Parsonages Houses Fund to Pastoral Account	-	-	-	-
To Diocesan Houses fund from Pastoral Account for net additions less sales of houses	-	-	-	-
From General Fund to Stipends Capital Fund for reduction of clergy pensions deficit	(668)	-	-	668
<b>Net transfers between funds</b>	<b>(324)</b>	<b>(275)</b>	<b>(69)</b>	<b>668</b>

**23. TANGIBLE FIXED ASSETS****Consolidated**

	Freehold Land and Buildings £'000	Parsonages Houses £'000	Freehold Improvements £'000	Furniture and Equipment £'000	Total £'000
<b>Cost or valuation</b>					
At 1 <sup>st</sup> January 2016 Restated	7,055	38,411	53	479	45,998
Additions	-	-	-	94	94
Transfers	179	156	-	-	335
Disposals	-	-	-	(155)	(155)
Revaluations	(44)	11	-	-	(33)
<b>At 31<sup>st</sup> December 2016</b>	<b>7,190</b>	<b>38,578</b>	<b>53</b>	<b>418</b>	<b>46,239</b>
<b>Depreciation</b>					
At 1 <sup>st</sup> January 2016	-	-	49	446	495
Disposals	-	-	-	(155)	(155)
Depreciation for the year	-	-	1	21	22
<b>At 31<sup>st</sup> December 2016</b>	<b>-</b>	<b>-</b>	<b>50</b>	<b>312</b>	<b>362</b>
<b>Net Book Value:</b>					
<b>At 31<sup>st</sup> December 2016</b>	<b>7,190</b>	<b>38,578</b>	<b>3</b>	<b>106</b>	<b>45,877</b>
<b>At 31<sup>st</sup> December 2015 Restated</b>	<b>7,055</b>	<b>38,411</b>	<b>4</b>	<b>33</b>	<b>45,503</b>

**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 31 December 2016**

**23. TANGIBLE FIXED ASSETS (continued)**

<b>Company</b>	<b>Freehold Land and Buildings £'000</b>	<b>Parsonages Houses £'000</b>	<b>Freehold Improvements £'000</b>	<b>Furniture and Equipment £'000</b>	<b>Total £'000</b>
<b>Cost or valuation</b>					
At 1 <sup>st</sup> January 2016 Restated	7,055	38,411	-	174	45,640
Additions	-	-	-	92	92
Transfers	179	156	-	-	335
Disposals	-	-	-	(155)	(155)
Revaluations	(44)	11	-	-	(33)
<b>At 31<sup>st</sup> December 2016</b>	<b>7,190</b>	<b>38,578</b>	<b>-</b>	<b>111</b>	<b>45,879</b>
<b>Depreciation</b>					
At 1 <sup>st</sup> January 2016	-	-	-	167	167
Disposals	-	-	-	(155)	(155)
Depreciation for the year	-	-	-	13	13
<b>At 31<sup>st</sup> December 2016</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>25</b>	<b>25</b>
<b>Net Book Value:</b>					
<b>At 31<sup>st</sup> December 2016</b>	<b>7,190</b>	<b>38,578</b>	<b>-</b>	<b>86</b>	<b>45,854</b>
<b>At 31<sup>st</sup> December 2015 Restated</b>	<b>7,189</b>	<b>38,411</b>	<b>-</b>	<b>7</b>	<b>45,473</b>

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 2016 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.

An adjustment was made to the comparative figures resulting in the reduction of both the tangible asset carrying value and net movement in funds by £133k, reducing the net assets by the same value. The adjustment was required as a result of the trustees identifying that restricted Freehold Land and Buildings previously included in the accounts at a net book value of £133k were not under the ownership or control of the charity during either the 2016 or the 2015 financial year.

**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended 31 December 2016

**24. INVESTMENTS****FIXED ASSET INVESTMENTS****Consolidated**

	Value at 1 <sup>st</sup> January 2016 £'000	Additions £'000	Disposals £'000	Transfers £'000	Change in Market Value £'000	Value at 31 <sup>st</sup> December 2016 £'000
<b>Unrestricted Funds</b>						
Investment in joint ventures	1,041	-	(109)	-	73	1,005
CBF Investment Fund	210	-	-	-	24	234
	<u>1,251</u>	<u>-</u>	<u>(109)</u>	<u>-</u>	<u>97</u>	<u>1,239</u>
<b>Designated Funds</b>						
CBF Investment Fund	1,066	-	-	-	118	1,184
	<u>1,066</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>118</u>	<u>1,184</u>
<b>Restricted Funds</b>						
Investment properties	3,320	-	(250)	-	241	3,311
CBF Property Fund	353	-	-	-	(10)	343
CBF Investment Fund	1,998	-	-	-	221	2,219
	<u>5,671</u>	<u>-</u>	<u>(250)</u>	<u>-</u>	<u>452</u>	<u>5,873</u>
<b>Endowment Funds</b>						
Investment properties	8,387	295	(74)	(335)	(7)	8,266
Hydroelectric Schemes	1,000	-	(106)	-	-	894
CBF Property Fund	836	-	-	-	(26)	810
CBF Investment Fund	6,085	-	-	-	675	6,760
CBF Deposit Fund	13	-	-	-	-	13
	<u>16,321</u>	<u>295</u>	<u>(180)</u>	<u>(335)</u>	<u>642</u>	<u>16,743</u>
<b>Total Consolidated</b>	<u>24,309</u>	<u>295</u>	<u>(539)</u>	<u>(335)</u>	<u>1,309</u>	<u>25,039</u>
<b>Total Historical Cost</b>	<u>9,715</u>	<u>-</u>	<u>(285)</u>	<u>(335)</u>	<u>-</u>	<u>9,095</u>

All the investments relate to the Company. The Company also has an investment of £50,000 in Rydal Hall Limited.

**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended 31 December 2016

**24. INVESTMENTS (continued)****SOCIAL INVESTMENTS****Consolidated and Company**

	Value at 1 <sup>st</sup> January 2016 £'000	New loans £'000	Repaid £'000	Transfers £'000	Adjustment on settlement £'000	Value at 31 <sup>st</sup> December 2016 £'000
<b>Unrestricted Funds</b>						
Loans to parishes	147	45	(37)	-	-	155
	<u>147</u>	<u>45</u>	<u>(37)</u>	<u>-</u>	<u>-</u>	<u>155</u>

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

**25. DEBTORS**

	<b>Consolidated</b>		<b>Company</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Due within one year</b>				
<b>Unrestricted funds</b>				
Trade debtors	78	57	78	57
Inter fund balances	585	162	585	162
Other debtors	59	173	59	173
	<u>722</u>	<u>392</u>	<u>722</u>	<u>392</u>
<b>Designated funds</b>				
Trade debtors	8	10	-	-
Other debtors	43	16	-	-
	<u>51</u>	<u>26</u>	<u>-</u>	<u>-</u>
<b>Restricted funds</b>				
School debtors	422	900	422	900
Other debtors	-	-	-	-
	<u>422</u>	<u>900</u>	<u>422</u>	<u>900</u>
<b>Total debtors due within one year</b>	<u>1,195</u>	<u>1,318</u>	<u>1,144</u>	<u>1,292</u>

**CARLISLE DIOCESAN BOARD OF FINANCE**

**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended 31 December 2016

**26. DEPOSITS**

	Consolidated		Company	
	2016	2015	2016	2015
	£'000	£'000	£'000	£'000
<b>Unrestricted funds</b>				
CBF Deposit Funds	415	413	415	413
<b>Designated funds</b>				
CBF Deposit Funds	333	494	94	309
<b>Restricted funds</b>				
CBF Deposit Funds	1,113	856	1,113	856
Deposits with Church Commissioners	-	32	-	32
	1,113	888	1,113	888
<b>Endowment funds</b>				
CBF Deposit Funds	37	37	37	37
<b>Total deposits</b>	1,898	1,832	1,659	1,647

**27. CREDITORS: amounts falling due within one year**

	Consolidated		Company	
	2016	2015	2016	2015
	£'000	£'000	£'000	£'000
<b>Unrestricted funds</b>				
Sundry creditors and accruals	888	569	860	569
Loan repayment instalments:				
Central Board of Finance	100	100	100	100
Cumberland Building Society	300	300	300	300
	1,288	969	1,260	969
<b>Designated funds</b>				
Bank balances	-	232	-	232
Inter fund balances	216	-	216	-
Trade creditors	71	115	-	-
Sundry creditors and accruals	105	58	-	-
	392	405	216	232
<b>Restricted funds</b>				
Bank balances	-	54	-	54
Inter fund balances	369	162	369	162
Sundry creditors and accruals	33	623	33	623
	402	839	402	839
<b>Endowment funds</b>				
Bank balances	-	239	-	239
Clergy pension scheme	370	367	370	367
	370	606	370	606
<b>Total creditors falling due within one year</b>	2,452	2,819	2,248	2,646

**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 31 December 2016**

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

	Consolidated		Company	
	2016 £'000	2015 £'000	2016 £'000	2015 £'000
<b>Unrestricted funds</b>				
Loan repayment instalments:				
Central Board of Finance	700	800	700	800
Cumberland Building Society	-	-	-	-
	<u>700</u>	<u>800</u>	<u>700</u>	<u>800</u>
<b>Designated funds</b>				
Accruals and deferred income – deferred grants	-	1	-	-
	<u>1</u>	<u>1</u>	<u>-</u>	<u>-</u>
<b>Restricted funds</b>				
Loan repayment instalments:				
Church Commissioners value linked loans for houses	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Endowment funds</b>				
Clergy pension scheme	2,386	3,057	2,386	3,057
	<u>2,386</u>	<u>3,057</u>	<u>2,386</u>	<u>3,057</u>
<b>Total creditors falling due after one year</b>	<u>3,086</u>	<u>3,858</u>	<u>3,086</u>	<u>3,857</u>

£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 0.25%).

The loan from the Cumberland Building Society is held on behalf of parishes. There is no fixed term for repayment with a rolling facility of up to £500,000 available. Interest is charged at 2.0% over the Bank of England base rate. The loan is secured on Rydal Hall and has rolled forward on existing terms since it was due for renewal in 2015.

The maturity of the loans is analysed as follows:

	2016 £'000	2015 £'000
Between one and two years	100	100
Between two and five years	300	300
In five years or more	300	400
	<u>700</u>	<u>800</u>

**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended 31 December 2016

**29. PROVISIONS**

	Consolidated		Company	
	2016	2015	2016	2015
	£'000	£'000	£'000	£'000
<b>Designated funds</b>				
<b>Deferred taxation</b>				
Provision at 1 <sup>st</sup> January 2016	4	7	-	-
Deferred tax charge	(30)	(3)	-	-
	<u>(26)</u>	<u>4</u>	<u>-</u>	<u>-</u>
Provision at 31 <sup>st</sup> December 2016	<u>(26)</u>	<u>4</u>	<u>-</u>	<u>-</u>
The provision consists of:				
Accelerated capital allowances	4	4	-	-
Losses	(30)	-	-	-
	<u>(26)</u>	<u>4</u>	<u>-</u>	<u>-</u>

**30. SUMMARY OF FUND MOVEMENTS****Unrestricted Funds**

	Balance at 1 <sup>st</sup> January				Gains and losses	Balance 31 <sup>st</sup> December
	2016	Income	Expenditure	Transfers	£'000	2016
	£'000	£'000	£'000	£'000		£'000
<b>General funds</b>						
Realised reserve	1,273	6,966	(7,164)	(424)	298	949
Revaluation reserve	201	86	-	-	96	383
	<u>1,474</u>	<u>7,052</u>	<u>(7,164)</u>	<u>(424)</u>	<u>394</u>	<u>1,332</u>
<b>Designated Funds</b>						
Diocesan Growth Fund	1,225	82	(24)	(175)	118	1,226
Resources Centre	1	-	-	-	-	1
Rydal Hall	50	-	-	-	-	50
OpShops	(84)	129	(185)	-	-	(140)
	<u>1,192</u>	<u>211</u>	<u>(209)</u>	<u>(175)</u>	<u>118</u>	<u>1,137</u>
<b>Total Company</b>	<u>1,192</u>	<u>211</u>	<u>(209)</u>	<u>(175)</u>	<u>118</u>	<u>1,137</u>
Lancaster & Cumbria T.P.	-	7	(104)	-	-	(97)
Rydal Hall Limited	32	911	(932)	(100)	-	(89)
	<u>1,224</u>	<u>1,129</u>	<u>(1,245)</u>	<u>(275)</u>	<u>118</u>	<u>951</u>
<b>Total Group Designated Funds</b>	<u>1,224</u>	<u>1,129</u>	<u>(1,245)</u>	<u>(275)</u>	<u>118</u>	<u>951</u>
<b>Total Group Unrestricted Funds</b>	<u>2,698</u>	<u>8,181</u>	<u>(8,409)</u>	<u>(699)</u>	<u>512</u>	<u>2,283</u>

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.



# CARLISLE DIOCESAN BOARD OF FINANCE

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

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 1 <sup>st</sup> January 2016 Restated £'000	Income £'000	Expenditure £'000	Transfers £'000	Gains and losses £'000	Balance 31 <sup>st</sup> December 2016 £'000
Barchester Fund	5,705	162	(144)	-	411	6,134
Stipends Income Fund	163	-	-	(69)	-	94
Pastoral Account	465	235	(209)	(1)	-	490
Diocesan Houses Fund	7,635	-	(2)	-	(200)	7,433
Parish Property Fund	281	8	(24)	1	24	290
Retired Clergy & Dependants Income Fund	43	43	(53)	-	-	33
Sundry Appeal Funds	3	-	-	-	-	3
Other Restricted Income Funds	275	59	(85)	-	16	265
<b>Total Group Restricted Income Funds</b>	<b>14,570</b>	<b>507</b>	<b>(517)</b>	<b>(69)</b>	<b>251</b>	<b>14,742</b>

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.

# CARLISLE DIOCESAN BOARD OF FINANCE

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

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 1 <sup>st</sup> January 2016 £'000	Income £'000	Expenditure £'000	Transfers £'000	Gains and losses £'000	Balance 31 <sup>st</sup> December 2016 £'000
<b>Permanent Endowment Funds</b>						
Stipends Capital Fund	11,710	24	-	668	564	12,966
Education	27	-	-	-	3	30
PWM World Mission	42	-	-	-	5	47
Readers Board	1	-	-	-	-	1
General	130	-	-	-	(4)	126
	<u>11,910</u>	<u>24</u>	<u>-</u>	<u>668</u>	<u>568</u>	<u>13,170</u>
<b>Expendable Endowment Funds</b>						
Parsonages Houses Fund	38,420	-	(1)	-	167	38,586
Retired Clergy & Dependants Fund	956	-	-	-	75	1,031
	<u>39,376</u>	<u>-</u>	<u>(1)</u>	<u>-</u>	<u>242</u>	<u>39,617</u>
<b>Total Group Endowment Funds</b>	<u>51,286</u>	<u>24</u>	<u>(1)</u>	<u>668</u>	<u>810</u>	<u>52,787</u>

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.

CARLISLE DIOCESAN BOARD OF FINANCE

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For the year ended 31 December 2016

**31. SUMMARY OF ASSETS BY FUND**

Company	Fixed Assets		Net Current	Liabilities	Net Assets	Net Assets
	Tangible	Investments	Assets	after 1 year	2016	2015 Restated
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Unrestricted Funds</b>						
General Funds	86	1,392	554	(700)	1,332	1,466
<b>Designated Funds</b>						
Diocesan Growth Fund	-	1,184	42	-	1,226	1,225
Resources Centre	-	-	1	-	1	1
Rydal Hall	-	50	-	-	50	50
OpShops	-	-	(140)	-	(140)	(84)
	-	1,234	(97)	-	1,137	1,192
<b>Restricted Funds</b>						
Barchester Fund	-	4,712	1,422	-	6,134	5,705
Stipends Income Fund	-	-	94	-	94	163
Pastoral Account	-	-	490	-	490	465
Diocesan Houses Fund	7,020	750	(337)	-	7,433	7,635
Parish Property Fund	-	249	41	-	290	281
Retired Clergy Income	-	-	33	-	33	43
Sundry Appeal Funds	-	-	3	-	3	3
Other Income Funds	-	163	102	-	265	275
	7,020	5,874	1,848	-	14,742	14,570
<b>Permanent Endowment Funds</b>						
Stipends Capital Fund	-	15,716	(364)	(2,386)	12,966	11,710
Education	-	30	-	-	30	27
PWM World Mission	-	47	-	-	47	42
Readers Board	-	1	-	-	1	1
General	-	126	-	-	126	130
	-	15,920	(364)	(2,386)	13,170	11,910
<b>Expendable Endowment Funds</b>						
Parsonages Houses Fund	38,578	-	8	-	38,586	38,420
Retired Clergy & Dependants Fund	170	824	37	-	1,031	956
	38,748	824	45	-	39,617	39,376
<b>Total Endowment Funds</b>	38,748	16,744	(319)	(2,386)	52,787	51,286
<b>Total Company Funds</b>	45,854	25,244	1,986	(3,086)	69,998	68,514
<b>Unrestricted Funds</b>						
General re Joint Venture	-	-	-	-	-	8
Lancaster & Cumbria T.P.	-	-	(96)	-	(96)	
Rydal Hall Ltd	23	(50)	(88)	26	(89)	32
<b>Total Consolidated Funds</b>	45,877	25,194	1,801	(3,060)	69,812	68,554

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2016

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**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 117 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. This 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.;

## NOTES TO THE FINANCIAL STATEMENTS

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- 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 2012, the contribution rate from 1 January 2016 is 39.9% of pensionable stipends (i.e. the previous year's NMS), of which 25.8% 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 14.1% relates to recovery of the deficit over the twelve 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 2015 would be £370,000 in 2016 and £370,000 in 2017. The discounted deficit payments of £2.756 million over the next 9 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:

	2016 £'000	2015 £'000
Balance sheet liability as at 1 January	3,424	3,825
Deficit contribution paid	(370)	(367)
Interest cost (recognised in the SOFA)	81	84
Re-measurement of the balance sheet liability	(379)	(118)
	<hr/>	<hr/>
Balance sheet liability as at 31 December	<u>£2,756</u>	<u>£3,424</u>

#### 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 2016, the DBF had 8 active members and 18 deferred 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 (£108,000 over 2016 compared to £121,000 over 2015) 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

## CARLISLE DIOCESAN BOARD OF FINANCE

### NOTES TO THE FINANCIAL STATEMENTS

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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 2013. In this valuation, the Life Risk Section was shown to be in deficit by £4.9m and £4.3m was notionally transferred from the employers' sub-pools to the Life Risk Pool. Of this, £32,000 was deducted from the Employer sub-pool. This increased the employer contributions that would otherwise have been payable. The overall deficit in the DBS was £12.9m.

Following the valuation, the DBF has entered into an agreement with the Church Workers Pension Fund to a contribution rate from 32.9% of pensionable salaries and expenses of £5,100 per year.

	2016 £'000	2015 £'000
Balance sheet liability as at 1 January	-	-
Contributions paid	-	-
Interest cost (recognised in the SOFA)	-	-
Re-measurement of the balance sheet liability	-	-
	<hr/>	<hr/>
Balance sheet liability as at 31 December	-	-
	<hr/>	<hr/>

**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 31 December 2016**

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**33. CAPITAL COMMITMENTS**

Expenditure contracted for but not provided on the financial statements was £nil (2015: £208,000, in relation to the renovation of the Friargate property).

**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 £783,000 (2015: £726,000). £27,000 (2015: £33,000) 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 £444,000 (2015: £455,000). Payments of £2,881,000 (2015: £2,888,000) were made to the Church Commissioners for clergy stipends and the Church of England Pensions Board was paid £1,046,000 (£1,039,000) 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 £197,000 (2015: £187,000). The balance due to the Pensions Board at the year end for December's contributions was £13,000 (2015: £17,000).

**Carlisle Cathedral**

The Cathedral was invoiced for contributions towards the stipend costs of the Archdeacon of Carlisle and printing of services sheets a total of £3,000 (2015: £9,000). The balance due to Carlisle DBF at the end of the year was £nil (2015: £3,000). A payment of £3,000 (2015: £11,000) was made to the Cathedral for accommodation costs for the Archdeacon.

**Rydal Hall Ltd (see note 15)**

During the year Carlisle DBF invoiced Rydal Hall Ltd £100,000 (2015: £120,000) for rent and management charges. At the year end Rydal Hall Ltd owed £146,000 (2015: £99,000) for outstanding rent, management charges 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. £108,000 of this loan was repaid in 2016 (2015: £17,000). Rent of £19,000 (2015: £7,000) and interest on the loan of £11,000 (2015: £14,000) was received from Rydal Hydro Ltd. At 31 December 2016 the balance of the loan was £224,000 (2015: £332,000).

**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. £106,000 of this loan was repaid in 2016 (2015: nil). Interest on the loan of £14,000 (2015: nil) was received. At 31 December 2016 the balance of the loan was £144,000 (2015: £250,000).

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**NOTES TO THE FINANCIAL STATEMENTS**

**For the year ended 31 December 2016**

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**Lancashire and Cumbria Theological Partnership Ltd**

Carlisle DBF paid £13,000 (2015: £27,000) for training and vocational costs and charged LCTP £91,000 (2015: £30,000) for salaries and administration costs. At 31 December 2016 LCTP owed Carlisle DBF £144,000 (2015: £66,000).

**DBE Services Ltd**

Carlisle DBF received gift aid distributions from DBE Services in 2016 totalling £16,000 (2015: £13,000).