



The Newcastle Diocesan Board of Finance Limited

Annual Report & Financial Statements Year ended 31 December 2015

Company number - 00650977

Registered charity number – 247233

A large print version is available on request from

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THE NEWCASTLE DIOCESAN BOARD OF FINANCE LIMITED

ANNUAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2015

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Mission Statement

Our mission is to be generous, engaged and open in the way we follow Christ, inviting others to join our pilgrimage of faith enabling a vibrant, authentic and life-giving Christian presence in every community throughout the Diocese.

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The Trustees, who are also directors for the purposes of company law, present their annual report, together with the audited financial statements, for the year ended 31 December 2015.

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

This combined report satisfies the legal requirements for:

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

LEGAL OBJECTS

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

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

The NDBF has the following statutory responsibilities:-

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

The strategic priorities of the company are established by the Diocesan Synod in communication with Deanery Synods, PCCs, and the Bishop of Newcastle (in respect of her responsibility for the provision of the cure of souls). To this end, significant time and effort is committed to communication between and with these bodies, as well as with the church nationally; including an annual series of consultations on specific matters relating to the priorities for the forthcoming years.

STRATEGIC AIMS

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

The Diocesan Synod has worked to a vision and desire to be generous, engaged and open in the way we follow Christ with a priority to invite others to join our pilgrimage of faith. To enable a vibrant, authentic and life-giving Christian presence in every community throughout the Diocese the Synod has followed six priority areas:

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- ministry deployment
- growth
- support for parishes
- increasing local capacity
- financial prudence
- intentional engagement with society

OBJECTIVES FOR THE YEAR

In response to the strategic priorities determined by the Diocesan Synod the aims of the Synod are to:

- ensure a Christian presence in every parish.
- encourage vocations, training and deployment of our ministry resource that is appropriate to our context.
- promote a society that seeks human flourishing and especially to support those who are least advantaged.
- encourage new ways for the church to work in partnership with the communities they serve.
- foster and facilitate lively conversations throughout the Diocese as a launch-pad for lively communities.

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

ACTIVITIES AND ACHIEVEMENTS IN THE YEAR

The Christian Presence

Our licensed ministers form a central part in the life of churches in the Newcastle Diocese and carry out important roles in communities. As well as engaging in a wide variety of community and church projects, we carry out over 600 weddings, 2300 funerals and 2000 christenings every year. While the NDBF is responsible for funding of clergy stipend costs, the national clergy payroll is administered by the Archbishops' Council, a charity which the NDBF reimburses monthly for the costs of stipendiary clergy deployed in the Diocese. Caring for the 109 trained stipendiary clergy and up to 15 training curates in the Diocese is a priority of the NDBF and represents by far its largest financial commitment. Although the NDBF does not employ the parish clergy, it is responsible for training them, paying them, and paying into their pension fund. New terms of service were introduced in 2011 in the form of Common Tenure under which all new clergy are appointed (some present clergy chose to retain their freehold). The new package gives greater clarity on the rights and obligations of clergy and requires that they participate in a process of Continual Professional Development and Ministerial Development Review. It also gives clergy access to Employment Tribunals and other useful services.

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

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Over the year the average vacancy rate was 12 posts, this was slightly above the 10 posts anticipated in the budget. During all interregnums the area deans worked closely with the churchwardens of the relevant parishes and ensured that in every case scheduled services continued and, with very few exceptions, other activities within the community continued uninterrupted. This was largely made possible by the increasing pool of both retired and self-supporting ministers in the Diocese together with support from the Archdeacons.

Provision of Resources

In response to the national programme of Renewal & Reform the Bishop's Council organised a number of activities and events to help to communicate proposed changes to ministerial education and grant funding from the Church Commissioners and Archbishops' Council. Over 200 people attended an Open Synod held in Rothbury in May and further engagement was achieved through a series of well-supported roadshows held at locations across the Diocese in September. The work in this area has enabled participation from a wide range of people, both lay and ordained and the Bishop's Council presented a diocesan response to the programme at a meeting of the Diocesan Synod in November 2015.

Church Buildings

The Spirit in Stone project came to an end in 2015 and the final products including an 'Exploring Churches' booklet aimed at children, and a 'Visitor Welcome' toolkit resource and DVD were distributed in the Autumn. Under the project heading of Inspired Futures the Inspired North East programme moved to its next step. Recognising that, in some situations, there are major barriers to be overcome before a church building could play its full part in the growth and flourishing of a local community the programme delivered phase one between March to December 2015. The NDBF is pursuing phase two which will release funding for three churches to receive intensive project planning support from which mentoring, capacity building and other resources will be made available to other churches in the Diocese.

Local Engagement

It has been another busy year for the joint venture between Church Urban Fund (CUF) and the NDBF. Our work over the past year has involved us working with parishes and organisations across the Diocese, an area framed by the Rivers Tyne and Tweed.

Our work aimed to be a resource to churches, individuals and groups that wanted to get involved in some form of Community Activity, particularly where there was evidence of unmet need. It has provided the local church with an opportunity to make use of its gifts and resources.

Our partnership work continued to be exciting and varied and in 2015 we focused on a number of work themes:

- Training: putting on, or contributing to, training events and workshops.
- Capacity Building: helping to develop community activities that nurture relationships between people and organisations.
- Raising Awareness: doing talks and sermon slots.
- Financial Inclusion: working with Credit Unions, Churches, Schools and Community Finance organisations.

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Our Poverty Task Group has worked with four main areas of concern:

- welfare and benefits reform,
- food and poverty,
- personal finance and debt, and
- children and poverty.

We have worked carefully on each of these issues, bringing together a diverse group from across the diocese. In practical terms, we have seen the development of support for food-banks and particular actions helping children during school holidays access at least one good meal a day. We continued our work on developing Credit Union Champions and strengthening work supporting debt advice. Towards the end of the year the Group began to look at funeral poverty, following a report published in September by Church Action on Poverty.

Working with others in the community

December 2015 saw the official launch of Tyne & Wear Citizens. This was the fruit of more than a year of networking and planning, bringing together representatives from a wide range of different civil society organisations to celebrate the establishment of broad-based community organising in the northeast. The founding partners, which included the NDBF, have pledged start-up funding for the next two years, which will enable Tyne & Wear Citizens to develop and grow.

Community organising can be a very effective way of bringing about social change. Just over half the member organisations of Citizens UK nationally are faith groups, who see community organising as a practical way of putting faith into action. The coming year promises to be very exciting for our diocese and region, as we work towards a full-scale regional assembly ahead of the mayoral elections next year.

Other related parties

The major related parties with whom the NDBF works include:

- The Archbishops' Council to which it pays a donation based on an apportionment system for funding national training of ordinands and the activities of the various national boards and councils, as well as General Synod.
- The Church Commissioners from which the NDBF receives grants and which acts on behalf of clergy with HM Revenue and Customs. The NDBF pays for clergy stipends through the Church Commissioners.
- The Church of England Pensions Board, to which the NDBF pays retirement benefit contributions for stipendiary clergy and employees. It also offers schemes to provide housing for clergy in retirement.
- The Newcastle Diocesan Education Board ("NDEB") to which it pays a donation for funding the Joint Education Team which resources the activities of the NDEB.
- The Lindisfarne Regional Training Partnership ("LRTP") to which it pays a donation for funding training for both lay and ordained individuals from across the Diocese of Newcastle and the activities of the LRTP Board.
- The Lord Crewe Charity from which the NDBF receives grants for the activities of the NDBF.

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Volunteers

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

FUTURE PLANS

The strategic aims as detailed on pages 4 & 5, will continue to direct the activities of the NDBF to help the Diocese to begin to work with new funding arrangements to be introduced by the National Church as part of the Church's programme of Renewal & Reform. We will continue our work to develop our response to the challenges presented through the programme including changes to the national funding formulae for less well-resourced dioceses.

The major budget element continues to be directed towards the maintenance of an authentic and life-giving Christian presence in every parish. The training and development of ordained and lay members of the church to foster a collaborative approach to ministry will be a priority.

Area Deans and lay deanery officers will be increasingly involved in the fulfilment of the objectives relating to the use of church buildings and the engagement within communities.

We continue to review the central diocesan structure to support the vision and priorities of the Diocese.

FINANCIAL REVIEW

Financial Performance

Parish Share, the money given by Parishes to the Diocese to fund its mission and ministry, is the main incoming resource for the Diocese. Including the arrears received from earlier years, share increased in cash terms by £76k compared to 2014. The total share received when expressed as a percentage of the overall share requested was a fraction over 92% for both years.

The Trustees are grateful to all the parishes which completed their parish share contributions during the year, and especially to those parishes that make their parish share contributions by monthly instalments, which is essential in keeping the Diocese's need to maintain a cash flow reserve to a minimum.

The balance on the General Fund went up by £357k in 2015 to £856k. Some of the change is attributed to the increase in parish share, referred to above, and a revaluation upwards of shares by £16k. However the largest element was a pension credit of £166k which relates to the introduction of FRS 102 (see note 23). The Trustees seek to build up the General Fund to a significantly higher level.

The Trustees have prepared a balanced budget for 2016. The key financial challenge will be receiving parish share contributions much closer to the budgeted figure than in previous years. The Trustees consider that this is achievable.

Overall the NDBF's funds have increased in 2015 by £1.184m. The three largest items contributing to this surplus are the pension credits resulting from the introduction of FRS 102 (total £541k which includes the £166k within the General Fund shown above), a gain of £409k on the disposal of

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83 Kenton Road, and the receipt of a bequest of £108k from the solicitors acting for the estate of Mrs Elsie Fairlamb McFarlane. This money is to be used for training candidates for ordination.

Transitional adjustments to Financial Statements

During the year ended 31 December 2015 as noted within the accounting policies on page 24, the NDBF has adopted for the first time as required, the Statement of Recommended Practice for Charities (SORP 2015) which takes into account a number of changes contained within Financial Reporting Standard FRS 102. This has resulted in changes to the accounting policies in the following area:

- Accounting for pension scheme deficits on multi-employer defined benefit pension schemes

The net impact of these changes is disclosed within note 25 to the financial statements. The changes in accounting policy are of significant impact to necessitate adjustment and the restatement of the financial statements for the year ended 31 December 2014. The restatement results in a decrease in the net assets of £4.493m as at 1 January 2014 (the opening reserves). The effect on the net income for 2014 as compared with the accounts as previously stated was an increase in the surplus of £256k with the cumulative effect on the reserves as at 31 December 2014 being a reduction by £4.237m. In addition to the required transitional adjustment, the presentation of all amounts have been aligned to that required under FRS 102 and SORP 2015.

Significant Property Transactions

During 2015 it was deemed that 83 Kenton Road, the property originally acquired to house the Assistant Bishop, was no longer suitable and the Board agreed to sell the property. There was a gain of £409k which is recognised in these financial statements. Another property is now being sought.

Our policy continues to be

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

Balance sheet position

The Trustees consider that the balance sheet together with details in note 20 show broadly that the restricted and endowment funds are held in an appropriate mix of investment and current assets given the purposes for which the funds are held. While the net assets at the balance sheet date totalled £20.356m (2014: £19.172m) it must be remembered that included in this total are properties, mostly in use for the ministry, whose value amounted to £17.639m (2014: £17.703m). Much of the remainder of the assets shown in the balance sheet are held in restricted funds, and cannot necessarily be used for the general purposes of the NDBF.

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Reserves policy

Free reserves

Having considered financial risk, liquidity requirement and the timing of cash flows throughout the year, the Trustees' policy is to hold a balance of readily realisable assets in the unrestricted funds equivalent to 3 months budgeted unrestricted expenditure for 2016. At 31 December 2015 the amount required under this policy was £1.7m (2014: £1.6m). Actual free reserves as at 31 December totalled £2.1m (2014: £1.9m).

Reserves tied up in fixed assets

The general fund comprises net assets amounting to £856k of which £22k is tied up in tangible fixed assets.

Designated funds

The Trustees may, with the approval of the board, designate additional unrestricted reserves to be retained for an agreed purpose where this is considered to be prudent. Such designated reserves are reviewed from time to time and returned to the General Fund in the event that the purpose of their designation is no longer considered to be adequate justification for their retention. A description of each reserve together with the intended use of the reserve is set out in note 21. At 31 December 2015 total designated reserves were £5.199m (2014: £4.831m)

Restricted and endowment funds

As set out in note 20, NDBF holds and administers a large number of restricted and endowment funds. As at 31 December 2015 restricted funds totalled £1.538m (2014: £1.555m) and endowment funds totalled £12.763m (2014: £12.287m). Neither are available for the general purposes of the NDBF.

Grant making policy

The Memorandum of Association of the NDBF explicitly permits the NDBF to make grants in pursuance of its objects, and the nature of grants made in 2015 is indicated in note 11. Certain grants are built into the Diocesan Budget which is approved by Synod, whilst others are overseen by the Finance Group, the Diocesan Mission and Pastoral Committee and the Bishop's Staff.

Investment policy

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

Ethical investment - This includes ensuring that investments are held in companies which have high standards of corporate governance and act in a responsible way towards stakeholders.

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

These policies are achieved by holding all funds with CCLA Investments Limited in London.

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

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

Shares in CBF Investment Fund

Valuation at 1 Jan 2015	<u>2,285,836</u>
Dividend income %	3.87%
Revaluation %	1.36%
Total % return	<u>5.23%</u>

Glebe managed by glebe agent

Valuation at 1 Jan 2015	<u>1,577,294</u>
Rental income %	2.24%
Revaluation %	0.68%
Total % return	<u>2.92%</u>

PRINCIPAL RISKS AND UNCERTAINTIES

The Trustees are responsible for the identification, mitigation and or management of risk. To achieve this, a register of all the risks identified is maintained and, alongside it, a management and mitigation strategy formed. This is subject to review by the Trustees on an annual basis with the responsibility for delivery of the mitigation strategies identified by it, being delegated to the Diocesan Secretary. In 2015 the Trustees reviewed the management and mitigation strategy and work commenced in November to introduce a revised format. This work is scheduled for completion in the first half of 2016.

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

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STRUCTURE AND GOVERNANCE

Summary Information about the structure of the Church of England

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

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

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

Organisational structure

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

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

Governance and policy of the NDBF is the responsibility of the Trustees, who are also members of the company and trustees for the purposes of charity law. There are nine ex-officio Trustees and six lay people and three clergy elected from and by the members of Diocesan Synod every three years, with the most recent elections held in October 2015. The details of Trustees who served during the year are set out on page 16.

The Diocesan Synod, the statutory governing body of the Diocese, is an elected body drawn from across the Diocese with responsibility for setting the vision and strategy of the Diocese, guided by the Bishop's Staff Team. The Synod membership is elected every three years, the last elections having been in July 2015. The Synod elects nine Trustees to the Diocesan Board of Finance. Whilst the NDBF is a separate legal entity, with clear responsibilities under both company and charity law, as well as a governing memorandum and articles of association, by virtue of the National Institutions Measure 2000 the NDBF is subject to the direction of the Synod in all its activities, unless such direction is not in accordance with the governing documents or statutory regulations.

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Decision making structure

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

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

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

Finance Group: responsible for considering the financial affairs of the Diocese. Amongst other things, it draws up draft budgets for approval by the Trustees prior to submission to Diocesan Synod and monitors expenditure and income. The group started 2015 with ten members, seven of whom were directors. There were changes in the membership during the course of the year and at the year-end there were ten members of whom five were directors.

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

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

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

Trustee recruitment, selection and induction

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

Remuneration of key management personnel

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

Delegation of day to day delivery

The Trustees and the sub-committee which assist them in the fulfilment of their responsibilities, rely upon the Diocesan Secretary and his colleagues for the delivery of the day to day activities of the company. The Diocesan Secretary is given specific and general delegated authority to deliver the business of the NDBF in accordance with the policies framed by the Trustees.

TRUSTEES' RESPONSIBILITIES

The Trustees are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Trustees (as Directors) to prepare financial statements for each financial year. Under that law the Trustees have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the Trustees must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of the affairs of the NDBF and of the surplus or deficit of the NDBF for that period. In preparing these financial statements the Trustees are required to:

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

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The Trustees are also responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the NDBF and enable them to ensure that the financial statements comply with the Companies Act 2011. They are also responsible for safeguarding the assets of the NDBF and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Trustees are responsible for the maintenance and integrity of the corporate and financial information included in the NDBF's website. Legislation in England/Wales governing the preparation and dissemination of financial statements and other information included in Annual Reports may differ from legislation in other jurisdictions.

STATEMENT OF DISCLOSURE TO THE AUDITORS

So far as the Trustees are aware:

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

APPOINTMENT OF AUDITORS

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

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ADMINISTRATIVE DETAILS

Ex officio trustees

The Bishop of Newcastle – The Right Reverend CE Hardman (appointed 22/09/2015)
The Assistant Bishop of Newcastle – The Right Reverend F White
The Dean of Newcastle – The Very Reverend CC Dalliston
The Archdeacon of Lindisfarne – The Venerable PJA Robinson
The Archdeacon of Northumberland – The Venerable GV Miller
The Chair of the House of Clergy – The Reverend Canon JR Sinclair
The Chair of the House of Laity – Canon C Wolstenholme
The Chair of the Diocesan Mission and Pastoral Committee – The Reverend PM Scott
The Chair of the Diocesan Board of Finance – Canon SR Harper

Elected trustees

Dr JC Appleby	(re-appointed 01/01/2016)
Canon S Hart	(re-appointed 01/01/2016)
The Reverend CL Brown	(appointed 01/01/2016)
The Reverend Dr BH Carter	(appointed 01/01/2016)
Miss I McDonald-Booth	(appointed 01/01/2016)
Dr HE Elder	(appointed 01/01/2016)
Mrs EA Chadwick	(appointed 01/01/2016)
Mr MW King	(appointed 01/01/2016)
The Reverend D Hewlett	(resigned 31/12/2015)
The Reverend M Lee	(resigned 31/12/2015)
The Reverend AW Marks	(resigned 31/12/2015)
Mrs EA Purves	(resigned 31/12/2015)
Mr D Ratcliff	(resigned 31/12/2015)
Mr S Roberson	(resigned 31/12/2015)
Mr P Sturgess	(resigned 31/12/2015)

Co-opted by the Board: The Reverend Canon JA Robertson (Vice Chair) (resigned 31/03/2015)

Secretary: Mr S Waddle

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

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

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

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

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FOR THE YEAR ENDED 31 DECEMBER 2015

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

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

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

(Telephone: 01912 704100) (Fax: 01912 704101)

(Website: www.newcastle.anglican.org)

(Email: info@newcastle.anglican.org)

Company registration number: 00650977

Registered charity number: 247233

In approving this Trustees' Report, the Trustees are also approving the Strategic Report included on pages 4 – 11 within their capacity as company directors.

BY ORDER OF THE TRUSTEES



Canon S Harper

Chair

18 March 2016



Mr S Waddle

Secretary

18 March 2016

THE NEWCASTLE DIOCESAN BOARD OF FINANCE LIMITED

INDEPENDENT AUDITORS REPORT FOR THE YEAR ENDED 31 DECEMBER 2015

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

We have audited the financial statements of The Newcastle Diocesan Board of Finance Limited for the year ended 31 December 2015 which comprise the Statement of Financial Activities, the Summary Income and Expenditure Account, the Balance Sheet, the 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 charitable company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the charitable company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charitable company and the charitable company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of trustees and auditor

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

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the charitable company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the trustees; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Trustees' Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

THE NEWCASTLE DIOCESAN BOARD OF FINANCE LIMITED

INDEPENDENT AUDITORS REPORT FOR THE YEAR ENDED 31 DECEMBER 2015

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the charitable company's affairs as at 31 December 2015, and of its incoming resources and application of resources, including its income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Trustees' Annual Report (including the Strategic 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 where the Companies Act 2006 requires us to report to you if, in our opinion:

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



Andrew Wilson BA FCA (Senior Statutory Auditor)
For and on behalf of UNW LLP, Statutory Auditor
Newcastle upon Tyne

Date: 18 March 2016

THE NEWCASTLE DIOCESAN BOARD OF FINANCE LIMITED

STATEMENT OF FINANCIAL ACTIVITIES FOR YEAR ENDED 31 DECEMBER 2015

	Note	Unrestricted Funds £	Restricted Funds £	Endowment Funds £	Total Funds 2015 £	Total Funds 2014 £ (As restated)
Income from						
Donations						
Parish contributions	2	4,416,696	-	-	4,416,696	4,340,335
Archbishops' Council	2	1,538,658	-	-	1,538,658	1,554,613
Other donations	2	396,939	149,301	-	546,240	529,673
Charitable activities	3	481,904	-	-	481,904	459,265
Other activities	4	158,277	-	1,741	160,018	149,921
Investments	5	129,543	8,913	1,368	139,824	216,836
Other	6	409,212	-	-	409,212	280,998
Total incoming resources		7,531,229	158,214	3,109	7,692,552	7,531,641
Expenditure on						
Raising funds	7	(27,474)	-	-	(27,474)	(25,150)
Charitable activities	8	(6,445,194)	(69,805)	(31,920)	(6,546,919)	(6,907,847)
Total resources expended		(6,472,668)	(69,805)	(31,920)	(6,574,393)	(6,932,997)
Net income/(expenditure) before investment Gains		1,058,561	88,409	(28,811)	1,118,159	598,644
Net gains on investments:						
Realised gain on investment assets		-	-	24,060	24,060	-
Unrealised gains on investment assets	15	20,114	-	21,663	41,777	192,822
Net income/(expenditure)		1,078,675	88,409	16,912	1,183,996	791,466
Transfers between funds	13	(353,797)	(105,403)	459,200	-	-
Net movement in funds		724,878	(16,994)	476,112	1,183,996	791,466
Reconciliation of funds						
Total funds brought forward		5,329,826	1,555,438	12,287,035	19,172,299	18,380,833
Total funds at 31 December 2015	19	6,054,704	1,538,444	12,763,147	20,356,295	19,172,299

All incoming resources and resources expended relate to continuing activities

THE NEWCASTLE DIOCESAN BOARD OF FINANCE LIMITED

INCOME AND EXPENDITURE ACCOUNT FOR YEAR ENDED 31 DECEMBER 2015

	Total 2015 £	Total 2014 £
Total incoming resources	7,689,443	7,525,810
Resources expended	6,542,473	6,916,348
	<hr/>	<hr/>
Operating surplus for the year	1,146,970	609,462
Net gains on investments	20,114	74,737
	<hr/>	<hr/>
Net income for the year	1,167,084	684,199
	<hr/>	<hr/>
 Other comprehensive income:		
Revaluation of fixed assets	-	-
Net assets transferred to endowments	(459,200)	(205,359)
Actuarial losses on defined benefit pension schemes	-	-
	<hr/>	<hr/>
Total comprehensive income	707,884	478,840
	<hr/>	<hr/>

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

THE NEWCASTLE DIOCESAN BOARD OF FINANCE LIMITED

BALANCE SHEET AS AT 31 DECEMBER 2015

	Note	2015 £	2014 £
Fixed assets			
Tangible assets	14	17,660,233	17,725,571
Investments	15	3,867,956	3,876,179
		<u>21,528,189</u>	<u>21,601,750</u>
Current assets			
Debtors	16	98,478	178,511
Investments		2,184,042	1,451,203
Cash at bank		1,028,621	921,763
		<u>3,311,141</u>	<u>2,551,477</u>
Creditors: amounts falling due within one year	17	<u>(283,321)</u>	<u>(232,114)</u>
Net current assets		<u>3,027,820</u>	<u>2,319,363</u>
Total assets less current liabilities		<u>24,556,009</u>	<u>23,921,113</u>
Creditors: amounts falling due after more than one year	18	<u>(4,199,714)</u>	<u>(4,748,814)</u>
Net assets		<u>20,356,295</u>	<u>19,172,299</u>
The funds of the charity:			
Endowment funds		12,763,147	12,287,035
Including revaluation reserve of £139,747 (2014: £118,085)			
Restricted income funds		1,538,444	1,555,438
Unrestricted income funds			
General funds		855,822	498,681
Including revaluation reserve of £76,977 (2014:£60,652)			
Designated funds		5,198,882	4,831,145
Including revaluation reserve of £17,873 (2014:£14,083)			
		<u>6,054,704</u>	<u>5,329,826</u>
Total funds	19	<u>20,356,295</u>	<u>19,172,299</u>

The notes on pages 24 to 47 form part of these financial statements. The accounts were approved by the members of the Board on the 18th March 2016 and are signed on their behalf by:

Canon SR Harper
Chair



Company number 00650977

THE NEWCASTLE DIOCESAN BOARD OF FINANCE LIMITED

CASH FLOW STATEMENT FOR YEAR ENDED 31 DECEMBER 2015

	2015		2014	
	£	£	£	£
Net cash inflow/(outflow) from operating activities		213,214		(176,437)
Cash flows from investing activities				
Dividends, interest and rent from investments	139,824		216,836	
Interest paid	-		-	
Proceeds from the sale of:				
Tangible fixed assets	645,167		284,505	
Fixed asset investments	74,060		-	
Redundant Church	-		90,650	
Purchase of::				
Tangible fixed assets for the use of the NDBF	(224,468)		(306,605)	
Fixed asset investments	-		-	
Net cash provided by investing activities		634,583		285,386
Cash flow from financing activities				
Loan repaid by NDBF	(8,100)		-	
Net cash used in financing activities		(8,100)		-
Change in cash and cash equivalents in the reporting period		839,697		108,949
Cash and cash equivalents at 1 January		2,372,966		2,264,017
Cash and cash equivalents at 31 December		3,212,663		2,372,966
Reconciliation of net movements in funds to net cash flow from operating activities				
Net movements in funds for the year ended 31 December		1,118,159		598,644
Adjustments for:				
Depreciation charges		53,851		39,687
Dividends, interest and rent from investments		(139,824)		(216,836)
Profit on sale of functional assets		(409,212)		(295,971)
Decrease in debtors		80,033		94,565
Decrease in creditors		(489,793)		(396,526)
Net cash provided by/(used in) operating activities		213,214		(176,437)
Analysis of cash and cash equivalents				
Cash in hand		1,028,621		921,763
Deposits (less than 3 months)		2,184,042		1,451,203
		3,212,663		2,372,966

NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED 31 DECEMBER 2015

1. PRINCIPAL ACCOUNTING POLICIES

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

Following the transition to FRS 102 for the first time in 2015 all of the accounting policies have been aligned with the new accounting standard and where these have resulted in a material change to the amounts, classification or presentation within the financial statements as at the date of transition then a transitional adjustment has been made (see note 24). The principle accounting policies and estimation techniques are as follows.

a) **Income**

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

- i) **Parish Share** is recognised as income of the year in respect of which it is receivable.
- ii) **Rent** receivable is recognised as income in the period with respect to which it relates.
- iii) **Interest and dividends** are recognised as income when receivable.
- iv) **Grants** received which are subject to pre-conditions for entitlement specified by the donor which have not been met at the year-end are included in creditors to be carried forward to the following year.
- v) **Parochial fees** are recognised as income of the year to which they relate.
- vi) **Donations** other than grants are recognised when receivable.
- vii) **Gains on disposal of fixed assets for the NDBF's own use** (i.e. non-investment assets) are accounted for as other incoming resources. Losses on disposal of such assets are accounted for as other expenditure.
- viii) **Stipends fund income.** The Stipends Fund Capital account is governed by the Diocesan Stipends' Fund Measure 1953, as amended, and the use of the income is restricted for clergy stipends. However, the income is fully expended within the year of receipt and the legal restrictions, therefore, are satisfied. It is on this basis that the income and the (normally much larger) related expenditure are both included in the unrestricted column of the Statement of Financial Activities for the sake of greater clarity and simplicity in financial reporting.

THE NEWCASTLE DIOCESAN BOARD OF FINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED 31 DECEMBER 2015

b) Expenditure

Expenditure is included on the accruals basis and has been classified under headings that aggregate all costs related to the Statement of Financial Activity category.

i) **Costs of raising funds** are constrained to costs relating to the temporary renting out of parsonages and investment management costs of glebe and any other investment properties.

ii) **Charitable expenditure** is analysed between contributions to the Archbishops' Council, expenditure on resourcing mission and ministry in the parishes of the diocese, and expenditure which supports the two charitable companies working alongside NDBF at Church House, i.e. the Newcastle Diocesan Education Board and Lindisfarne Regional Training Partnership.

iii) **Grants payable** are charged in the year when the offer is conveyed to the recipient except in those cases where the offer is conditional on the recipient satisfying performance or other discretionary requirements to the satisfaction of the NDBF, such grants being recognised as expenditure when the conditions attaching are fulfilled. Grants offered subject to such conditions which have not been met at the year-end are noted as a commitment, but not accrued as expenditure.

iv) **Support costs** consist of central management, administration and governance costs. The amount spent on raising funds and other activities is considered to be immaterial and all support costs are allocated to the purpose of charitable activities. Costs are allocated wherever possible directly to the activity to which they relate, but where such direct allocation is not possible, the remainder is allocated on an approximate staff time basis.

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

c) Tangible fixed assets and depreciation

Freehold properties

Depreciation is not routinely provided on buildings except in those few cases where the trustees feel that the net book value is higher than the fair value. For the vast majority of properties depreciation is not regarded as a material amount due to the very long expected remaining useful economic life in each case, and because the expected residual value is not materially less than the carrying value. The NDBF has a policy of regular structural inspection, repair and maintenance, which in the case of residential properties is in accordance with the Repair of Benefices Buildings Measure 1972 and properties are therefore unlikely to deteriorate or suffer from obsolescence. In addition, disposals of properties occur well before the end of their economic lives and disposal proceeds are usually not less than their carrying value. The Trustees perform annual impairment reviews in accordance with the requirements of FRS 102 to ensure that the carrying value is not more than the recoverable amount.

Properties subject to value linked loans

The only property subject to a value linked loan from the Church Commissioners was sold in 2015 and the loan was paid off.

NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED 31 DECEMBER 2015

Investment properties

Glebe properties which are held for investment purposes and rented out have been included at their fair value.

Parsonage houses

The NDBF has followed the requirements of FRS 102, in its accounting treatment for benefice houses (parsonages). FRS 102 requires the accounting treatment to follow the substance of arrangements rather than their strict legal form. The NDBF is formally responsible for the maintenance and repair of such properties and has some jurisdiction over their future use or potential sale if not required as a benefice house, but in the meantime legal title and the right to beneficial occupation is vested in the incumbent. The Trustees therefore consider the most suitable accounting policy is to capitalise such properties as expendable endowment assets and to carry them at their estimated current market value. Parsonage houses are not routinely revalued.

d) Other tangible fixed assets

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

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

e) Fund balances

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

- **Unrestricted funds** are the NDBF's corporate funds and are freely available for any purpose within the charitable company's objects, at the discretion of the NDBF. There are two types of unrestricted funds:
 - **General funds** which the NDBF intends to use for the general purposes of the NDBF and
 - **Designated funds** set aside out of unrestricted funds by the NDBF for a purpose specified by the Trustees
- **Restricted funds** are income funds subject to conditions imposed by the donor as specific terms of trust, or else by legal measure.
- **Endowment funds** are those held on trust to be retained for the benefit of the charitable company as a capital fund. In the case of the endowment funds administered by the NDBF (Stipends Fund Capital, Parsonage Houses Fund but not the St Aidan's Fund), there are discretionary powers to convert capital into income and, as a result, these funds are classified as expendable endowment. Endowment funds where there is no provision for expenditure of capital are classified as permanent endowment.

THE NEWCASTLE DIOCESAN BOARD OF FINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED 31 DECEMBER 2015

2. DONATIONS

Parish Contributions

	Unrestricted Funds £	Restricted Funds £	Endowment Funds £	Total Funds 2015 £	Total Funds 2014 £
Parish share					
Current year's allocation	4,797,392	-	-	4,797,392	4,714,882
Shortfall	404,879	-	-	404,879	448,481
Parish contributions	4,392,513	-	-	4,392,513	4,266,401
Arrears for previous years	24,183	-	-	24,183	73,934
	4,416,696	-	-	4,416,696	4,340,335
Percentage of requested amount				92.1%	92.1%

Archbishops' Council

	Unrestricted Funds £	Restricted Funds £	Endowment Funds £	Total Funds 2015 £	Total Funds 2014 £
Selective allocation	1,433,408	-	-	1,433,408	1,449,363
Mission development fund	105,250	-	-	105,250	105,250
	1,538,658	-	-	1,538,658	1,554,613

Other donations

	Unrestricted Funds £	Restricted Funds £	Endowment Funds £	Total Funds 2015 £	Total Funds 2014 £
All Churches Trust grant	116,677	-	-	116,677	113,831
Lord Crewe's Charity grant	120,000	-	-	120,000	120,000
Winchester Diocese grant	69,770	-	-	69,770	67,880
Grants received for Inspired North East Project	44,882	-	-	44,882	25,710
Church Commissioners	10,787	-	-	10,787	83,009
Newcastle Diocesan Society	26,978	-	-	26,978	33,074
Legacy	-	107,852	-	107,852	5,000
Other	7,845	41,449	-	49,294	81,169
	396,939	149,301	-	546,240	529,673

3. CHARITABLE ACTIVITIES

	Unrestricted Funds £	Restricted Funds £	Endowment Funds £	Total Funds 2015 £	Total Funds 2014 £
Statutory fees	415,094	-	-	415,094	380,895
Chaplaincy income	61,484	-	-	61,484	73,202
Guaranteed annuities & stipend grants	5,326	-	-	5,326	5,168
	481,904	-	-	481,904	459,265

THE NEWCASTLE DIOCESAN BOARD OF FINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED 31 DECEMBER 2015

4. OTHER TRADING ACTIVITIES

	Unrestricted Funds	Restricted Funds	Endowment Funds	Total Funds 2015	Total Funds 2014
	£	£	£	£	£
Rental of houses	122,151	-	-	122,151	120,412
Contributions for use of Church House	16,743	-	-	16,743	21,715
Other contributions	17,620	-	-	17,620	-
Other income	1,763	-	1,741	3,504	7,794
	158,277	-	1,741	160,018	149,921

5. INVESTMENT INCOME

	Unrestricted Funds	Restricted Funds	Endowment Funds	Total Funds 2015	Total Funds 2014
	£	£	£	£	£
Income from UK listed investments	87,698	840	-	88,538	177,341
Bank Interest receivable	6,435	2,462	1,368	10,265	8,216
Rents from Glebe	35,410	-	-	35,410	31,279
Other rental income	-	5,611	-	5,611	-
	129,543	8,913	1,368	139,824	216,836

6. OTHER INCOMING RESOURCES

	Unrestricted Funds	Restricted Funds	Endowment Funds	Total Funds 2015	Total Funds 2014
	£	£	£	£	£
Profit on sale of assets	409,212	-	-	409,212	280,998
	409,212	-	-	409,212	280,998

7. FUND RAISING COSTS

	Unrestricted Funds	Restricted Funds	Endowment Funds	Total Funds 2015	Total Funds 2014
	£	£	£	£	£
Glebe costs	18,902	-	-	18,902	19,067
Parsonage rental costs	8,572	-	-	8,572	6,083
	27,474	-	-	27,474	25,150

THE NEWCASTLE DIOCESAN BOARD OF FINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED 31 DECEMBER 2015

8 CHARITABLE ACTIVITIES

	Unrestricted Funds £	Restricted Funds £	Endowment Funds £	Total Funds 2015 £	Total Funds 2014 £
Contributions to Archbishops' Council					
Training for ministry	151,340	-	-	151,340	150,572
National church responsibilities	114,314	-	-	114,314	114,852
Grants and provisions	14,604	-	-	14,604	14,340
Mission agency pension contributions	8,923	-	-	8,923	8,580
Retired clergy housing costs (CHARM)	48,068	-	-	48,068	45,996
Pooling of ordinand candidates' costs	13,947	-	-	13,947	15,888
	351,196	-	-	351,196	350,228
Resourcing Ministry and Mission					
Parish Ministry					
Stipends and national insurance	2,975,167	-	-	2,975,167	2,999,988
Pension contributions	640,297	-	-	640,297	825,397
Housing costs	627,340	-	31,920	659,260	690,287
Removal, resettlement and grants	83,923	-	-	83,923	89,193
Other expenses	73,101	-	-	73,101	34,988
	4,399,828	-	31,920	4,431,748	4,639,853
Support for parish ministry	1,471,204	69,805	-	1,541,009	1,701,179
	5,871,032	69,805	31,920	5,972,757	6,341,032
Grants to linked charitable companies					
Newcastle Diocesan Education Board	120,000	-	-	120,000	102,443
Lindisfarne Regional Training Partnership	102,966	-	-	102,966	114,144
	222,966	-	-	222,966	216,587
	6,445,194	69,805	31,920	6,546,919	6,907,847

9. ANALYSIS OF EXPENDITURE INCLUDING ALLOCATION OF SUPPORT COSTS

	Activities Undertaken Directly £	Grant Funding of Activities £	Support Costs £	Total costs 2015 £	Total costs 2014 £
Raising funds	27,474	-	-	27,474	25,150
Charitable activities:					
Contributions to Archbishops' Council	-	351,196	-	351,196	350,228
Resourcing parish ministry	4,921,837	396,669	654,251	5,972,757	6,341,032
Grant to Newcastle Diocesan Education Board (a related charitable company)	-	120,000	-	120,000	102,443
Grant to Lindisfarne Regional Training Partnership (a related charitable company)	-	102,966	-	102,966	114,144
	4,949,311	970,831	654,251	6,574,393	6,932,997

THE NEWCASTLE DIOCESAN BOARD OF FINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED 31 DECEMBER 2015

10. ANALYSIS OF SUPPORT COSTS

	Unrestricted Funds £	Restricted Funds £	Endowment Funds £	Total costs 2015 £	Total costs 2014 £
Central administration	557,083	-	-	557,083	623,426
Governance					
External audit	17,875	-	-	17,875	15,036
Registry and other legal costs	60,809	-	-	60,809	59,977
Synodical costs	18,484	-	-	18,484	13,767
	654,251	-	-	654,251	712,206

11. ANALYSIS OF GRANTS MADE

	Number	Individuals £	Institutions £	Total costs 2015 £
From unrestricted funds to support national Church responsibilities				
Contributions to Archbishops' Council	6	-	351,196	351,196
From unrestricted funds				
Support for ordinands	14	84,400	-	84,400
Newcastle Cathedral	1	-	4,000	4,000
Shepherds Dene Retreat House	2	-	29,000	29,000
Alnmouth Friary	1	-	3,000	3,000
North East Churches Acting Together	1	-	10,471	10,471
Northumbrian Industrial Mission	1	-	2,600	2,600
The Bishop's Fund	2	-	68,339	68,339
Cornerstone	1	-	32,460	32,460
Coffee Plus	1	-	20,000	20,000
Citizens UK	1	-	10,000	10,000
Support for parishes with curates	7	-	12,098	12,098
Continuing Ministerial Development grants	106	33,960	12,391	46,351
Building Grants Fund	1	-	5,000	5,000
Other grants	18	1,030	8,410	9,440
	157	119,390	217,769	337,159

THE NEWCASTLE DIOCESAN BOARD OF FINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED 31 DECEMBER 2015

	Number	Individuals £	Institutions £	Total costs 2015 £
From restricted funds				
Partners Fund	13	996	28,679	29,675
Clergy Emergency Fund	10	8,000	-	8,000
Pastoral Account	2	-	12,140	12,140
Botswana Fund	2	668	9,027	9,695
	27	9,664	49,846	59,510
From unrestricted funds to support the Diocesan Education Board and the Diocesan Based training company				
Newcastle Diocesan Education Board	1	-	120,000	120,000
Lindisfarne Regional Training Partnership	1	-	102,966	102,966
	2	-	222,966	222,966
Total Grants Made	192	129,054	841,777	970,831

Grant funding of activities in previous year:

	2014 No. of grants	2014 £
From unrestricted funds		
Contributions to Archbishop's Council	6	350,228
Contributions to Diocesan-based charities		
Newcastle Diocesan Education Board	1	102,443
Lindisfarne Regional Training Partnership	1	114,144
Other grants	173	326,324
From restricted funds		
Other grants	28	141,305
	209	1,034,444

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NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED 31 DECEMBER 2015

12. STAFF COSTS

	2015 £	2014 £
Employee costs during the year were as follows:		
Wages and salaries	656,908	664,221
National insurance contributions	60,202	55,921
Pension costs	46,563	138,882
	<u>763,673</u>	<u>859,024</u>

The average number of persons employed during the year:	Number	Number
Administration and financial management	13	11
Supporting ministers & chaplains	19	19
Property	2	2
Safeguarding	1	1
	<u>35</u>	<u>33</u>

The average number of persons employed during the year based on full-time equivalents	Number	Number
Administration and financial management	9.1	8.7
Supporting ministers and chaplains	10.9	11.9
Property	2.0	2.0
Safeguarding	0.8	0.3
	<u>22.8</u>	<u>22.9</u>

	2015 Number	2014 Number
The number of staff whose emoluments (including benefits in kind but excluding pension contributions) amounted to more than £60,000 were as follows:		
£60,000 - £70,000	1	-

Pension payments of £5,788 (2014:£5,183) were made for this employee

Remuneration of key management personnel

Key management personnel are deemed to be those having authority and responsibility, delegated to them by the trustees, for planning, directing and controlling the activities of the diocese. During 2015 they were:

Diocesan Secretary and Company Secretary	Shane Waddle - MSc, FCIPP
Property Manager	Ian D Beswick - MSc, MRICS
Accountant	John M Hall - BA, FCA

Remuneration, pensions and expenses for these 3 employees amounted to £183,696 (2014:£180,342).

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NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED 31 DECEMBER 2015

Trustees' emoluments

No trustee received any remuneration for services as trustee. The trustees received travelling and out of pocket expenses totalling £24,263 (2014:£24,019) in respect of General Synod duties, duties as archdeacon or rural dean, 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 NDBF during the year:

	Stipend	Housing
The Right Revd F White	No	Yes
The Venerable GV Miller	Yes	Yes
The Venerable PJA Robinson	Yes	Yes
The Revd Canon JR Sinclair	Yes	Yes
The Revd PM Scott	Yes	Yes
The Revd AW Marks	Yes	Yes
The Revd DB Hewlett	Yes	Yes
The Revd MP Lee	Yes	Yes
The Revd Canon JA Robertson	Yes	Yes

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

The NDBF paid an average of 113.5 (2014:116.5) stipendiary clergy working in the diocese within stipendiary ministry, and the costs were as follows:

	2015 £	2014 £
Stipends	2,773,701	2,817,816
National insurance contributions	209,093	211,019
Pension costs - current year	1,017,900	995,550
- deficit reduction	(375,000)	(161,000)
	<u>3,625,694</u>	<u>3,863,385</u>

The stipends of the Diocesan Bishop and Assistant Bishop are funded by the Church Commissioners and are in the range of £33,000 - £43,000 (2014: range £32,000 - £42,000). The annual rate of stipend funded by the NDBF paid to Archdeacons in 2015 was in the range £33,000 - £33,900 (2014: range £32,300 - £33,100) and other clergy who were trustees were paid in the range £23,600 - £26,700 (2014: range £23,200 - £26,200). The Archbishops' Council has estimated the value to the occupant, gross of income tax and national insurance, of church provided housing in 2015 at £9,910 (2014:£9,950). The value of the benefit of living in the house provided to the Diocesan Bishop is £15,000.

THE NEWCASTLE DIOCESAN BOARD OF FINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED 31 DECEMBER 2015

13. TRANSFERS BETWEEN FUNDS

	Unrestricted Funds £	Restricted Funds £	Endowment Funds £	Total Funds 2015 £
Transfer from Partners to cover administration	5,000	(5,000)	-	-
Transfer from Partners to cover officer's costs	11,649	(11,649)	-	-
Transfer from Bequest Fund to General	4,554	(4,554)	-	-
Transfer from Pastoral to Parsonages Houses Fund	-	(84,200)	84,200	-
Transfer from General to Parsonages Houses Fund	(375,000)	-	375,000	-
	(353,797)	(105,403)	459,200	-

- Funds have been transferred from the Partners Fund to reimburse the General Fund for administrative support (£5,000) and for the payroll costs of the Partners Development Officer (£11,649).
- Funds have been transferred from a restricted bequest fund to the General Fund to offset training costs (£4,554).
- Funds have been transferred from the Pastoral Account to the Parsonages Houses Fund to pay for the extension work carried out at the Holy Island vicarage (£84,200).
- Funds have been transferred from the General Fund to an endowment fund to reduce the clergy pension liability (£375,000).

14. TANGIBLE FIXED ASSETS

	Unrestricted funds		Endowment funds		TOTAL
	Property £	Office Equipment £	Parsonages £	Glebe Property £	£
At cost or valuation					
At 1 January 2015	4,584,675	99,683	14,924,076	1,398,888	21,007,322
Additions	86,326	9,823	128,319	-	224,468
Disposals	(271,185)	-	-	-	(271,185)
At 31 December 2015	4,399,816	109,506	15,052,395	1,398,888	20,960,605
Accumulated depreciation					
At 1 January 2015	520,691	77,008	2,435,756	248,296	3,281,751
Charge for the year	10,959	10,972	31,920	-	53,851
Disposals	(35,230)	-	-	-	(35,230)
At 31 December 2015	496,420	87,980	2,467,676	248,296	3,300,372
Net book value at 31 December 2015	3,903,396	21,526	12,584,719	1,150,592	17,660,233
Net book value at 31 December 2014	4,063,984	22,675	12,488,320	1,150,592	17,725,571

Properties

These properties were purchased using either unrestricted reserves, the Pastoral Account or the Stipends Capital and Glebe Fund. Included in this category is £429K (2014:£429K) which is attributable to the Bishop Bilbrough Fund, being part of the cost of the new Church House office accommodation paid for from the proceeds of the former Church House building. The balance of the cost of Church House is held

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NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED 31 DECEMBER 2015

within the Mary Wilkinson Legacy Fund. The other NDBF properties are included in the NDBF Houses Fund, an unrestricted fund.

Parsonage houses

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

Glebe team vicarages

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

15. FIXED ASSET INVESTMENTS

	Investment property £	Unlisted investments £	Listed investments £	TOTAL £
Within the United Kingdom				
At 1 January 2015	1,577,294	13,049	2,285,836	3,876,179
Additions	-	-	-	-
Disposals	(50,000)	-	-	(50,000)
Revaluation	-	-	31,104	31,104
Revaluation of Glebe land	10,673	-	-	10,673
At 31 December 2015	1,537,967	13,049	2,316,940	3,867,956
Cost at 31 December 2015	1,450,042	13,049	2,170,268	3,633,359

Investment Properties

An estimate of the value of Glebe land and properties held as investments at the end of the year is £1,537,967. This figure has been prepared by the Diocesan Property Manager, Mr I Beswick MRICS.

Listed investments

Listed investments are valued at middle market value at the year-end. The Central Board of Finance Fund is classed as narrow range or wide range.

Unlisted investments

Unlisted investments are included at cost and relate to a programme related investment by NDBF in Lindisfarne Regional Training Partnership Limited.

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NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED 31 DECEMBER 2015

16. DEBTORS

	2015 £	2014 £
Due within one year		
Church Commissioners: sundry debtors	4,396	36,348
Prepayments	6,864	23,277
Loans for parish buildings	6,400	22,262
Other debtors	61,785	43,429
	79,445	125,316
Due after one year		
Loans for parish buildings > 1 year	19,033	53,195
	19,033	53,195
	98,478	178,511

17. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2015 £	2014 £
Taxation and social security	21,035	22,252
Other creditors (incl. pension liabilities)	74,790	43,570
Accruals	187,496	166,292
Falling due within one year	283,321	232,114

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

	2015 £	2014 £
Long term loans	500,000	508,100
Deposit held on glebe property	3,714	3,714
Pension liabilities	3,696,000	4,237,000
Falling due after more than one year	4,199,714	4,748,814

Regarding the long term loans:

- £500,000 is repayable to CCLA in 2018.

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NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED 31 DECEMBER 2015

19. SUMMARY OF FUND MOVEMENTS

	Balance at 1 Jan 2015 £	Income £	Expenditure £	Transfers £	Gains and losses £	Balance at 31 Dec 2015 £
Unrestricted Funds						
General	498,681	6,899,354	(6,275,323)	(283,214)	16,324	855,822
Designated Funds:						
Mary Wilkinson Fund	388,639	56	(4,941)	-	-	383,754
DBF Houses Fund	3,357,356	409,212	(1,502)	-	-	3,765,066
Bishop Bilbrough Fund	625,775	-	(4,516)	-	3,790	625,049
Parsonages Leasing Fund	39,986	-	(27,929)	-	-	12,057
Mission Development Fund	141,684	105,250	(47,616)	(70,583)	-	128,735
Building Grants and Loans Fund	114,045	680	(5,000)	-	-	109,725
ELG Fund	151,505	116,677	(104,452)	-	-	163,730
Clergy Expenses Fund	12,155	-	(1,389)	-	-	10,766
	5,329,826	7,531,229	(6,472,668)	(353,797)	20,114	6,054,704
Restricted Funds						
Partners Fund (formerly PICA)	107,643	29,473	(29,861)	(16,649)	-	90,606
New Church Building Fund	146,141	676	-	-	-	146,817
Diocesan Pastoral Fund	1,184,261	764	(15,004)	(84,200)	-	1,085,821
Winchester Project Fund	8,951	-	-	-	-	8,951
Archdeacons Fund	60,416	7,652	(8,000)	-	-	60,068
Bequest Fund	4,554	107,852	-	(4,554)	-	107,852
Botswana Donations Fund	13,972	6,186	(9,695)	-	-	10,463
Church House Wallsend Fund	29,500	5,611	(7,245)	-	-	27,866
	1,555,438	158,214	(69,805)	(105,403)	-	1,538,444
Endowment Funds						
Stipends Capital and Glebe Fund	3,512,566	1,741	-	-	45,105	3,559,412
Parsonages Houses Fund	8,729,062	1,368	(31,920)	459,200	-	9,157,710
St Aidan's Fund	45,407	-	-	-	618	46,025
	12,287,035	3,109	(31,920)	459,200	45,723	12,763,147
	19,172,299	7,692,552	(6,574,393)	-	65,837	20,356,295

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NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED 31 DECEMBER 2015

20. SUMMARY OF ASSETS BY FUND

	Fixed assets Tangible £	Fixed assets Investments £	Current assets £	Long term liabilities £	Net assets £
Unrestricted Income Funds:					
General Funds	21,526	1,229,032	168,978	(563,714)	855,822
Designated Funds					
Mary Wilkinson Fund	384,886	-	(1,132)	-	383,754
DBF Houses Fund	3,175,796	-	589,270	-	3,765,066
Bishop Bilbrough Fund	342,714	282,335	-	-	625,049
Parsonages Leasing Fund	-	-	12,057	-	12,057
Mission Development Fund	-	-	128,735	-	128,735
Building Grants and Loans Fund	-	-	109,725	-	109,725
ELG Fund	-	-	163,730	-	163,730
Clergy Expenses Fund	-	-	10,766	-	10,766
	3,924,922	1,511,367	1,182,129	(563,714)	6,054,704
Restricted Income Funds:					
Partners Fund (formerly PICA)	-	-	90,606	-	90,606
New Church Building Fund	-	-	146,817	-	146,817
Diocesan Pastoral Fund	-	-	1,085,821	-	1,085,821
Winchester Project Fund	-	-	8,951	-	8,951
Archdeacons Fund	-	-	60,068	-	60,068
Bequest Fund	-	-	107,852	-	107,852
Botswana Fund	-	-	10,463	-	10,463
ChurchHouse Wallsend Fund	-	-	27,866	-	27,866
	-	-	1,538,444	-	1,538,444
Endowment Funds:					
Stipends Capital and Glebe Fund	1,150,592	2,310,563	98,257	-	3,559,412
Parsonages Houses Fund	12,584,719	-	208,991	(3,636,000)	9,157,710
St Aidan's Fund	-	46,026	(1)	-	46,025
	13,735,311	2,356,589	307,247	(3,636,000)	12,763,147
Total Funds	17,660,233	3,867,956	3,027,820	(4,199,714)	20,356,295

21. DESCRIPTION OF FUNDS

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

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

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

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

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NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED 31 DECEMBER 2015

The Parsonages Leasing Fund holds the leasing surplus accumulated from a house which would normally be occupied by the Assistant Bishop. This house was sold in 2015. The balance left at the end of the year will be used in future to pay costs linked to providing accommodation for the assistant bishop or a future suffragan bishop.

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

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

The EIG Fund is a designated fund which uses the annual grant from the EIG insurance company to make payments at the discretion of the NDBF Chairman. 50% of the income from the EIG, sometimes referred to as the Allchurches Trust, is paid into the Bishop's Fund which is operated from Bishop's House and is outside the control of NDBF.

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

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

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

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

The Winchester Project Fund is a restricted fund which holds the balance remaining from historic grants made to Newcastle Diocese by Winchester Diocese over a number of years. Parishes were able to apply for funding to carry out project work. (In recent times Winchester Diocese has assisted NDBF in a different way by funding two clergy posts and this money when received has gone straight into the General Fund rather than accumulating in this project fund.)

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

The Bequest Fund, formerly the Hodgson Bequest Fund, is a restricted fund used for clergy training.

The Wallsend Church House Fund was set up when accumulated rental income was passed across to NDBF from Wallsend Parish. This was at the time when Wallsend Church House was recognised as a glebe asset in the NDBF accounts. Rental income continues to be paid into the fund and expenditure relating to the property goes out.

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

NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED 31 DECEMBER 2015

The Parsonage Houses Fund is an endowment fund. The balance represents the book value of the benefice houses (parsonages) in the Diocese.

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

22. CONTINGENT LIABILITIES AND POST BALANCE SHEET EVENTS

If the NDBF decides it no longer needs to own and maintain a house which is suitable for an assistant bishop or a suffragan bishop then a grant of £56,000 from the Church Commissioners will become repayable. The Church Commissioners are aware that we have recently sold 83 Kenton Road, for which the original grant was given to NDBF, but NDBF has been advised that the grant can be carried forward as the intention is that a replacement property will be acquired by NDBF within the next 12 months.

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

23. PENSIONS

Clergy

The NDBF participates in the Church of England Funded Pension Scheme for stipendiary clergy. The scheme is administered by the Church of England Pensions Board, which holds the assets of the schemes separately from those of the Employer and the other participating employers.

Each participating employer in the scheme pays contribution at a common contribution rate applied to pensionable stipends.

The scheme is considered to be a multi-employer scheme as described in Section 28 of FRS 102. This means that it is not possible to attribute the Scheme's assets and liabilities to specific employers and that contributions are accounted for as if the Scheme were a defined contribution scheme. The pension costs charged to the SOFA in the year are contributions payable towards benefits and expenses accrued in that year, plus any impact of deficit contributions (see below).

A valuation of the Scheme is carried out once every three years. The most recent scheme valuation completed was carried out at as 31 December 2012. Though work has commenced on the 31 December 2015 valuation, the final report and recovery plan is not expected to be finalised until late 2016 and is not formally required to be finalised until 31 March 2017. The 2012 Valuation revealed a deficit of £293 million, based on assets of £896 million and a funding target of £1,189 million, assessed using the following assumptions:

- An investment strategy of:
 - for investments backing liabilities for pensions in payment, an allocation to gilts, increasing linearly from 10% at 31 December 2012 to two thirds by 31 December 2029, with the balance in return-seeking assets; and
 - a 100% allocation to return-seeking assets for investments backing liabilities prior to retirement;
- Investment returns of 3.2% p.a. on gilts and 5.2% p.a. on equities;
- RPI inflation of 3.2% p.a. (and pension increases consistent with this);
- Increase in pensionable stipends of 3.2% p.a.;

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NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED 31 DECEMBER 2015

- Post-retirement mortality in accordance with 80% of the S1NFA and S1NMA tables, with allowance for future improvements in mortality rates from 2003 in line with the CMI 2012 core projections, with a long term annual rate of improvement of 1.5% for females and males.

Following the valuation of the scheme as at 31 December 2012, a recovery plan was put in place until 31 December 2025 and the contribution rates (as a percentage of pensionable stipends) were set as follows:

	%age of pensionable stipends	
	01 Jan 2014 to 31 Dec 2014	01 Jan 2015 to 31 Dec 2025
Accrual of future service benefits (including expenses)	25.8%	25.8%
Deficit repair contributions	<u>12.4%</u>	<u>14.1%</u>
Total contribution rate	<u>38.2%</u>	<u>39.9%</u>

Section 28.11A of FRS 102 requires agreed deficit recovery payments to be recognised as a liability. The movement in the provision is set out in the table below.

	2015 £	2014 £
Balance sheet liability at 1 January	4,011,000	4,172,000
Deficit contribution paid	(387,000)	(353,000)
Interest cost (recognised in SOFA)	88,000	140,000
Remaining change to the balance sheet liability* (recognised in SOFA)	(76,000)	52,000
Balance sheet liability at 31 December	<u>3,636,000</u>	<u>4,011,000</u>

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

The liability represents the present value of the deficit contributions agreed as at the accounting date and has been valued using the following assumptions set by reference to the duration of the deficit recovery payments:

	December 2015	December 2014	December 2013
Discount rate	2.5% pa	2.3% pa	3.5% pa
Price inflation	2.4% pa	2.7% pa	3.2% pa
Increase in total pensionable payroll	0.9% pa	1.2% pa	1.7% pa

Lay staff - Defined benefits scheme

The Church Workers Pension Fund (CWPF) 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.

The NDBF has in the past participated in the Defined Benefits Scheme section of the CWPF for lay staff. This scheme is administered by the Church of England Pensions Board, which holds the assets of the schemes separately from those of the Employer and the other participating employers. No new members have been admitted to this particular scheme for over ten years. At the end of August 2014 the existing members, for whom monthly contributions were being paid, were transferred out of the scheme and into the Pension Builder Classic scheme.

The Defined Benefits scheme ("DBS") section of the Church Workers Pension provides benefits for lay staff based on final pensionable salaries.

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 of 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.

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. The scheme is considered to be a multi-employer scheme as described in Section 28 of FRS 102 and as such contributions are accounted for as if the Scheme were a defined contribution scheme. The pensions costs charged to the SOFA in the year are contributions payable towards benefits and expenses accrued in that year, plus any impact of deficit contributions (see below).

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

A valuation of the DBS is carried out once every three years, the most recent having been carried out as at 31 December 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. This increased the Employer contributions that would otherwise have been payable. The overall deficit in the DBS was £12.9m.

Following the valuation, the Employer has entered into an agreement with the Church Workers Pension Fund to pay expenses of £3,400 per year. In addition, deficit payments of £102,422 per year have been agreed for 1.33 years from 1 April 2015 in respect of the shortfall in the Employer sub-pool. This obligation has been recognised as a liability within the Employer's financial statements.

Section 28.11A of FRS 102 requires agreed deficit recovery payments to be recognised as a liability. The movement in the provision is set out in the table below.

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	2015 £	2014 £
Balance sheet liability at 1 January	226,000	321,000
Deficit contribution paid	(102,000)	(102,000)
Interest cost (recognised in SOFA)	2,000	5,000
Remaining change to the balance sheet liability* (recognised in SOFA)	(66,000)	2,000
Balance sheet liability at 31 December	<u>60,000</u>	<u>226,000</u>

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

The liability represents the present value of the deficit contributions agreed as at the accounting date and has been valued using the following assumptions set by reference to the duration of the deficit recovery payments:

	December 2015	December 2014	December 2013
Discount rate	1.70% pa	1.10% pa	0.00% pa

Lay staff – Pension Builder Scheme

Newcastle DBF now participates in the Pension Builder Scheme section of CWPf for lay staff.

Apart from the Defined Benefits Scheme referred to above the Church Workers Pension Fund has a deferred annuity section known as the Pension Builder Classic and a cash section known as Pension Builder 2014.

The Pension Builder Scheme of the Church Workers Pension Fund is made up of two sections, Pension Builder Classic and Pension Builder 2014, both of which are classed as defined benefit schemes.

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

Pension Builder 2014 is a cash balance scheme that provides a lump sum that members use to provide benefits in retirement.

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED 31 DECEMBER 2015**

There is no sub-division of assets between employers in each section of the Pension Builder Scheme. The scheme is considered to be a multi-employer scheme as described in Section 28 of FRS 102. This means it is not possible to attribute the Pension Builder Scheme's assets and liabilities to specific employers and that contributions are accounted for as if the Scheme were a defined Contributions scheme. The pension costs charged to the SOFA in the year are contributions payable.

A valuation of the scheme is carried out once every three years. The most recent scheme valuation completed was carried out as at 31 December 2013. This revealed, on the ongoing assumptions used, a surplus of £0.5m. There is no requirement for deficit payments at the current time.

Pension Builder 2014 will be valued in relation to the lump sum payable to members at normal retirement age. There are no annual pension benefits. Pension Builder 2-14 commenced in February 2014 so the first full valuation of that section will be carried out at the next CWPF valuation date, 31 December 2016.

24. TRANSITION TO FRS 102

This is the first year NDBF has presented its results under FRS 102 and SORP 2015. The last financial statements under previous UK GAAP were for the year ended 31 December 2014. The date of transition to FRS 102 was 1 January 2014. Set out below are a reconciliation of the surplus for the year and the reserves from the amounts previously stated in the 2014 financial statements following the change in accounting policies.

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		Unrestricted funds £	Restricted funds £	Endowment funds £	Total funds 2014 £
Reconciliation of the net income for the financial year as previously stated to that restated					
Surplus/deficit as previously reported (before investment gains)		255,147	98,315	(10,818)	342,644
Defined benefit pension scheme	A				
Clergy		161,000	-	-	161,000
Churchworkers		95,000	-	-	95,000
		<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total adjustment to net income		256,000	-	-	256,000
		<u> </u>	<u> </u>	<u> </u>	<u> </u>
Net income for the year under FRS102 (before investment gains)		511,147	98,315	(10,818)	598,644
		<u> </u>	<u> </u>	<u> </u>	<u> </u>
Reserves reconciliation - 01 Jan 2014					
		£	£	£	£
As at 01 Jan 2014 - as previously reported		5,248,145	1,479,279	16,146,409	22,873,833
Defined benefit pension scheme	A				
Clergy		-	-	(4,172,000)	(4,172,000)
Churchworkers		(321,000)	-		(321,000)
		<u> </u>	<u> </u>	<u> </u>	<u> </u>
As at 01 Jan 2014 - Restated		4,927,145	1,479,279	11,974,409	18,380,833
		<u> </u>	<u> </u>	<u> </u>	<u> </u>
Reserves reconciliation - 31 Dec 2014					
		£	£	£	£
As at 31 Dec 2014 - as previously reported		5,555,826	1,555,438	16,298,035	23,409,299
Defined benefit pension scheme	A				
Clergy		-	-	(4,011,000)	(4,011,000)
Churchworkers		(226,000)	-		(226,000)
		<u> </u>	<u> </u>	<u> </u>	<u> </u>
As at 31 Dec 2014 - Restated		5,329,826	1,555,438	12,287,035	19,172,299
		<u> </u>	<u> </u>	<u> </u>	<u> </u>

Ref. A above = recognition of the liability to fund pension fund deficits on defined benefit pension schemes

FRS 102 requires an entity that has entered into an agreement to reduce the historic deficit on a multi-employer pension scheme, to recognise the liability in accordance with FRS 102 section 28.13 and 28.13A. NDBF has a payment plan with the Church of England Pension's Board to pay the Clergy Pension Scheme deficit by December 2025. The CWPF deficit should be paid off in 2016. Upon transition, NDBF has recognised

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the present value of deficit funding contributions. As at 31 December 2015, this amounted to £3,636k for the Clergy Pension Scheme (2014:£4,011k) and £60k (2014: £226k) for the CWPF.

25. PRIOR YEAR COMPARATIVE SOFA RESTATED

	Unrestricted funds £	Restricted funds £	Endowment funds £	Total funds 2014 £
Income from				
Donations				
Parish contributions	4,340,335	-	-	4,340,335
Archbishops' Council	1,554,613	-	-	1,554,613
Other donations	461,959	67,714	-	529,673
Charitable activities	459,265	-	-	459,265
Other activities	145,457	-	4,464	149,921
Investments	121,946	93,523	1,367	216,836
Other	190,348	90,650	-	280,998
	<u>7,273,923</u>	<u>251,887</u>	<u>5,831</u>	<u>7,531,641</u>
Expenditure on				
Raising funds	(25,150)	-	-	(25,150)
Charitable activities	(6,737,626)	(153,572)	(16,649)	(6,907,847)
Total resources expended	<u>(6,762,776)</u>	<u>(153,572)</u>	<u>(16,649)</u>	<u>(6,932,997)</u>
Net incoming/expenditure before investment gains and losses	511,147	98,315	(10,818)	598,644
Net gains on investments	<u>74,737</u>	<u>-</u>	<u>118,085</u>	<u>192,822</u>
Net income/expenditure	585,884	98,315	107,267	791,466
Transfers between funds	<u>(183,203)</u>	<u>(22,156)</u>	<u>205,359</u>	<u>-</u>
Net movement in funds	<u>402,681</u>	<u>76,159</u>	<u>312,626</u>	<u>791,466</u>
Total funds at 1 Jan 2014 as previously stated	5,248,145	1,479,279	16,146,409	22,873,833
Transitional adjustment - FRS102	<u>(321,000)</u>	<u>-</u>	<u>(4,172,000)</u>	<u>(4,493,000)</u>
Funds restated as at 1 Jan 2014	<u>4,927,145</u>	<u>1,479,279</u>	<u>11,974,409</u>	<u>18,380,833</u>
Total funds at 31 Dec 2014	<u>5,329,826</u>	<u>1,555,438</u>	<u>12,287,035</u>	<u>19,172,299</u>

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NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED 31 DECEMBER 2015

26. RELATED PARTY TRANSACTIONS

Charity	Income	Expenditure	Debtor	Creditor
Newcastle Diocesan Education Board <i>Common Trustees. NDBF provides accommodation and a payroll service for NDEB. It also pays a grant to NDEB.</i>	6,600	120,000	-	-
Newcastle Diocesan Society <i>Common Trustees. NDBF receives grant income and a contribution towards costs from NDS.</i>	34,307	-	-	-
Lindisfarne Regional Training Partnership Limited <i>Common Trustees. NDBF provides accommodation, support services and a payroll service for LRTP. NDBF pays an annual grant to LRTP.</i>	10,380	102,965	-	-
Stirling Newall Trust <i>Common Trustee. Grant is paid to SNT and also there are payments for other services provided by the Trust.</i>	-	33,821	-	-
Lord Crewe's Charity <i>Common Trustee. Receipt of grants from Charity.</i>	120,000	-	-	-

