



THE CHURCH
OF ENGLAND

Diocese of Southwell & Nottingham

**SOUTHWELL AND NOTTINGHAM
DIOCESAN BOARD OF FINANCE**

**ANNUAL REPORT AND CONSOLIDATED
FINANCIAL STATEMENTS**

For the year ended 31 December 2016

Company number - 0034165
Registered charity number – 249359

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COMPANIES HOUSE

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SOUTHWELL & NOTTINGHAM DIOCESAN BOARD OF FINANCE

ANNUAL REPORT & FINANCIAL STATEMENTS

For the year ended 31 December 2016

ADMINISTRATIVE DETAILS

Trustees

No Trustee had any beneficial interest in the company during 2016. The following Trustees were in post at the date of this report:

PRESIDENT

The Bishop of Southwell and Nottingham, Right Revd Paul Williams

BISHOP'S COUNCIL AND STANDING COMMITTEE OF THE DIOCESAN SYNOD (BEING THE FINANCIAL EXECUTIVE OF THE DIOCESAN SYNOD AND THE BOARD OF DIRECTORS OF THE BOARD OF FINANCE)

In accordance with the Companies Act 2006, The Statement of Recommended Practice 2015 (SORP 2015) and Financial Reporting Standard 102 (FRS 102), the Trustees (for the purposes of charity law) and Directors (for the purposes of company law) during the year and as at the date of signing follow:

EX-OFFICIO

The Rt Revd The Bishop of Southwell & Nottingham

The Rt Revd The Bishop of Sherwood

The Very Revd The Dean of Southwell

The Venerable The Archdeacon of Newark (a)(b)

The Venerable The Archdeacon of Nottingham (a)

The Chair of the House of Clergy of the Diocesan Synod (Revd Canon P Williams) (a)

The Chair of the House of Laity of the Diocesan Synod (Mr M Wilson) (a) (b)

The Chair of the Finance Committee (Canon M Arlington) (a) (b)

Co-opted

The Dean of Women's Ministry, Revd Canon K Herrod

ELECTED BY THE SOUTHWELL & NOTTINGHAM DIOCESAN SYNOD

CLERGY (5)

Newark Archdeaconry (2)

Revd Canon Dr R Kellett (to 28 February 2017)

Revd Canon A C St J Walker

Nottingham Archdeaconry (3)

Revd Canon J Bentham

Revd K Rooms (to 10 September 2016)

Revd Canon S Silvester (from 10 July 2016)

Revd E Snowden (to 12 March 2016)

LAITY (10)

Newark Archdeaconry (4)

Mrs E Marshall (from 1 January 2016)

Ms M Simpson

Mr P Stanley (a)

Canon P Bishop (to 31 December 2016)

Nottingham Archdeaconry (6)

Mr C Slater (a)

Mrs S Holt (from 1 January 2016)

Mrs J Hempstead (from 1 January 2016)

Mr S Gelsthorpe (from 1 January 2016)

Mrs A Walters

Miss S Waterston

(a) Member of the Finance Committee

(b) Member of the Board of Education.

SOUTHWELL & NOTTINGHAM DIOCESAN BOARD OF FINANCE

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PRINCIPAL OFFICERS AND ADVISERS

Diocesan Chief Executive & Company Secretary
Diocesan Registrar, Bishop's Legal Secretary
& Legal Adviser to the Board of Finance

Canon N Spraggins BSc (Hons)

Mrs A J Redgate LLB

HEADS OF DEPARTMENTS

Director of Ministry & Mission
Director of Partnerships & Mission
Director of Education & Mission
Director of Communications
Director of Parish Support
Director of Finance

Revd Canon Dr N J Rooms (to 31 March 2016)
Revd D McCoulough BA (Hons) BA (Hons) MA
Mrs C Meese BA (Hons) PGCE
Mr R Ellis
Mr F McNish
Mrs R A J Bowes FCCA

BANKERS

Lloyds TSB Group, Nottingham

INVESTMENT MANAGERS

CCLA Central Board of Finance of
the Church of England, London
Cazenove Capital Management Ltd, London
Mayfair Capital Investment Management Ltd,
London
Ruffer LLP, London

SOLICITORS

Rothera Dowson, Nottingham

CHARTERED SURVEYORS

Jas. Martin & Co, Lincoln
Tanners, Nottingham
Geo Hallam & Sons, Nottingham

MINING, MINERALS, ENGINEERING & ENVIRONMENTAL CONSULTANTS

Wardell Armstrong, Newcastle upon Tyne

INSURERS

Ecclesiastical Insurance Group, Gloucester

AUDITORS

BHP, Chartered Accountants
2 Rutland Park
Sheffield
S10 2PD

REGISTERED ADDRESS

Jubilée House
Westgate
Nottingham
NG25 0JH

CHAIRMAN'S FOREWORD

For the year ended 31 December 2016

In 2016 a refreshed diocesan vision emerged focused on the imperative for **'Growing Disciples: Wider, Younger, Deeper'**

- **'Wider'** in that we will seek to grow disciples in every part of the diocese, with no retreat from any community: urban centre; outer estates; rural villages; or market towns.
- **'Younger'** in that we will seek fresh ways to harness the boldness and creativity of children, students and young people across the diocese, not least in Nottingham (4th youngest city outside London).
- **'Deeper'** as we grow in knowing Christ, so that as his disciples we can be an increasing blessing to the people among whom we live and serve in the workplace, family, community and wider society.

The Bishop's Senior Staff, Bishop's Council and Diocesan Synod have demonstrated their clear commitment to sharing in all aspects of this vision and strategy. In autumn 2016 more than 1000 PCC members attended 5 vision evenings around the diocese.

A series of priorities have been identified that we believe will facilitate growing new disciples.

Compelled by the love of Christ by 2023 we will seek to:

- **Welcome 7000 new disciples into the fellowship of Christ and his church.** On Advent Sunday, parishes across the diocese signalled their commitment to Growing Disciples by sharing two or three priorities in their own context for the coming year.
- **Commission 1000 younger leaders (15-30) equipped to serve the purposes of God in the Church and society.** During the course of 2016 we launched the Younger Leadership College, appointed staff and recruited a first cohort of interns to lead this exciting initiative.
- **Plant or graft 75 New Worshipping Communities (NWCs)** across the diocese to increase our reach in telling the story of Jesus to all. Some of our church leaders are beginning to explore the possibility of church planting and accessing training in preparation. 2016 saw the birth of Trinity Church Nottingham, and the former Neales Auction House on the Mansfield Road was purchased as a home for the new church.
- **Grow 25 larger Resource Churches inspired and equipped to 'give themselves away'** with a clear commitment to nurture leaders, plant New Worshipping Communities, and disciple the young. Opportunities for developing training and

***Growing Disciples
Wider Younger Deeper***

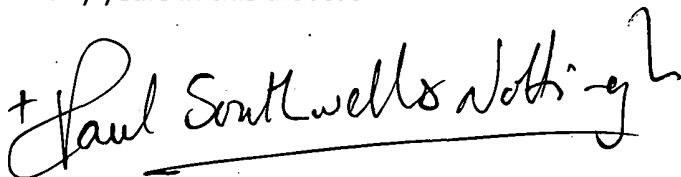
CHAIRMAN'S FOREWORD

For the year ended 31 December 2016

- partnership across local churches and benefices are emerging in various parts of the diocese. In 2017 we begin the pioneering work of launching a Mid County Resource Church in Newark and Southwell Deanery, as well as taking forward a plan to develop St Mary's Church, Newark as a potential larger Resourcing Church in a key market town.
- **Serve and pray together as 1 Church contending for the gospel in every community and sphere of public life** in our city, county and region. As we reach out with the good news of Jesus Christ, we long for the Holy Spirit to bring vision to our planning, faith to our lives and hope to our communities.

In this new chapter every parish is reviewing its role within the diocesan mission, so that it can play a significant part in the strategic commitment to **'Growing Disciples wider, younger and deeper.'** It is my hope that each worshipping community will develop a compelling picture of its own future in God's purposes with an expectation of growing numerically and in the scope of its mission. Creative leadership and imagination are needed to develop discipleship and reach out to the unchurched of all ages across our diocese. Strategic Development Funding made available by the national Church is already enabling us to plan for growth now and in the coming years.

I am deeply grateful for the leadership of clergy and laity across the diocese, as well as the extraordinary faithfulness of many congregations to sustain the life and mission of the church in their community. I believe that new opportunities have only emerged so naturally and imaginatively because we are, by God's grace, building on strong foundations laid over many years in this diocese.

A handwritten signature in black ink that reads "Paul Southwells Nottingham" with a cross at the start of the first word.

The Rt Revd Paul Williams
Bishop of Southwell & Nottingham

21 March 2017

SOUTHWELL & NOTTINGHAM DIOCESAN BOARD OF FINANCE

TRUSTEES' REPORT

For the year ended 31 December 2016

ANNUAL REPORT

The Trustees, who are also Directors for the purposes of company law, present their report and the audited financial statements of the charity for the year ended 31 December 2016. The trustees have adopted the provisions of the Statement of Recommended Practice (SORP) "Accounting and Reporting by Charities" (FRS 102) in preparing the annual report and financial statements of the charity.

The financial statements have been prepared in accordance with the accounting policies set out in notes to the accounts and comply with the charity's governing document, the Charities Act 2011 and Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland published on 16 July 2014 (as amended by Update Bulletin 1 published on 2 February 2016).

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

This combined report satisfies the legal requirements for:

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

LEGAL OBJECTS

The principal object of The Southwell & Nottingham Diocesan Board of Finance ("the Board") is to promote, assist and advance the work of the Church of England in the Diocese of Southwell & Nottingham by acting as the financial executive of the Southwell and Nottingham Diocesan Synod.

The Board 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;
- ii. the repair of benefice houses as the Diocesan Parsonage Board under the Repair of Benefice Buildings Measure 1972;
- iii. the management of investments and the custodian of assets relating to church schools under the Diocesan Board of Education Measure 1991;
- iv. the custodian of permanent endowment and real property assets relating to trusts held by Incumbents, Archdeacons and Parochial Church Councils as Diocesan Authority under the Incumbents and Churchwardens (Trusts) Measure 1964 and the Parochial Church Councils (Powers) Measure 1956.

***Growing Disciples
Wider Younger Deeper***

SOUTHWELL & NOTTINGHAM DIOCESAN BOARD OF FINANCE

TRUSTEES' REPORT (continued)

For the year ended 31 December 2016

The strategic priorities of the Board are established by the Diocesan Synod in communication with Deanery Synods, Parochial Church Councils (PCCs), and the Bishop of Southwell & Nottingham (in respect of his 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 year, including the Diocesan Budget.

PUBLIC BENEFIT

The Trustees are aware of the Charity Commission's guidance on public benefit in The Advancement of Religion for the Public Benefit and have had regard to it in their administration of the Board.

The Trustees believe that, by promoting the work of the Church of England in the Diocese of

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

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

TRUSTEES' RESPONSIBILITIES

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

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

***Growing Disciples
Wider Younger Deeper***

TRUSTEES' REPORT (continued)

For the year ended 31 December 2016

The Trustees are also responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Board and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Board and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

TRUSTEE RECRUITMENT, SELECTION AND INDUCTION

Trustees are members of the Bishop's Council & Standing Committee and are selected as set out in the section on Structure and Governance (page 14). Trustees are given induction at the outset of the triennium and at other times as appropriate. They are also informed before seeking membership and, at all other relevant times, of the role and function of the Committee. Some staff hold the title of 'Director', but this relates to their function within the organisation and has no legal meaning within the terminology associated with the Companies Act. All Trustees are required to sign the code of practice and maintain their entry in the record of declarations of interest and loyalty.

VOLUNTEERS

The Board 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 Board greatly values the considerable time given by all the committee members across the diocese in pursuit of the mission of the Board.

MISSION STATEMENT

Our mission statement calls for each member of the church at every level of diocesan life to **join together in the transforming mission of God**, making their own unique contribution to **living worship, growing disciples and seeking justice**.

STRATEGIC AIMS

The Board resources the Christian tasks of mission and ministry through 250 parishes and other networks.

The annual budget has been set against this background, designed to provide adequate resources to fund the present, as well as to shape the future, in a way that is fit for the mission task. As always it prioritised the appropriate provision of stipendiary parish clergy and licensed lay workers across the diocese. In terms of our future shape, it recognised the changing patterns of ministry deployment, the need to support local leadership in the deaneries and to engage in partnership with various civic, community and business interests.

***Growing Disciples
Wider Younger Deeper***

SOUTHWELL & NOTTINGHAM DIOCESAN BOARD OF FINANCE

TRUSTEES' REPORT (continued)

For the year ended 31 December 2016

The Board's strategy for achieving its objectives is to adopt a methodology of limiting central sources of expenditure in favour of both releasing funds for mission and minimising the increase in Parish Share. The Board continues to maintain the sound financial structure needed to enable it to continue supporting the clergy and lay workers through the payment of stipends, managing parsonages and other ministerial housing. It provides resources in support of the ministry of both clergy and lay people in parishes across the diocese.

OBJECTIVES FOR YEAR

The objective of the Board is to provide financial resources for the achievement of the priorities of the Bishop and Diocesan Synod.

ACTIVITIES AND ACHIEVEMENTS IN THE YEAR

The activities below, which are some rather than all, only relate to those undertaken directly by employees of the Board. Activities within parishes are reported in each of their separate annual report and accounts. The Younger Leadership College established and opened in September 2016 and formally launched across the Diocese in November 2016 at Launch Event at Nottingham Contemporary. The Programmes and curriculum are shaped around Discipleship, Leadership, Character and Culture and 2 clear streams of work identified and commenced – ages 15-18 and 18-30. A number of key projects are now up and running – Formation Groups for 15-18s (already in 5 secondary schools and 4 Church hubs across the Diocese), Live:Love:Lead teaching breakfasts taking place monthly at Broadway Cinema for 18-30s (dealing with topics such as Ambition, Calling, Mental Health, Work-life balance), Sector Mentoring Programme (22 young people being mentored in whole-life discipleship and leadership across 15 different employment sectors and termly network gatherings for the whole Diocese coming up in February and March 2017).

Gift Aid has completed another successful year, processing claims in over two thirds of our parishes across the diocese, and enabling over £500,000 of tax refunds to go back to those parishes. Across the Diocese, the Stewardship team has been working with parishes from both rural and urban settings, to improve levels of planned giving. They are pleased to report that they have seen increases in those parishes of 25% on average. This is up on the two previous years where this has held steady at 23%. This continues to demonstrate that there is a real commitment to the ongoing need for generosity to fund mission and ministry, especially at a time when there are so many calls on peoples' money.

The Bishop's Welcome Fund for Refugees and Asylum Seekers has made 8 grants to a range of church based projects offering football training, translation services, cooking, and English classes. Older People's work included launching of first Dementia Friendly Church, Senior Alpha and new Men in Sheds. The Board is working with Transforming Notts Together (TNT) which is a joint venture with Church Urban Fund to tackle poverty and Faith Action Nottingham (FAN) which is a network of 25 Christian Social Outreach projects. TNT facilitated a new network in Mansfield and Ashfield with 11 members so far.

***Growing Disciples
Wider Younger Deeper***

SOUTHWELL & NOTTINGHAM DIOCESAN BOARD OF FINANCE

TRUSTEES' REPORT (continued)

For the year ended 31 December 2016

The Board also completed on the purchase of the former Neales Auction House in Nottingham to use as a base for Trinity Church Nottingham, partially funded by Strategic Development Funding from Church Commissioners.

The Light Came out of Darkness campaign was very successful. This involved buying candles in presentation boxes and using them as a means of inviting people to church at Christmastime. We designed and printed invitation cards to give out with the candles. The cards also directed people to the diocesan website where we had compiled a long list of Christmas services and events taking place across the diocese. The campaign was originally a trial to see what the response would be from the parishes. The response was so enthusiastic that we ran out of candles and had to order more – in total we gave out 2,500.

Feedback was excellent from clergy, some of whom asked for a second batch of candles. One said people turned up to a service in response to the campaign. The campaign will be repeated this year.

KEY PERFORMANCE INDICATORS

The Board regards its key performance indicators as follows:

	2016	2015
Percentage of parish share received	88.7%	89.8%
Average rate of return on investments	2.5%	2.4%

The average rate of return on investments excludes rentals received from properties which have increased this year. The Board is reviewing the investment returns and is confident that the investments in renewable energy will improve the rate of return next year. The Board is actively working with all parishes and Deaneries to try and return the parish share figures to the budgeted level.

FUTURE PLANS

The focus on Growing Disciples: Wider, Younger, Deeper will continue into 2017, with plans to establish a Mid County Rural Church hub, supported by Strategic Development funding. Nottingham Workplace Chaplaincy plans to develop new chaplaincies at Specsavers and EON and needs to find more voluntary chaplains to meet demand. We will continue to support Nottingham Citizens and Maun Valley Citizens and encourage churches to use organising tools to help support Anglican congregational participation, development and discipleship. The Bishop's Community Hospitality Projects Fund will be launched and will encourage parishes to develop a range of hospitality/social eating activities to combat loneliness and social isolation.

FINANCIAL PERFORMANCE

The main income to the Board is from parishes giving Parish Share, this increased by £26,000 to £5,853,000. The collection percentage has decreased from 89.8% in 2015 to 88.7%. The Trustees are grateful to all the parishes which contributed, particularly those that fulfilled 100% of the Share allocated to them and made payments by monthly instalments.

***Growing Disciples
Wider Younger Deeper***

TRUSTEES' REPORT (continued)

For the year ended 31 December 2016

A further 14.8% of the Board's income is made up of grants from: Archbishops' Council, on behalf of the Church Commissioners (£1.6m) as part of the national apportionment; and from the Allchurches Trust (£131,600). The Trustees acknowledge with thanks the annual distribution from Allchurches Trust.

Whilst there was a reduction in the percentage of Parish Share received, the increased amount of cash together with an underspend against budget led to a net income before investment gains of £903,000 in the general fund (2015: £322,000).

The capital values of properties and investments continued to increase and the year end position of £39,426,000 is an overall increase of £631,000. The unrealised gain on investments at the year end was £2,676,000 and the Board received £397,000 during the year related to the sale of agricultural land.

REVIEW OF THE BALANCE SHEET

The Trustees consider that the balance sheet, together with details in note 22, show 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 £70,815,000 (2015: £68,378,000) it must be remembered that included in this total are a considerable number of properties, mostly in use for the ministry and mission of the Board, whose value amounted to £35 million (2015: £34 million). 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 Board.

Restricted and endowment funds

As set out in note 23 the Board holds and administers a large number of restricted and endowment funds. As at 31 December 2016 restricted funds totalled £7.6m (2015: £7m) and endowment funds totalled £51m (2015: £48.9m). Net outgoing resources in the education restricted fund, before investment gains, amounted to £284,000 (2015- outgoing resources before investment gains of £3,000) and resources were mainly used to finance the salaries of those Education Department staff with responsibility for church schools and academies.

Designated funds

The Trustees may designate additional unrestricted reserves to be retained for an agreed purpose where this is considered to be prudent. Such designated reserves are reviewed on an annual basis and returned to the general fund in the event that the purpose of their designation is no longer required. A description of each reserve together with the intended use of the reserve is set out in note 23. At 31 December 2016 total designated reserves were £9.1m (2015: £9.5m). There is a balance of £2.415m set aside in a designated fund to finance the funding shortfall on the closed lay staff defined benefit pension scheme to eliminate the deficit by March 2025.

SOUTHWELL & NOTTINGHAM DIOCESAN BOARD OF FINANCE

TRUSTEES' REPORT (continued)

For the year ended 31 December 2016

Free reserves

The Board of Finance has considerable responsibilities including the remuneration of 123 stipendiary clergy, the employment of 70 full or part time staff and the upkeep of nearly 200 houses. Most of the Board's income is voluntary with two thirds coming from Parish Share and the balance made up of grant income from Archbishops' Council and income from investments and other sources.

In light of this and the flow of income, the Trustees have determined that it is prudent to hold free reserves at least equivalent to general fund expenditure over two months i.e.£1.5m.

At 31 December 2016, the Board of Finance's free reserves were £3million. The Trustees feel that with the changes in the way that Dioceses are resourced from Church Commissioners, and the continuing reduction in the parish share received percentage, the increased holding of free reserves is prudent.

Investment policy and performance

The Board is empowered by its Memorandum of Association to invest monies not immediately required for its purposes. In addition, the Board acts as trustee of a number of trust funds, and these must be invested in accordance with the related trusts. The Board's policy is to review regularly the assets of each fund. Notes 22 and 23 provides details of the assets of each fund, together with the related purposes, and note 16 summarises the movements in investments during the year.

The implementation strategy for the diocesan assets is managed by a sub group of Finance committee on behalf of Bishop's Council. The strategy is to grow the value of the diocesan assets and their annual income with a due regard to the level of risk associated with the ownership of particular assets. The Board appoints managers to advise and manage investments who are instructed to apply the ethical investment policy of the Church of England. Investment managers are tasked with a return of RPI +4%.

The Diocese has historically been an owner of agricultural land, currently 3,604 acres including 3 farms. The growth in value of agricultural land since 2006, has resulted in nearly 50% of the total value of assets being in land. The current policy is to reduce the amount of land over time when the opportunity arises to sell freehold land. The proceeds being invested in a wide range of financial assets which are more liquid and of a higher annual income return than land. A small investment is also held in a specialist commercial property fund managed for charity clients. Dunham House, a residential apartment block in Southwell, is managed to produce a rental return.

Funds which may be needed for working capital in the short-term are held as deposits with the Central Board of Finance of the Church of England and the Board's bankers, Lloyds Bank plc.

Subsidiaries

During 2015, the Board set up two subsidiary companies. SNDBF Solar Limited is a wholly owned subsidiary that manages the £226,000 invested in the installation of solar panels on 50 benefice houses. Wind FX Limited is 60% owned by the Board and operates a 500Kw wind turbine. The investments into these companies, by way of loan capital, totalled £1,090,000.

***Growing Disciples
Wider Younger Deeper***

TRUSTEES' REPORT (continued)

For the year ended 31 December 2016

FUNDS HELD ON BEHALF OF OTHERS

As Custodian Trustee: The Board is custodian trustee of assets held on permanent trust by virtue of the Parochial Church Councils (Powers) Measure 1956 and the Incumbents and churchwardens (Trusts) Measure 1964 where the managing trustees are parochial church councils and others. These assets are not aggregated in the financial statements as the Board does not control them, and they are segregated from the Board's own assets by means of a separate bank account and accounting system. Further details of financial trust assets, whose market value amounted to £7.8m at 31 December 2016 (2015: £7.2m), are available from the Board on request.

On behalf of Schools: The Board of Education (as incorporated within the Board) receives contributions from governors of church schools within the Diocese in connection with major repair and capital projects to church schools and also government grants in connection with the same. The Board of Education administers these monies as managing agent and makes appropriate payments to contractors for work carried out. The monies do not belong to the Board of Education and as such the receipts and payments are not treated as income and expenditure in the Statement of Financial Activities. Any monies held at the balance sheet date are treated as creditors on the balance sheet. The amount included in creditors as at 31 December 2016 is £105,343 (2015:£101,349). The income and expenditure relating to school projects not reflected in the Statement of Financial Activities amounted to £667,200 in 2016 and £677,000 in 2015.

GRANT MAKING POLICY

Grants are made to the National Church to cover a proportion of its central costs and also to cover the cost of training for ministry. Grants are paid to other connected charities and to other charitable projects which appear to the Board of Finance to support the furtherance of the Board of Finance's objects.

Mission Development Fund: A total of £75,000 was awarded to 11 parishes in mission development fund grants during the year for projects up to 3 years in duration. Awards are conditional and the amount charged to the Statement of Financial Activities (restricted funds) in 2016 was £80,000 (2015 - £52,000). The designated fund set aside for the purpose has a balance of £150,000 (2015 - £153,000) and will be used to meet future grants awarded. Mission Development Funding from Archbishops Council has now ceased, so the designated fund will be used to support the existing projects.

STRUCTURE AND GOVERNANCE

Southwell and Nottingham is one of 41 dioceses in the Church of England covering the whole of Nottinghamshire and a small section of South Yorkshire and North Leicestershire. It is administered through the Board, a charitable trust company limited by guarantee. The Diocese is arranged as 2 archdeaconries, Newark covering the north part with 4 deaneries and Nottingham the south with 5 deaneries. In total there are some 250 parishes.

Each Diocese is a separate entity led by the Bishop and is governed by the Canons of the Church of England and the Acts and Measures of General Synod as well as state legislation that relates to companies and charities. In Southwell and Nottingham the Diocesan Bishop is assisted by the Suffragan Bishop of Sherwood.

***Growing Disciples
Wider Younger Deeper***

SOUTHWELL & NOTTINGHAM DIOCESAN BOARD OF FINANCE

TRUSTEES' REPORT (continued)

For the year ended 31 December 2016

At national level the Diocese relates to the Archbishops' Council, the Church Commissioners and the Church of England Pensions Board. Further information can be found at www.church-of-england.org. The financial transactions of these bodies do not form part of these financial statements.

Each diocese is divided into benefices which are made up of parishes. The priest of a benefice is an office holder who shares the cure of souls with the Bishop. Matters relating to finance and parish owned property in a parish are the responsibility of the Parochial Church Council, each of which is an individual charity separate from the Diocese. Benefices are grouped together in nine Deaneries which are units of mission, conduit of communication and whose members elect the members of General and Diocesan Synod.

Southwell Minister is the cathedral church of the diocese and is itself a separate charity. Copies of its annual report and financial statements may be obtained from the Cathedral Administrator, Southwell Minster, Church Street, Southwell, Nottinghamshire, NG25 0HD.

The Board of Finance and Diocesan Synod: Within the Diocese there are two major bodies - the Diocesan Synod and the Board of Finance: the membership of both is coterminous.

Board of Finance: The company, Southwell & Nottingham Diocesan Board of Finance, was formed to manage the financial affairs and hold the assets of the Diocese. It was incorporated on 5th June 1891 as a charitable trust company limited by membership guarantee (No. 34165) and its governing documents are the Memorandum and Articles of Association. The Board of Finance is registered with the Charity Commission (No. 249359).

The company, originally called the Southwell Diocesan Finance Association, changed its name to the Southwell Diocesan Board of Finance on 18th January 1932. On 28th February 2006, the company changed its name to the Southwell & Nottingham Diocesan Board of Finance.

As a member of the Board each member of Synod has a personal liability limited to £1 under their guarantee as company members in the event of its being wound up.

Diocesan Synod: Diocesan governance is by Diocesan Synod which is an elected body with representation from all parts of the diocese. Membership consists of ex-officio members, including the Bishops and Archdeacons, clergy members elected by the houses of clergy in Deanery Synods, lay persons elected by the houses of laity in Deanery Synods, plus up to 20 co-options. The Diocesan Synod usually meets twice a year. Its role is to:

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

Many of Diocesan Synod's responsibilities have been delegated to Bishop's Council.

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TRUSTEES' REPORT (continued)

For the year ended 31 December 2016

The Bishop's Council (and Standing Committee of the Diocesan Synod): The members of the Bishop's Council are the Board of Trustees and Directors of the Company. Bishop's Council consists of 8 ex-officio members (the Diocesan and Suffragan Bishops; 2 Archdeacons; the Dean; the Chairs of the House of Clergy and House of Laity; and the Chair of the Finance Committee), 5 clergy elected by the House of Clergy from among their number (3 from the Archdeaconry of Nottingham and 2 from the Archdeaconry of Newark) and 10 lay persons elected by the members of the House of Laity representing deaneries (6 from the Archdeaconry of Nottingham and 4 from the Archdeaconry of Newark) and up to 4 co-opted members of Diocesan Synod. Under the constitution of the Diocesan Synod, Bishop's Council has the following functions:

- to plan the business of the Synod,
- to initiate proposals for action by the Synod and to advise it on matters on policy;
- to advise the Diocesan Bishop, on any matters which he may refer to the Council;
- subject to the directions of the Synod, to transact the business of the Synod when the Synod is not in session;
- to appoint members of committees or nominate individuals for election to committees; and
- to carry out such functions as the Synod may delegate to it.

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 Southwell and Nottingham, are set by the Diocesan Synod and the Board. The company meets 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 Board. The Trustees, meeting within the context of the Bishop's Council & Standing Committee, hold up to eight meetings during the year to formulate and coordinate policies on mission, ministry and finance. The Trustees rely upon the Diocesan Chief Executive and their team of six departmental directors for the delivery of the day to day activities of the company. The Diocesan Chief Executive is given specific and general delegated authority to deliver the business of the Board in accordance with the policies framed by the Trustees.

Committee Structure: The members of Bishop's Council are also the members of 2 statutory committees:

- **Parsonages Committee**, which is responsible for determining policy and making major decisions concerning the management of parsonage houses in each benefice, team vicarages and houses owned by the Board of Finance.
- **Diocesan Mission and Pastoral Committee**, which is responsible for the task of recommending pastoral reorganisation to the Bishop.

SOUTHWELL & NOTTINGHAM DIOCESAN BOARD OF FINANCE

TRUSTEES' REPORT (continued)

For the year ended 31 December 2016

Other statutory committees include:

- **Diocesan Advisory Committee**, which advises on matters affecting church buildings and places of worship including the granting of faculties, the use and care of places of worship and their contents and the care of churchyards.
- **Southwell & Nottingham Diocesan Board of Patronage**, which is constituted under the provisions of the Patronage (Benefices) Measure 1986.

In addition to the statutory committees Bishop's Council has set up the **Finance Committee**, which has written terms of reference, to advise it on all financial matters. The Finance Committee meets regularly, approximately five times each year and works closely with the Diocesan Chief Executive and Director of Finance. The Finance Committee has decided that in order to give considered advice to the Bishop's Council and to understand the detail of diocesan finance, to set up the Audit Committee which advises the Finance Committee and thereby Bishop's Council, in the discharge of the Trustees' responsibilities for accounting policy, internal control, financial reporting and risk management.

Remuneration of Key Personnel: Emoluments of higher-paid employees are determined by a remuneration group consisting of the Chair of the House of Clergy, the Chair of the House of Laity, and the Chair of the Finance Committee. A job evaluation scheme is used to determine the salary grades of employed posts. Office holders are paid either the Diocesan stipend or that advised by the Archbishops' Council acting as the Central Stipends Authority.

PRINCIPAL RISKS

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 Chief Executive.

The risk register identifies three areas where the risk of either failure to act or the impact of the events is considered 'high'. These areas and the associated mitigation strategies are:

Safeguarding & Inclusion of children and vulnerable adults:

- Safeguarding advice is provided by Family Care
- Policies are aligned with those of the national church
- Training is compulsory for all relevant staff and office holders

Parish Share: Collection is considerably less than 100%.

- Collection statistics are produced and circulated on a monthly basis to Deanery & Diocesan personnel
- Deanery finance personnel are expressly tasked with identifying, reporting on and supporting those parishes where there is considered to be a significant risk of under-collection

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SOUTHWELL & NOTTINGHAM DIOCESAN BOARD OF FINANCE

TRUSTEES' REPORT (continued)

For the year ended 31 December 2016

IT: System failure

- The disaster recovery plan is reviewed on an annual basis
- Backups are made on a regular basis

GOING CONCERN

The financial statements have been prepared on a going concern basis as the trustees believe that no material uncertainties exist. The trustees have considered the level of funds held and the expected level of income and expenditure for 12 months from authorising these financial statements. The budgeted income and expenditure is sufficient with the level of reserves for the charity to be able to continue as a going concern. The balance sheet showed net assets of £442,000 at 31 December 2016.

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

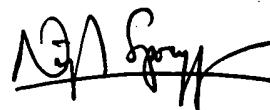
The re-appointment of BHP, Chartered Accountants as auditors to the Board will be proposed at the Annual General Meeting.

In approving this Trustees' Report, the Trustees are also approving the Strategic Report contained therein within their capacity as company directors.

BY ORDER OF THE TRUSTEES



The Right Revd Paul Williams
Chairman
21 March 2017



Canon N Spraggins
Secretary
21 March 2017

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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SOUTHWELL & NOTTINGHAM DIOCESAN BOARD OF FINANCE

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

RESPECTIVE RESPONSIBILITIES OF TRUSTEES AND AUDITORS

As explained more fully in the Trustees' Responsibilities Statement on page 8 the Trustees (who are also the Directors of the charity for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors. This report is made solely to the charity's members, as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the charity's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charity and the charity's members as a body for our audit work, for this report, or for the opinions we have formed.

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

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

OPINION ON THE FINANCIAL STATEMENTS

In our opinion the financial statements:

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SOUTHWELL & NOTTINGHAM DIOCESAN BOARD OF FINANCE - continued

OPINION ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

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

- the information given in the Trustees' Annual Report (including the Strategic Report) for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Trustees' Annual Report have been prepared in accordance with applicable legal requirements.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

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

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

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

BHP.

Jane Marshall FCA DChA (Senior Statutory Auditor)
for and on behalf of
BHP, Chartered Accountants
2 Rutland Park
Sheffield
S10 2PD

21 March 2017

SOUTHWELL & NOTTINGHAM DIOCESAN BOARD OF FINANCE

CONSOLIDATED STATEMENT OF THE FINANCIAL ACTIVITIES

For the year ended 31 December 2016

		Unrestricted	Restricted	Endowment	Total funds	Total funds
		Funds	Funds	Funds	2016	2015
	Note	£'000	£'000	£'000	£'000	£'000
Income and endowments from						
Donations						
Deanery share	2	5,853	-	-	5,853	5,827
Archbishops' Council		1,485	74	-	1,559	1,534
Other donations		143	11	-	154	148
Charitable activities	3	875	105	-	980	949
Other activities	4	309	1	-	310	324
Investments	5	738	290	-	1,028	962
Other	6	368	247	-	615	96
		<u>9,771</u>	<u>728</u>	<u>-</u>	<u>10,499</u>	<u>9,840</u>
Expenditure on						
Raising funds	7	348	95	-	443	432
Charitable activities	8	8,497	208	-	8,705	8,891
Clergy pension scheme movement	27	-	-	(698)	(698)	74
Church schools & Diocesan projects	9	-	468	-	468	206
Other	10	23	188	-	211	38
		<u>8,868</u>	<u>959</u>	<u>(698)</u>	<u>9,129</u>	<u>9,641</u>
Net income/(expenditure) before investment gains		903	(231)	698	1,370	199
Net gains on investments		532	793	866	2,191	1,213
Net income/(expenditure)		1,435	562	1,564	3,561	1,412
Transfers between funds	14	(608)	27	581	-	-
Non controlling interest		-	17	-	17	5
Other recognised gains/(losses)						
Gains/(losses) from changes in financial assumptions on defined benefit pension scheme		(1,141)	-	-	(1,141)	262
Net movement in funds		(314)	606	2,145	2,437	1,679
Total funds brought forward		12,493	6,977	48,908	68,378	66,699
Total funds carried forward	21	12,179	7,583	51,053	70,815	68,378

All activities derive from continuing activities. A loss of £22,000 is attributable to the non controlled interest, with the balance of £2,459,000 attributable to the parent entity. The notes on pages 28 to 62 form part of the financial statements

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SOUTHWELL & NOTTINGHAM DIOCESAN BOARD OF FINANCE

CONSOLIDATED INCOME AND EXPENDITURE ACCOUNT

For the year ended 31 December 2016

	Total 2016 £'000	Total 2015 £'000
Total incoming resources	10,499	9,750
Resources expended	9,827	9,554
	<hr/>	<hr/>
Operating surplus for the year	672	196
Net gains on investments	1,325	174
	<hr/>	<hr/>
Net income for the year	1,997	370
Non controlling interest	17	-
Other comprehensive income:		
Net assets transferred to/from endowments	(581)	92
(Losses)/Gains from changes in financial assumptions on defined benefit pension scheme	(1,141)	262
	<hr/>	<hr/>
Total comprehensive income	292	724
	<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.

SOUTHWELL & NOTTINGHAM DIOCESAN BOARD OF FINANCE

BALANCE SHEET- COMPANY ONLY

At 31 December 2016

Company Number – 00034165

	Note	2016 £'000	£'000	2015 £'000	£'000
FIXED ASSETS					
Tangible assets	15		35,066		34,084
Investments	16		39,426		38,795
			<u>74,492</u>		<u>72,879</u>
CURRENT ASSETS					
Debtors	18	1,792		1,926	
Cash at bank and in hand		1,131		395	
		<u>2,923</u>		<u>2,321</u>	
CREDITORS: amounts falling due within one year	19	(1,415)		(1,729)	
NET CURRENT ASSETS			<u>1,508</u>		<u>592</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>76,000</u>		<u>73,471</u>
CREDITORS: amounts falling due after more than one year	20				
Pension scheme liabilities	27	(5,023)		(4,942)	
Other creditors	20	(143)		(143)	
		<u>(5,166)</u>		<u>(5,085)</u>	
NET ASSETS			<u><u>70,834</u></u>		<u><u>68,386</u></u>
FUNDS					
Endowment funds		54,082		52,966	
Deficit on clergy pension scheme		(3,029)		(4,050)	
		<u>51,053</u>		<u>48,916</u>	
Restricted income funds			<u>7,602</u>		<u>6,977</u>
Unrestricted income funds:					
General fund		3,029		2,947	
Designated funds		11,565		10,868	
Defined benefit pension scheme liability		(2,415)		(1,322)	
		<u>12,179</u>		<u>12,493</u>	
TOTAL FUNDS	21		<u><u>70,834</u></u>		<u><u>68,386</u></u>

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SOUTHWELL & NOTTINGHAM DIOCESAN BOARD OF FINANCE


BALANCE SHEET- COMPANY ONLY

At 31 December 2016

The Company Balance Sheet forms part of these financial statements. The financial statements were approved by the Board of Trustees and authorised for issue on 21 March 2017 and signed on behalf of the Board by:



The Bishop of Southwell & Nottingham
Director



Canon M Arlington
Director

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SOUTHWELL & NOTTINGHAM DIOCESAN BOARD OF FINANCE

CONSOLIDATED BALANCE SHEET

At 31 December 2016

Company Number – 00034165

		2016		2015	
	Note	£'000	£'000	£'000	£'000
FIXED ASSETS					
Tangible assets	15		36,689		35,742
Investments	16		39,426		38,795
			<u>76,115</u>		<u>74,537</u>
CURRENT ASSETS					
Debtors	18	741		1,031	
Cash at bank and in hand		1,199		395	
		<u>1,940</u>		<u>1,426</u>	
CREDITORS: amounts falling due within one year	19	(1,498)		(1,924)	
NET CURRENT ASSETS (LIABILITIES)			<u>442</u>		<u>(498)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>76,557</u>		<u>74,039</u>
CREDITORS: amounts falling due after more than one year	20				
Pension scheme liabilities	27	(5,023)		(4,942)	
Other creditors	20	(719)		(719)	
		<u>(5,742)</u>		<u>(5,661)</u>	
NET ASSETS			<u><u>70,815</u></u>		<u><u>68,378</u></u>
FUNDS					
Endowment funds		54,082		52,958	
Deficit on clergy pension scheme		<u>(3,029)</u>		<u>(4,050)</u>	
			<u>51,053</u>		<u>48,908</u>
Restricted income funds			7,583		6,977
Unrestricted income funds:					
General fund		3,029		2,821	
Designated funds		11,565		10,994	
Defined benefit pension scheme liability		<u>(2,415)</u>		<u>(1,322)</u>	
			<u>12,179</u>		<u>12,493</u>
TOTAL FUNDS	21		<u><u>70,815</u></u>		<u><u>68,378</u></u>

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SOUTHWELL & NOTTINGHAM DIOCESAN BOARD OF FINANCE

CONSOLIDATED BALANCE SHEET

At 31 December 2016

The Consolidated Balance Sheet forms part of these financial statements. The financial statements were approved by the Board of Trustees and authorised for issue on 21 March 2017 and signed on behalf of the Board by:

A handwritten signature in black ink, appearing to read 'Paul Southwell & Nottingham', written over a horizontal line.

The Bishop of Southwell & Nottingham
Director

A handwritten signature in black ink, appearing to read 'M. Arlington', written in a cursive style.

Canon M. Arlington
Director

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SOUTHWELL & NOTTINGHAM DIOCESAN BOARD OF FINANCE

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2016

	2016		2015	
	£000	£000	£000	£000
Net cash outflow from operating activities		(1,074)		(411)
Cash flows from investing activities				
Dividends, interest and rent from investments	1,028		962	
Interest paid	(9)		(11)	
Proceeds from the sale of:				
Tangible fixed assets	1,260		198	
Investment assets	6,329		3,332	
Purchase of:				
Tangible fixed assets	(1,961)		(2,497)	
Fixed asset investments	(4,769)		(2,512)	
Net cash provided by/used in investing activities		1,878		(528)
Cash flows from financing activities				
Movement in loans	-		(51)	
Shareholder loans introduced	-		576	
Net cash provided/(used) in financing activities		-		525
Change in cash and cash equivalents in the reporting period		804		(414)
Cash and cash equivalents at 1 January		395		809
Cash and cash equivalents at 31 December		1,199		395
Reconciliation of net movements in funds to net cash flow from operating activities:				
Net movement in funds for the year ended 31 December		672		273
Adjustments for:				
Depreciation charges		122		55
Profit on disposal of assets		(368)		(111)
Dividends, interest and rent from investments		(1,028)		(962)
FRS 102 pension scheme adjustment		(1,141)		262
Clergy pension scheme adjustment		698		(74)
Non controlling interest		17		5
Interest paid		9		11
(Increase)/decrease in debtors		290		(238)
Increase /(decrease) in creditors		(345)		368
Net cash provided used in operating activities		(1,074)		(411)
Analysis of cash and cash equivalents				
Cash in hand		1,199		395
		1,199		395

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SOUTHWELL & NOTTINGHAM DIOCESAN BOARD OF FINANCE

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

1. ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention, with the exception of fixed asset investments, which are included at their fair value at the balance sheet date. The financial statements have been prepared in accordance with the Statement of Recommended Practice for Charities (SORP 2015), the Companies Act 2006 and applicable accounting standards (FRS102). The financial statements consolidate the results of the Company and its two subsidiaries, Wind FX Limited and SNDBF Solar Limited on a line by line basis. A separate Statement of Financial Activities and Income and Expenditure Account for the Board has not been presented because the Board has taken advantage of the exemption afforded by section 408 of the Companies Act 2006. The financial statements are prepared in sterling which is the functional currency of the Board and are rounded to the nearest £'000.

The Board constitutes a public benefit entity as defined by FRS 102.

The principle accounting policies and estimation techniques are as follows:-

a) Income

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

Parish share and parochial fees are included on a receipts basis except for contributions received shortly after the period end that are explicitly relating to the period under review.

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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2016

1. ACCOUNTING POLICIES (continued)

b) Expenditure

Expenditure is included on the accruals basis and has been classified under headings that aggregate all costs related to the Statement of Financial Activity category. In respect of housing maintenance, the policy is only to provide for orders started before the year end. The cost of office premises and other service costs have been apportioned to departments to reflect the facilities used, the basis of apportionment being floor space or headcount.

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

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.

Pension contributions. The Board's staff are members of the Board's defined contribution pension scheme and Clergy are members of the Church of England Funded Pensions Scheme (see note 27). The pension costs charged as resources expended represent the Board's contributions payable in respect of the accounting period, in accordance with FRS102. Lay staff who are members of the stakeholder pension scheme, or have their contribution paid into their own personal pension plan are accounted for in the month in which they are deducted. Deficit funding for the pension schemes to which Board participates is accrued at current value in creditors distinguished between contributions falling due within one year and after more than one year. The Board also operates a defined benefit scheme for the Board's employees whose employment began prior to 1 April 1993. The contribution rates for this scheme are set by the actuary using the actuarial valuation every three years.

1. ACCOUNTING POLICIES (continued)

c) Tangible fixed assets and depreciation

Freehold properties

Depreciation is not provided on buildings as any provision (annual or cumulative) would not be material due to the very long expected remaining useful economic life in each case, and because their expected residual value is not materially less than their carrying value. The Board has a policy of regular structural inspection, repair and maintenance, which in the case of residential properties is in accordance with the Repair of Benefices Buildings Measure 1972 and properties are therefore unlikely to deteriorate or suffer from obsolescence. The primary purpose of residential property, is to provide accommodation for ministers in the Diocese. The freehold properties are held at cost or deemed cost by reference to the midpoint of the applicable council tax band as determined in 1996.

Properties subject to equity (value linked) loans

Properties which have been bought with the assistance of value-linked loans from the Church Commissioners are stated at cost or deemed cost, where historic cost values prior to 1996 are not readily available. Equity loans are made to parishes and clergy spouses to enable them to purchase property on a shared equity basis. In the event of a sale of any of the houses purchased with value-linked loans, the whole, or a proportionate part, of the net sale proceeds would go to the Church Commissioners. Total value-linked loans advanced at 31 December 2016 amounted to £134,000 (2015-£134,000).

Parsonage houses

The Board has followed the requirements of FRS102, in its accounting treatment for benefice houses (parsonages). FRS102 requires the accounting treatment to follow the substance of arrangements rather than their strict legal form. The Board is formally responsible for the maintenance and repair of such properties and has some jurisdiction over their future use or potential sale if not required as a benefice house, but in the meantime legal title and the right to beneficial occupation is vested in the incumbent. The Trustees therefore consider the most suitable accounting policy is to capitalise such properties as expendable endowment assets and to carry them at their historic or deemed cost.

SOUTHWELL & NOTTINGHAM DIOCESAN BOARD OF FINANCE

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2016

1. ACCOUNTING POLICIES (continued)

Land and buildings purchased during the year totalled £1.88m (2015- 5 Houses totalling £749,000). The Board's 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.

No value linked loan houses were sold in the year (2015 – 1 house sold).

d) Other tangible fixed assets

All capital expenditure over £500 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:-

Motor vehicles	25%	Straight line
Garden equipment	20%	Straight line
Computer hardware and software	33.3%	Straight line
Furniture & fittings	10%	Straight line
Other office equipment	20%	Straight line
Wind turbine	4%	Straight line
Solar Panels	5%	Straight line

e) Other accounting policies

- Fixed asset investments** are included in the balance sheet at fair value and the gain or loss taken to the Statement of Financial Activities. Glebe agricultural land is valued at 31 December each year by Jas Martin & Co, Chartered Surveyors. Dunham House is professionally valued by Mr R Davis of Geo Hallam and Sons. For commercial property a desk top valuation is provided by the Diocesan surveyor. Some properties included in the Southwell & Nottingham Board of Education restricted fund are not valued and are shown at cost as there is no readily available market value.
- Leases.** Operating lease rentals are charged to the Statement of Financial Activities when they are paid. The lease payments are charged straight line over the period of the lease.

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SOUTHWELL & NOTTINGHAM DIOCESAN BOARD OF FINANCE

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2016

1. ACCOUNTING POLICIES (continued)

f) Fund balances

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

- **Unrestricted funds** are the Board's corporate funds and are freely available for any purpose within the charitable company's objects, at the discretion of the Board. There are two types of unrestricted funds:
- **General funds** which the Board intends to use for the general purposes of the Board and
- **Designated funds** are those funds set aside out of unrestricted funds by the Board for a specific purpose over whose use and purpose the Board has discretion. The accumulated capital fund is the amount transferred from the general fund, gains less loss on investments and the directors' valuation of freehold property transferred at no cost. A designated fund has also been created for deficit funding in respect of the closed defined benefit pension scheme.
- **Restricted funds** are income funds subject to conditions imposed by the donor as specific terms of trust, or else by legal measure.
- **Endowment funds** are those held on trust to be retained for the benefit of the charitable company as a capital fund. In the case of the endowment funds administered by the Board (Stipends Fund Capital, Benefice Houses and Schools), there are discretionary powers to convert capital into income and, as a result, these funds are classified as expendable endowment. Endowment funds where there is no provision for expenditure of capital are classified as permanent endowment.

Trusts where the Board acts merely as custodian trustee with no control over the management of the funds are not included in the financial statements.

SOUTHWELL & NOTTINGHAM DIOCESAN BOARD OF FINANCE

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2016

1. ACCOUNTING POLICIES (continued)

g) Going concern

The financial statements have been prepared on a going concern basis as the trustees believe that no material uncertainties exist. The trustees have considered the level of funds held and the expected level of income and expenditure for 12 months from authorising these financial statements. The budgeted income and expenditure is sufficient with the level of reserves for the charity to be able to continue as a going concern.

h) Subsidiaries

Both of the Board's trading subsidiaries are consolidated using the equity method. SNDBF Solar Limited and Wind FX Limited also have a 31 December year end. The Board own 60% of the share capital of Wind FX Limited, therefore the non controlling interest is shown separately in reserves.

i) Debtors & Creditors

Debtors and creditors with no stated interest rate and receivable or payable within one year are recorded at transaction price. Any losses arising from impairment are recognised in expenditure.

j) Provisions

Provisions are recognised when the charity has an obligation at the balance sheet date as a result of a past event, it is probable that an outflow of economic benefits will be required in settlement and the amount can be reliably estimated.

SOUTHWELL & NOTTINGHAM DIOCESAN BOARD OF FINANCE

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2016

2. DONATIONS

Deanery Share

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

	Unrestricted funds		Restricted Funds	Endowment Funds	Total funds 2016	Total funds 2015
	General £'000	Designated £'000	£'000	£'000	£'000	£'000
Newark Archdeaconry	2,788	-	-	-	2,788	2,723
Nottingham Archdeaconry	3,810	-	-	-	3,810	3,762
Share capping	-	-	-	-	-	-
Shortfall	(746)	-	-	-	(746)	(673)
	5,852	-	-	-	5,852	5,812
Receipts for previous years	1	-	-	-	1	15
Total Income	5,853	-	-	-	5,853	5,827

Current year parish share receipts represent 88.7 % of the total apportioned (2015 – 89.8%).

Archbishops' Council

	Unrestricted funds		Restricted Funds	Endowment Funds	Total funds 2016	Total funds 2015
	General £'000	Designated £'000	£'000	£'000	£'000	£'000
Selective allocation	1,314	-	-	-	1,314	1,330
Pooling of ordinand candidates' costs	97	-	-	-	97	56
Mission Development Fund	74	-	74	-	148	148
	1,485	-	74	-	1,559	1,534

Other donations

	Unrestricted funds		Restricted Funds	Endowment Funds	Total funds 2015	Total funds 2014
	General £'000	Designated £'000	£'000	£'000	£'000	£'000
All Churches Trust Grant	132	-	-	-	132	128
Grants	11	-	11	-	22	20
	143	-	11	-	154	148

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SOUTHWELL & NOTTINGHAM DIOCESAN BOARD OF FINANCE

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2016

3. CHARITABLE ACTIVITIES	Unrestricted funds		Restricted Funds £'000	Endowment Funds £'000	Total funds 2016 £'000	Total funds 2015 £'000
	General £'000	Designated £'000				
Statutory fees	417	-	-	-	417	520
Contributions to sector and other chaplaincy posts	92	-	-	-	92	59
Contributions to costs of lay staff posts	127	-	-	-	127	150
Church Commissioners'	36	-	-	-	36	36
Loan interest receivable	5	-	87	-	92	9
Other contributions and income	198	-	18	-	216	175
	<u>875</u>	<u>-</u>	<u>105</u>	<u>-</u>	<u>980</u>	<u>949</u>

4. OTHER ACTIVITIES

	Unrestricted funds		Restricted Funds £'000	Endowment Funds £'000	Total funds 2016 £'000	Total funds 2015 £'000
	General £'000	Designated £'000				
Housing income	309	-	1	-	310	324

5. INVESTMENT INCOME	Unrestricted funds		Restricted Funds £'000	Endowment Funds £'000	Total funds 2016 £'000	Total funds 2015 £'000
	General £'000	Designated £'000				
Dividends receivable	317	-	235	-	552	521
Interest receivable	4	-	6	-	10	14
Rents receivable	417	-	49	-	466	427
	<u>738</u>	<u>-</u>	<u>290</u>	<u>-</u>	<u>1,028</u>	<u>962</u>

6. OTHER INCOMING RESOURCES

	Unrestricted funds		Restricted Funds £'000	Endowment Funds £'000	Total funds 2016 £'000	Total funds 2015 £'000
	General £'000	Designated £'000				
Loan Interest	-	-	-	-	-	6
Gain on sale of properties	368	-	-	-	368	90
Subsidiary income	-	-	247	-	247	-
	<u>368</u>	<u>-</u>	<u>247</u>	<u>-</u>	<u>615</u>	<u>96</u>

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SOUTHWELL & NOTTINGHAM DIOCESAN BOARD OF FINANCE

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2016

7. FUND RAISING COSTS	Unrestricted funds		Restricted	Endowment	Total funds	Total funds
	General	Designated	Funds	Funds	2016	2015
	£'000	£'000	£'000	£'000	£'000	£'000
Glebe agent's fee	199	-	-	-	199	264
Other land agent commission and expenditure	115	-	51	-	166	88
Investment management charges	34	-	44	-	78	80
	<u>348</u>	<u>-</u>	<u>95</u>	<u>-</u>	<u>443</u>	<u>432</u>

8. CHARITABLE ACTIVITIES

	Unrestricted funds		Restricted	Endowment	Total funds	Total funds
	General	Designated	Funds	nt Funds	2016	funds 2015
	£'000	£'000	£'000	£'000	£'000	£'000
Contributions to Archbishops' Council						
Training for Ministry	195	-	-	-	195	191
National Church responsibilities	177	-	-	-	177	174
Retired clergy housing costs	64	-	-	-	64	61
	<u>436</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>436</u>	<u>426</u>
Resourcing Ministry and Mission						
People costs						
Stipends, salaries and national insurance	4,830	-	-	-	4,830	5,041
Pension contributions	1,174	-	-	-	1,174	1,173
Housing costs	1,029	-	-	-	1,029	1,018
Removal, resettlement and other expenses	189	-	-	-	189	166
	<u>7,222</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,222</u>	<u>7,398</u>
Support for parish ministry	839	-	208	-	1,047	1,067
	<u>8,061</u>	<u>-</u>	<u>208</u>	<u>-</u>	<u>8,269</u>	<u>8,465</u>
	<u>8,497</u>	<u>-</u>	<u>208</u>	<u>-</u>	<u>8,705</u>	<u>8,891</u>

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SOUTHWELL & NOTTINGHAM DIOCESAN BOARD OF FINANCE

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2016

9. EXPENDITURE ON CHURCH SCHOOLS & DIOCESAN PROJECTS	Unrestricted funds		Restricted	Endowment	Total funds	Total funds
	General	Designated	Funds	Funds	2016	2015
	£'000	£'000	£'000	£'000	£'000	£'000
Expenditure on Education						
Support for church schools	-	-	388	-	388	154
Mission Development Fund	-	-	80	-	80	52
	-	-	468	-	468	206

10. OTHER RESOURCES EXPENDED	Unrestricted funds		Restricted	Endowment	Total funds	Total funds
	General	Designated	Funds	Funds	2016	2015
	£'000	£'000	£'000	£'000	£'000	£'000
Loss on sale of fixed assets	-	-	-	-	-	1
Audit Fees- audit	18	-	-	-	18	18
Audit Fees- non audit	4	-	-	-	4	4
Synodical costs	1	-	-	-	1	2
Subsidiary expenses	-	-	188	-	188	13
	23	-	188	-	211	38

11. ANALYSIS OF EXPENDITURE INCLUDING ALLOCATION OF SUPPORT COSTS	Activities	Grant	Support	Total costs
	Undertaken	Funding of	Costs	2016
	Directly	Activities		
	£'000	£'000	£'000	£'000
Fundraising costs	443	-	-	443
Charitable activities:				
Contributions to Archbishop's Council	-	436	-	436
Clergy pension scheme movement	(698)	-	-	(698)
Resourcing ministry and mission	8,213	56	20	8,289
Church Schools and Diocesan projects	-	468	2	470
Governance costs	-	-	1	1
Other	188	-	-	188
	8,146	960	23	9,129

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SOUTHWELL & NOTTINGHAM DIOCESAN BOARD OF FINANCE

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2016

11. ANALYSIS OF EXPENDITURE INCLUDING ALLOCATION OF SUPPORT COSTS (continued)

Where costs cannot be directly attributed to particular headings, they have been allocated or apportioned to activities on a basis consistent with the use of the resources. Central support costs are apportioned on the basis of the estimated usage of resources at Jubilee House. Governance costs comprise audit fees, costs relating to the preparation of the statutory returns and the costs of hosting Diocesan Synod.

The apportionment in 2016 can be summarised as follows

Resourcing ministry and mission 89.5%
Church Schools 7.5%
Diocesan Projects 0.5%
Governance 2.5%

12. ANALYSIS OF GRANTS MADE

	Nbr.	Individuals £'000	Institutions £'000	2016 Total £'000	2015 Total £'000
From unrestricted funds for national Church responsibilities:					
Contributions to Archbishop's Council	1	-	436	436	426
From unrestricted funds:					
Family Care	1	-	53	53	51
Clergy	81	90	-	90	97
Ordinands in training	13	106	-	106	153
From restricted funds for various purposes within resourcing parish ministry:					
Mission Development Fund	11	-	75	75	52
Education	1	-	200	200	-
Total	107	196	328	524	353

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SOUTHWELL & NOTTINGHAM DIOCESAN BOARD OF FINANCE

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2016

13. STAFF COSTS	2016 £'000	2015 £'000
Employee costs during the year were as follows:		
Salaries and stipends	1,438	1,401
National insurance contributions	137	130
Pension costs		
Church of England Funded Pension scheme (2016 – 7 employees, 2015 -7 employees)	52	51
Defined Benefit scheme (2016- 2 employees, 2015 -2 employees)	137	167
Defined contribution schemes (2016 -61 employees, 2015-54 employees)	118	114
	<u>1,882</u>	<u>1,863</u>
The average number of persons employed by the group during the year:	Number	Number
Administration and financial management	33	33
Property	4	4
Discipleship & Ministry, Stewardship	24	18
Education	6	5
Communications	3	3
	<u>70</u>	<u>63</u>
The average number of persons employed by the group during the year based on full-time equivalents:	Number	Number
Administration and financial management	17.4	20.2
Property	4	4
Discipleship & Ministry, Stewardship	19.8	12.75
Education	4.6	4.6
Communications	2.5	2.5
	<u>48.3</u>	<u>44.05</u>
The number of people employed by the Board now include some posts that were previously funded by way of grant or contribution to a third party.		

SOUTHWELL & NOTTINGHAM DIOCESAN BOARD OF FINANCE

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2016

13. STAFF COSTS (continued)

	2016	2015
	Number	Number
The numbers of staff whose emoluments (including benefits in kind but excluding Pension contributions) amounted to more than £60,000 were as follows:		
£60,001 - £70,000	<u>2</u>	<u>1</u>
Pension payments of £12,963 (2015: £6,760) were made for these employees.		

Remuneration of key management personnel

Key management personnel are deemed to be those having authority and responsibility, delegated to them by the trustees, for planning, directing and controlling the activities of the diocese. During 2016 they were:

Diocesan Chief Executive and Company Secretary	Canon N Spraggins
Director of Ministry & Mission	Revd Canon Dr N J Rooms (to 31 March 2016)
Director of Partnerships & Mission	Revd D McCoulough
Director of Education & Mission	Mrs C Meese
Director of Communications	Mr R Ellis
Director of Parish Support	Mr F McNish
Director of Finance	Mrs R A J Bowes

Remuneration, pensions and expenses for these 7 employees amounted to £342,338 (2015: £386,739)

Directors' emoluments

No Director received any remuneration for services as Director. 10 Directors received travelling and out of pocket expenses, totalling £15,256 (2015 -13 Directors- £11,067) in respect of General Synod duties, duties as archdeacon or area dean, and other duties as Directors.

SOUTHWELL & NOTTINGHAM DIOCESAN BOARD OF FINANCE

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2016

13. STAFF COSTS (continued)

The following table gives details of the stipendary Directors, including those who were in receipt of a stipend and/or housing provided by the Board during the year:

	Stipend	Housing
The Right Revd P Williams	No	No
The Right Revd A Porter	No	Yes
The Ven D Picken	Yes	Yes
The Ven S Clark	Yes	Yes
The Revd Canon P Williams	Yes	Yes
The Revd K Herrod	Yes	Yes
The Revd Canon Dr R Kellett	Yes	Yes
The Revd Canon A St J Walker	Yes	Yes
The Revd Canon J Bentham	Yes	Yes
The Revd K Rooms (10 September 2016)	Yes	Yes
The Revd E Snowden (to 12 March 2016)	Yes	Yes
The Revd Canon S D Silvester (from 10 July 2016)	Yes	Yes

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

The Board paid an average of 123 (2015 –131) stipendary clergy as office-holders holding parochial or diocesan appointments in the diocese, and the costs were as follows:

	2016	2015
	£'000	£'000
Stipends	3,026	3,331
National insurance contributions	240	260
Pension costs - current year	447	419
- deficit reduction	422	437
	4,135	4,447

The annual rate of stipend, funded by the Board, paid to Archdeacons in 2016 was in the range £34,180 - £38,750 (2015 range £32,848 – £38,720) and other clergy who were Trustees were paid in the range £24,912 - £27,604 (2015 range £24,604 – £27,604).

SOUTHWELL & NOTTINGHAM DIOCESAN BOARD OF FINANCE

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2016

14. ANALYSIS OF TRANSFERS BETWEEN FUNDS

	Unrestricted Funds £'000	Restricted Funds £'000	Endowment Funds £'000
Church of England Funded Pension scheme	(323)	-	323
Houses transferred under pastoral scheme	(282)	-	282
Mission development fund transfer	(3)	3	-
Trading Subsidiaries	-	24	(24)
	<u>(608)</u>	<u>27</u>	<u>581</u>

15. TANGIBLE FIXED ASSETS - COMPANY

	Freehold Houses (see below) £'000	Diocesan Office & caretakers bungalow £'000	Office Equipment £'000	Motor Vehicles £'000	Total £'000
Cost					
At 1 January 2016	30,069	3,791	434	-	34,294
Additions	1,880	16	24	9	1,929
Disposals	(892)	-	-	-	(892)
At 31 December 2016	<u>31,057</u>	<u>3,807</u>	<u>458</u>	<u>9</u>	<u>35,331</u>
Depreciation					
At 1 January 2016	-	22	188	-	210
Charge for the year	-	-	55	-	55
At 31 December 2016	<u>-</u>	<u>22</u>	<u>243</u>	<u>-</u>	<u>265</u>
Net Book Value					
At 31 December 2016	<u>31,057</u>	<u>3,785</u>	<u>215</u>	<u>9</u>	<u>35,066</u>
At 31 December 2015	<u>30,069</u>	<u>3,769</u>	<u>246</u>	<u>-</u>	<u>34,084</u>

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SOUTHWELL & NOTTINGHAM DIOCESAN BOARD OF FINANCE

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2016

15. TANGIBLE FIXED ASSETS - company (continued)

	2016		2015	
	Cost or deemed cost £'000	Number of houses	Cost or deemed cost £'000	Number of houses
Endowment funds				
Benefice houses fund				
Parsonage houses	17,061	122	16,879	119
Glebe funds				
Housing of team vicars, curates & others	9,369	47	8,939	51
Retirement houses	40	1	40	1
Unrestricted (designated) funds				
Corporate property				
City Centre Resource Church	1,105	1	-	-
Housing of senior clergy, curates and others	3,342	23	4,072	26
Houses subject to value-linked loans				
Housing of curates and others	140	3	139	3
	<u>31,057</u>	<u>197</u>	<u>30,069</u>	<u>200</u>

Diocesan offices include the caretakers bungalow situated in the grounds of Dunham House and amounts capitalised as part of the Jubilee House office build shown at cost. There is no reliable market value, but a valuation of both Jubilee House and the bungalow would be greater than historic cost. Dunham House is held in investment properties as it has been converted to 7 apartments for rental. A professional year end valuation has been obtained from Mr R Davis from the Board's property agent, whom is an independently qualified surveyor. Dunham House is valued on a freehold market value basis.

All of the freehold houses included above are freehold and are vested in the Board, except for benefice houses which are vested in the incumbent. The Board is not free to dispose or encumber these properties as it sees fit, as they are to be used for clergy housing. They are carried at cost or deemed cost and in the opinion of the Directors, the carrying value of land and buildings is less than the market value. The costs of revaluation are considered to outweigh the benefits to the reader of the accounts. Properties are subject to a five-year cycle of survey and consequent repairs are charged as expenditure.

Some properties have been purchased with the help of a value-linked loan from the Church Commissioners; when disposed of, the appropriate share of the net sale proceeds will be remitted to the Commissioners, and the related loan liability extinguished. The value of such properties included above amounts to £139,000 (2015: £139,000). Of the total land and buildings at 31 December 2016, £14.02m are valued at cost (2015: £13.245m), with the rest at deemed cost. Properties are subject to a five-year cycle of survey and consequent repairs are charged as expenditure.

15. TANGIBLE FIXED ASSETS - GROUP

	Freehold Houses	Diocesan Office & caretakers bungalow	Office Equipment	Motor Vehicles	Wind Turbine & solar panels	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Cost						
At 1 January 2016	30,069	3,791	434	-	1,658	35,952
Additions	1,880	16	24	9	32	1,961
Disposals	(892)	-	-	-	-	(892)
At 31 December 2016	<u>31,057</u>	<u>3,807</u>	<u>458</u>	<u>9</u>	<u>1,690</u>	<u>37,021</u>

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SOUTHWELL & NOTTINGHAM DIOCESAN BOARD OF FINANCE

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2016

15. TANGIBLE FIXED ASSETS – GROUP (continued)

	Freehold Houses	Diocesan Office & caretakers bungalow	Office Equipment	Motor Vehicles	Wind Turbine & Solar panels	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Depreciation						
At 1 January 2016	-	22	188	-	-	210
Charge for the year			55	-	67	122
At 31 December 2016	-	22	243	-	67	332
Net Book Value						
At 31 December 2016	31,057	3,785	215	9	1,623	36,689
Net Book Value						
At 31 December 2015	30,069	3,769	246	-	1,658	35,742

16. FIXED ASSET INVESTMENTS – COMPANY & GROUP

	At 1 January 2016	Additions at cost	Disposals	Unrealised gains	At 31 December 2016
	£'000	£'000	£'000	£'000	£'000
Listed investment securities					
Restricted funds	5,219	1,017	(780)	491	5,947
Endowment funds	3,670	1,058	(1,477)	481	3,732
Unrestricted funds	5,098	2,052	(2,717)	800	5,233
	13,987	4,127	(4,974)	1,772	14,912
Unlisted investment securities					
Restricted funds	79	-	-	5	84
Endowment funds	4,821	-	(700)	338	4,459
Unrestricted funds	-	-	-	-	-
	4,900	-	(700)	343	4,543
Cash held for investment purposes					
Restricted funds	27	-	-	-	27
Endowment funds	567	-	(159)	-	408
Unrestricted funds	85	642	-	-	727
	679	642	(159)	-	1,162

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SOUTHWELL & NOTTINGHAM DIOCESAN BOARD OF FINANCE

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2016

16. FIXED ASSETS INVESTMENTS – COMPANY & GROUP (continued)	At 1 January 2016 £'000	Additions at cost £'000	Disposals £'000	Unrealised gains/(losses) £'000	At 31 December 2016 £'000
Investment properties					
Restricted funds	-	-	-	-	-
Endowment funds	17,539	-	(196)	(111)	17,232
Unrestricted funds	1,690	-	-	(113)	1,577
	<u>19,229</u>	<u>-</u>	<u>(196)</u>	<u>(224)</u>	<u>18,809</u>
Total	<u>38,795</u>	<u>4,769</u>	<u>(6,029)</u>	<u>1,891</u>	<u>39,426</u>

Due to their nature the historic cost of investment properties is not known. Included in the above are the following unrealised gains -Endowment funds £856,537 (2015 -£470,570) Restricted funds £856,947 (2015- £793,878) and unrestricted funds £962,774 (2015 -£680,576).

17. SUBSIDIARIES

The Diocesan Board of Finance has two trading subsidiaries; Wind FX Limited is incorporated in the United Kingdom (company number 09601836) and is 60% owned by the Board. Wind FX Limited was incorporated on 20 May 2015 and the Board acquired its shares on 4 December 2015. SNDBF Solar Limited is incorporated in the United Kingdom (company number 09792284) and was incorporated on 23 September 2015, and the shares were acquired on the same date. Both companies operate in the renewable energy sector.

	Wind FX Limited	SNDBF Solar Limited
The summary financial performance of the subsidiaries alone are :	2016 £'000	2016 £'000
Turnover	228	19
Expenses	(264)	(12)
Net (Loss)/Profit	<u>(36)</u>	<u>7</u>
The assets and liabilities of the subsidiaries alone are :		
Fixed assets	1,408	214
Current Assets	177	20
Current liabilities	(131)	(227)
Provisions	(56)	-
Long term liabilities	(1,441)	-
Net assets	<u>(43)</u>	<u>7</u>
Represented by		
Share Capital	-	-
Reserves	<u>(43)</u>	<u>7</u>

The current tax deferred tax charge of £6,688 in Wind FX Limited has not been included in the above figures.

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SOUTHWELL & NOTTINGHAM DIOCESAN BOARD OF FINANCE

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2016

	GROUP	COMPANY	GROUP	COMPANY
	2016	2016	2015	2015
	£'000	£'000	£'000	£'000
18. DEBTORS				
Due within one year				
Current year Parish share	112	112	156	156
Loans to parishes	24	24	30	30
Rent debtors	81	81	60	60
Other debtors	400	274	606	206
Amounts due from subsidiary	-	86	-	204
Prepayments	72	72	155	155
	<u>689</u>	<u>649</u>	<u>1,007</u>	<u>811</u>
Due after more than one year				
Loans to parishes	52	52	24	24
Amounts due from subsidiary	-	1,091	-	1,091
	<u>52</u>	<u>1,143</u>	<u>24</u>	<u>1,115</u>
Total debtors	<u><u>741</u></u>	<u><u>1,792</u></u>	<u><u>1,031</u></u>	<u><u>1,926</u></u>

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SOUTHWELL & NOTTINGHAM DIOCESAN BOARD OF FINANCE

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2016

	GROUP 2016 £'000	COMPANY 2016 £'000	GROUP 2015 £'000	COMPANY 2015 £'000
19. CREDITORS: amounts falling due within one year				
Bank Overdraft	470	470	620	620
Mission development fund grants	43	43	42	42
Other taxes and social security	-	-	37	37
Other creditors and accruals	564	463	797	602
Amounts owed to subsidiaries	-	18	-	-
Clergy pension scheme	421	421	428	428
Total creditors: amounts falling due within one year	1,498	1,415	1,924	1,729
	GROUP 2016 £'000	COMPANY 2016 £'000	GROUP 2015 £'000	COMPANY 2015 £'000
20. CREDITORS: amounts falling due after more than one year				
Loan repayment instalments due after more than one year				
Church Commissioners value-linked loans	134	134	134	134
Sundry creditors				
Shareholder loans	576	-	576	-
Southwell & Nottingham Board of Education	1	1	1	1
Loan with the Central Board of Finance – interest free	8	8	8	8
	719	143	719	143
Pension scheme liabilities	5,023	5,023	4,942	4,942
Total creditors: amounts falling due after more than one year	5,742	5,166	5,661	5,085

Value-linked loans (VLLs) represent amounts advanced to the DBF for the purchase of properties on an equity sharing basis and are repayable on the disposal of the related property. Interest at the time of the advance is at the rate of 4% per annum (3% per annum on loans advanced on or before 31 December 1992) rising annually by the increase in the Retail Prices Index. As the date of disposal of the property is not known, the analysis of the date due cannot be calculated.

	GROUP 2016 £'000	COMPANY 2016 £'000	GROUP 2015 £'000	COMPANY 2015 £'000
CREDITORS: amounts falling due after more than one year				
The maturity of the above loans may be analysed as follows :				
Between one and two years	32	9	32	9
Between two and five years	118	-	118	-
In five years or more	569	134	569	134
	719	143	719	143

**Growing Disciples
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SOUTHWELL & NOTTINGHAM DIOCESAN BOARD OF FINANCE

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2016

21. SUMMARY OF FUND MOVEMENTS -COMPANY

	Balances at 1 January 2016 £'000	Income £'000	Expenditure £'000	Transfers £'000	Gains and Losses £'000	Balances at 31 December 2016 £'000
ENDOWMENT FUNDS						
Expendable						
Benefice houses fund	16,779	-	-	282	-	17,061
Stipends fund capital	33,606	-	-	-	501	34,107
Parsonages capital	86	-	-	-	14	100
Deficit on Clergy pension scheme	(4,050)	-	698	323	-	(3,029)
Permanent funds						
Stipends	855	-	-	-	120	975
Bramcote Bungalows	554	-	-	-	78	632
Haseldine Homes	344	-	-	-	43	387
Perry Gift Fund	444	-	-	-	63	507
Other permanent endowment funds	298	-	-	(24)	39	313
	48,916	-	698	581	858	51,053
RESTRICTED FUNDS						
Diocesan Board of Education	6,319	410	(694)	-	793	6,828
Pastoral Account	333	-	-	-	-	333
Mission Development fund	-	74	(77)	3	-	-
Other restricted income funds	325	87	-	24	5	441
	6,977	571	(771)	27	798	7,602
UNRESTRICTED FUNDS						
General fund	2,947	9,771	(8,868)	(1,290)	532	3,092
Accumulated Capital	9,179	-	-	(282)	-	8,897
Mission Development	153	-	-	(3)	-	150
Closed Pension scheme deficit funding	1,496	-	-	919	-	2,415
Other designated funds	40	-	-	-	-	40
Defined benefit pension scheme	(1,322)	-	(1,141)	48	-	(2,415)
	12,493	9,771	(10,009)	(608)	532	12,179
TOTAL	68,386	10,342	(10,082)	-	2,188	70,834

**Growing Disciples
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SOUTHWELL & NOTTINGHAM DIOCESAN BOARD OF FINANCE

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2016

21. SUMMARY OF FUND MOVEMENTS -GROUP

	Balances at 1 January 2016 £'000	Income £'000	Expenditure £'000	Transfers £'000	Gains and Losses £'000	Balances at 31 December 2016 £'000
ENDOWMENT FUNDS						
Expendable						
Benefice houses fund	16,779	-	-	282	-	17,061
Stipends fund capital	33,606	-	-	-	501	34,107
Parsonages capital	86	-	-	-	14	100
Deficit on Clergy pension scheme	(4,050)	-	698	323	-	(3,029)
Non controlling interest	(8)	-	-	-	8	-
Permanent funds						
Stipends	855	-	-	-	120	975
Bramcote Bungalows	554	-	-	-	78	632
Haseldine Homes	344	-	-	-	43	387
Perry Gift Fund	444	-	-	-	63	507
Other permanent endowment funds	298	-	-	(24)	39	313
	48,908	-	698	581	866	51,053
RESTRICTED FUNDS						
Diocesan Board of Education	6,319	410	(694)	-	793	6,828
Pastoral Account	333	-	-	-	-	333
Mission Development fund	-	74	(77)	3	-	-
Other restricted income funds	325	244	(188)	24	-	405
Non Controlling interest	-	-	-	17	-	17
	6,977	728	(959)	44	793	7,583
UNRESTRICTED FUNDS						
General Fund						
Accumulated Capital	2,947	9,771	(8,868)	(1,290)	532	3,092
Mission Development	9,179	-	-	(282)	-	8,897
Closed Pension scheme Deficit funding	153	-	-	(3)	-	150
Other designated funds	1,496	-	-	919	-	2,415
Defined benefit pension scheme liability	40	-	-	-	-	40
	(1,322)	-	(1,141)	48	-	(2,415)
	12,493	9,771	(10,009)	(608)	532	12,179
TOTAL	68,378	10,499	(10,270)	17	2,191	70,815

*Growing Disciples
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SOUTHWELL & NOTTINGHAM DIOCESAN BOARD OF FINANCE

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2016

COMPANY							
22.	SUMMARY OF ASSETS BY FUND	Fixed assets Tangible £'000	Investments £'000	Current Assets £'000	Creditors £'000	Inter-fund loans £'000	Net Assets £'000
	Endowment funds						
	Expendable endowment funds						
	Benefice houses	17,061	-	-	-	-	17,061
	Glebe funds	9,369	23,218	1,520	-	-	34,107
	Parsonages capital	-	100	-	-	-	100
	Clergy Pension fund deficit	-	-	-	(3,029)	-	(3,029)
	Permanent endowment funds	40	2,634	140	-	-	2,814
		<u>26,470</u>	<u>25,952</u>	<u>1,660</u>	<u>(3,029)</u>	<u>-</u>	<u>51,053</u>
	Restricted						
	Diocesan Board of Education	-	6,058	-	(313)	1,083	6,828
	Pastoral account	-	-	333	-	-	333
	Mission development fund	-	-	-	(43)	43	-
	Other restricted income funds	-	-	441	-	-	441
		<u>-</u>	<u>6,058</u>	<u>774</u>	<u>(356)</u>	<u>1,126</u>	<u>7,602</u>
	Unrestricted funds						
	General fund	-	3,839	489	(173)	(1,126)	3,029
	Designated funds						
	Accumulated capital	8,596	3,577	-	(608)	-	11,565
	Other designated funds	-	-	-	(2,415)	-	(2,415)
	Pension reserve	-	-	-	-	-	-
		<u>8,596</u>	<u>7,416</u>	<u>489</u>	<u>(3,196)</u>	<u>(1,126)</u>	<u>12,179</u>
	Total funds	<u>35,066</u>	<u>39,426</u>	<u>2,923</u>	<u>(6,581)</u>	<u>-</u>	<u>70,834</u>

**Growing Disciples
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SOUTHWELL & NOTTINGHAM DIOCESAN BOARD OF FINANCE

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2016

GROUP							
22.	SUMMARY OF ASSETS BY FUND	Fixed assets Tangible & Intangible £'000	Investments £'000	Current Assets £'000	Creditors £'000	Inter-fund loans £'000	Net Assets £'000
	Endowment funds						
	Expendable endowment funds						
	Benefice houses	17,061	-	-	-	-	17,061
	Glebe funds	10,992	23,218	660	(659)	-	34,211
	Parsonages capital	-	100	-	-	-	100
	Clergy Pension fund deficit	-	-	-	(3,029)	-	(3,029)
	Permanent endowment funds	40	2,634	36	-	-	2,710
		<u>28,093</u>	<u>25,952</u>	<u>696</u>	<u>(3,688)</u>	<u>-</u>	<u>51,053</u>
	Restricted						
	Diocesan Board of Education	-	6,058	-	(313)	1,083	6,828
	Pastoral account	-	-	333	-	-	333
	Mission development fund	-	-	-	(43)	43	-
	Other restricted income funds	-	-	441	-	-	441
	Subsidiary undertakings	-	-	(19)	-	-	(19)
		<u>-</u>	<u>6,058</u>	<u>755</u>	<u>(356)</u>	<u>1,126</u>	<u>7,583</u>
	Unrestricted funds						
	General fund	-	3,839	489	(173)	(1,126)	3,029
	Designated funds						
	Accumulated capital	8,596	3,577	-	(608)	-	11,565
	Other designated funds	-	-	-	-	-	-
	Pension reserve	-	-	-	(2,415)	-	(2,415)
		<u>8,596</u>	<u>7,416</u>	<u>489</u>	<u>(3,196)</u>	<u>(1,126)</u>	<u>12,179</u>
	Total funds	<u><u>36,689</u></u>	<u><u>39,426</u></u>	<u><u>1,940</u></u>	<u><u>(7,240)</u></u>	<u><u>-</u></u>	<u><u>70,815</u></u>

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SOUTHWELL & NOTTINGHAM DIOCESAN BOARD OF FINANCE

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2016

23. DESCRIPTION OF FUNDS

Expendable Endowment Funds – investment income is usable only for the specific purposes for which the endowment was given and the trustees may convert the capital into spendable income depending on various restrictions:

Benefice houses fund represents the value of benefice houses at the balance sheet date together with the Parsonages Building funds held by the Church Commissioners. These houses are used to provide accommodation for parochial clergy. The Board is not free to dispose of the houses except in accordance with appropriate measures.

Glebe fund represents the proceeds of the sale of glebe, parsonages transferred by Pastoral Scheme and gifts to the fund. The funds generates income for the payment of stipends and can be invested or applied to the capital purposes permitted by the Endowments and Glebe Measure 1976 and the Church of England (Miscellaneous Provisions) Measure 1992.

Parsonages Capital the income to be applied to meet personage houses costs.

Clergy pension fund deficit details contained in note 27

Permanent Endowment Funds – investment income only is usable for the specific purposes for which the endowment was given:

Stipends to augment clergy stipends

Bramcote Bungalows to provide housing for retired clergy or their spouses.

Haseldine Homes to contribute to the payment of pension contributions for stipendiary clergy in the diocese.

Perry Gift Fund to provide grants to clergy and lay persons deserving of financial assistance

Bishops Manor Fund to be applied at the discretion of the Bishop of Southwell

SOUTHWELL & NOTTINGHAM DIOCESAN BOARD OF FINANCE

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2016

23. DESCRIPTION OF FUNDS (continued)

Permanent Endowment Funds (continued)

Ministers in training	to provide grants to ministers in training
Miss E L Brown Trust	to be applied at the discretion of the Bishop of Southwell.
Nottingham University Chaplaincy	to pay the expenses of the Nottingham University chaplaincy
Sacrista Canonry	to be applied for the Canon appointed to occupy the stall of the Canonry of Sacrista in Southwell Minister
Southwell House/Hostel Charity	to be applied to property outgoings
Yapp Donation	to be applied for a former employee's annuity, with any surplus to be used for the benefit of persons who are physically or mentally handicapped

Restricted Funds – can only be used for the specific purposes for which they were given:

Landon Bequest	to fund Church of England students and Ordinands to serve overseas.
Natal Link Fund	represents donations from parishes and individuals for general work and specific projects in the Diocese of Natal.
Readers Association	to meet central costs for Readers
Industrial Chaplaincies	to meet central costs for industrial chaplaincies.
Diocesan Board of Education	to administer the scheme for the Diocese's Church Schools' building programme and to operate for the benefit of Church Schools.
Pastoral fund	set up under the provisions of the Pastoral Measure 1983 and represents proceeds of redundant churches and parsonages which have not yet been applied to the purposes permitted by the Pastoral Measure 1983.
Mission Development Fund	represents sums of money made available by the Archbishop's Council set aside for mission development

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SOUTHWELL & NOTTINGHAM DIOCESAN BOARD OF FINANCE

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2016

23. DESCRIPTION OF FUNDS (continued)

Designated Funds – general funds that the Trustees have chosen to use for a specific purpose:

Accumulated Capital Fund	represents amounts transferred from the general fund, gains less losses on investments and the directors' valuation of property transferred at no cost. This fund is designated for use to purchase fixed assets
Mission Development Fund	Amounts in addition to the restricted fund set aside for Mission Development
Ordination Candidates Support Funding	to meet support costs of Ordinands
Closed Pension Fund Deficit Funding	amounts transferred from the general fund to meet future deficit contributions
General fund	The general fund is the Board's unrestricted undesignated fund available for any of the Board's purposes without restriction

24. CAPITAL COMMITMENTS

At 31 December 2016 the Group had capital expenditure commitments authorised but not contracted for of £NIL (2015 - £NIL), and contracted for but not yet due of £NIL (2015 - £NIL).

25. OPERATING LEASES

Total commitments under non-cancellable operating leases are as follows:

	GROUP 2016 £'000	COMPANY 2016 £'000	GROUP 2015 £'000	COMPANY 2015 £'000
Other operating leases where the lease expires:				
Within one year of the balance sheet date	28	8	36	16
In the second to fifth years inclusive of the balance sheet date	86	1	89	9
Over five years from the balance sheet date	525	-	550	-
	<u>639</u>	<u>9</u>	<u>675</u>	<u>25</u>

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SOUTHWELL & NOTTINGHAM DIOCESAN BOARD OF FINANCE

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2016

25. OPERATING LEASES (continued)

Analysed as follows	GROUP 2016 £'000	COMPANY 2016 £'000	GROUP 2015 £'000	COMPANY 2015 £'000
Land & Buildings				
Other operating leases where the lease expires:				
Within one year of the balance sheet date	20	-	20	-
In the second to fifth years inclusive of the balance sheet date	85	-	80	-
Over five years from the balance sheet date	525	-	550	-
	<u>630</u>	<u>-</u>	<u>650</u>	<u>-</u>
	GROUP 2016 £'000	COMPANY 2016 £'000	GROUP 2015 £'000	COMPANY 2015 £'000
Other				
Other operating leases where the lease expires:				
Within one year of the balance sheet date	8	8	16	16
In the second to fifth years inclusive of the balance sheet date	1	1	9	9
Over five years from the balance sheet date	-	-	-	-
	<u>9</u>	<u>9</u>	<u>25</u>	<u>25</u>

26. POST BALANCE SHEET EVENTS AND CONTINGENT LIABILITIES

There were no post balance sheet events at the balance sheet date. The Board has given guarantees on grants made by Nottingham City Council from public funds to various parishes totalling £20,250 (2015 -£24,925).

27. PENSIONS

The Board participates in two pension schemes, both of which hold the assets of the schemes separately from those of the Board and the other participating employers. One of these is the **Church of England Funded Pensions Scheme** for stipendiary clergy, the other is **The Southwell and Nottingham Diocesan Board of Finance Staff Retirement Benefit Scheme** for lay staff.

Church of England Funded Pension Scheme

This scheme is administered by the Church of England Pensions Board. Each participating employer in the scheme pays contributions at a common contribution rate applied to pensionable stipends.

27. PENSIONS (continued)

Church of England Funded Pension Scheme (continued)

The scheme is considered to be a multi employer scheme as described in Section 28 of FRS 102. This means it is not possible to attribute the Scheme's assets and liabilities to specific employers and that 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 the 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 31 December 2015. The 2015 valuation revealed a deficit of £236m, based on assets of £1,308m and a funding target of £1,544m, assessed using the following assumption:

- An investment strategy of investments backing liabilities for pensions in payment, an allocation to gilts of 33% from the valuation date to 31 December 2019 and thereafter increasing linearly to 70% by 31 December 2030, 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 2.6% pa on gilts and 4.6% pa on return seeking assets
- RPI inflation of 3.2% pa (and pension increases consistent with this)
- Increase in pensionable stipends of 3.2% pa
- 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 2015 core projections, with a long term annual rate of improvement of 1.5%.

Following the valuation of the scheme as at 31 December 2015, the contribution rate from 1 January 2015 is 39.9% of pensionable stipends (i.e. the previous year's NMS), of which 25.8% relates to providing the benefit in relation to ongoing pensionable service, including 1.2% for the day-to-day expenses of running the scheme, and 14.1% relates to recovery of the deficit over two years to 31 December 2017. From January 2018 to 31 December 2025 the rate will be 11.9%. The discounted deficit payments of £3.029m over the next 10 years in respect of the shortfall have been recognised as a liability in the balance sheet.

SOUTHWELL & NOTTINGHAM DIOCESAN BOARD OF FINANCE

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2016

27. PENSIONS (continued)

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

	GROUP & COMPANY 2016 £'000	GROUP & COMPANY 2015 £'000
Balance sheet liability as at 1 January	4,050	4,322
Contributions paid	(422)	(437)
Interest cost (recognised in the SOFA)	99	94
Re-measurement of the balance sheet liability	(698)	71
Balance sheet liability as at 31 December	<u>3,029</u>	<u>4,050</u>

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

	December 2016	December 2015	December 2014
Discount rate	1.5% pa	2.5% pa	2.3% pa
Price inflation	3.1% pa	2.4% pa	2.7% pa

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. The Board has a payment plan with the Church of England Pension's Board to pay the Clergy Pension Scheme deficit over a ten year period (until 2022). Upon transition, Board has recognised the present value of deficit funding contributions. As at 31 December 2016, this amounted to £3,029,000 for the Clergy Pension Scheme (2015:£4,050,000).

The Southwell and Nottingham Diocesan Board of Finance Staff Retirement Benefit Scheme- Defined Benefits Scheme

The Board operates a defined benefit pension scheme in respect of eligible employees whose employment began on or before 1st April 1993. The Board is required to follow Financial Reporting Standard 102 in disclosing the financial position of the scheme. The trustees of the scheme are required to act in the best interests of the Scheme's beneficiaries. The Scheme Trust Deed requires that one trustee be appointed from amongst the active members of the scheme - a member-nominated trustee. One trustee is appointed

SOUTHWELL & NOTTINGHAM DIOCESAN BOARD OF FINANCE

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2016

27. PENSIONS (continued)

The Southwell and Nottingham Diocesan Board of Finance Staff Retirement Benefit Scheme-Defined Benefits Scheme

from amongst the membership of Bishop's Council (the Board of Directors) and the third and final trustee is the office-holder of the post of Chief Executive of the Board of Finance.

The contribution is determined by a qualified actuary on the basis of triennial valuations using the 'Attained Age Method' and the most recent valuation was at 31st March 2014. During the year the Board paid contributions of £135,000 (2015 - £96,000). The Board's agreed future contribution rate equates to 24.0% of pensionable salaries (previously 21.7%) and member employees contribute 5% to the Scheme.

The annual contribution to the scheme is charged to the Statement of Financial Activities so as to spread the cost of pensions over employees' working lives with the Board.

The main financial assumption are	2016 Basis	2015 Basis
Discount rate	2.8%	4.0%
Inflation (RPI)	3.65%	3.4%
Inflation (CPI)	2.65%	2.4%
Pension increases	3.5%	3.3%
Revaluation in deferment	2.65%	2.4%
Salary increases	3.65%	3.4%

The assets in the scheme are wholly invested in a deposit administration fund with Engage Mutual, along with some small with-profit deferred annuities.

The overall expected return on assets assumption has been determined with reference to the underlying asset allocation on the assets held and the expected long term rate of return on those asset classes at the year end. The assets do not include any investment in the Board. The fair value of the assets at 31 December 2016 is £2,839,000 (2015- £2,723,000).

Amounts recognised in the Statement of Financial Activities:

	2016 £000	2015 £000
Current service (cost)	(22)	(24)
Interest (cost)	(160)	(149)
Administration costs	(14)	(7)
Interest on assets	109	94
	<u>(87)</u>	<u>(86)</u>

SOUTHWELL & NOTTINGHAM DIOCESAN BOARD OF FINANCE

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2016

27. PENSIONS (continued)

Reconciliation of assets and defined benefit obligations:

Fair Value of assets :	£000	Defined benefit obligations:	£000
As at 1 January 2016	2,723	As at 1 January 2016	4,043
Interest on assets	109	Current service costs	22
Employer contributions	135	Contributions by Scheme participants	4
Contributions by Scheme participants	4	Interest cost	160
Benefits paid	(116)	Benefits paid	(116)
Administration costs	(14)		
Return on plan assets less interest	(2)	Changes due to financial assumptions	1,141
As at 31 December 2016	2,839	As at 31 December 2016	5,254
Net liability			2,415

Scheme deficit funding of £1,322,000 calculated by the Scheme Actuary a part of the 31 March 2014 Triennial Actuarial Valuation has been set aside in a designated fund.

Summary of pension liabilities	2016 £000	2015 £000
Church of England Pension scheme	3,029	4,050
SNDBF Retirement Scheme	2,415	1,320
	5,444	5,370
Included in:		
Current liabilities	421	428
Long term liabilities	5,023	4,942
	5,444	5,370

SOUTHWELL & NOTTINGHAM DIOCESAN BOARD OF FINANCE

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2016

28. PRIOR YEAR COMPARATIVE CONSOLIDATED SOFA

	Unrestricted Funds £'000	Restricted Funds £'000	Endowment Funds £'000	Total funds 2015 £'000
Income and endowments from				
Donations				
Deanery share	5,827	-	-	5,827
Archbishops' Council	1,460	74	-	1,534
Other donations	145	3	-	148
Charitable activities	913	36	-	949
Other activities	320	4	-	324
Investments	698	264	-	962
Other	-	6	90	96
	<u>9,363</u>	<u>387</u>	<u>90</u>	<u>9,840</u>
Expenditure on				
Raising funds	383	49	-	432
Charitable activities	8,633	258	-	8,891
Clergy pension scheme movement	-	-	74	74
Church schools and Diocesan projects	-	206	-	206
Other	25	-	13	38
	<u>9,041</u>	<u>513</u>	<u>87</u>	<u>9,641</u>
Total	<u>9,041</u>	<u>513</u>	<u>87</u>	<u>9,641</u>
Net income/(expenditure) before investment gains and losses	<u>322</u>	<u>(126)</u>	<u>3</u>	<u>199</u>
Net gains on investments	126	48	1,039	1,213
	<u>448</u>	<u>(78)</u>	<u>1,042</u>	<u>1,412</u>
Net income/(expenditure)	<u>448</u>	<u>(78)</u>	<u>1,042</u>	<u>1,412</u>
Transfers between funds	85	7	(92)	-
Non controlling interest	-	-	5	5
Other recognised gains/(losses)	-	-	-	-
Gains/(losses) from changes in financial assumptions on defined benefit pension scheme	262	-	-	262
	<u>795</u>	<u>(71)</u>	<u>955</u>	<u>1,679</u>
Net movement in funds	<u>795</u>	<u>(71)</u>	<u>955</u>	<u>1,679</u>

SOUTHWELL & NOTTINGHAM DIOCESAN BOARD OF FINANCE

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2016

29. RELATED PARTY TRANSACTIONS

Church Urban Fund (CUF) Joint Venture

The Board of Finance and CUF are the founding members of a subsidiary of CUF, "Transforming Notts Together", which is a charitable company limited by guarantee and in partnership between the Board of Finance and CUF. There are 9 directors of which 4 are appointed by the Board of Finance, including the Chair. Revd David McCoulough, an employee of the Board of Finance, has oversight of the work of two part time development workers who are employed by Transforming Notts Together.

The Diocese of Southwell & Nottingham Education Trust

This Charity has been set up in response to the likely challenge of a large number of Church of England Schools converting or otherwise becoming Church of England Academies under the Academies Act 2010. The Charity will perform a role in the Diocese in supporting Church of England Academy Trusts to fulfil their responsibilities in relation to their schools/academies and as a member of each of the Church of England Academy Trusts also to challenge and to hold governors to account in this regard. The Charity is also intended to operate as a sponsor or co-sponsor of Church of England Academies in the Diocese and elsewhere as required. The Trustees are Rt Revd A Porter, Mr I Griffiths, Canon M Arlington, Canon N Spraggins, John Loughton, Ven David Picken and Claire Meese, the Diocesan Director of Education. There were no transactions in the financial year.

The Diocese of Southwell & Nottingham Multi Academy Trust

The company was set up in August 2013 and is a limited by guarantee without share capital. The company houses the church schools which have converted to Academy status. The directors are Philip Blinston, Ian Griffiths, Roger Periam, Hilary Craik, Rebecca Meredith, Derek Hobbs, Angela Pae, David Taylor and Claire Meese. The Multi Academy Trust paid the Board £19,643 in respect of reimbursement for salaries and office costs.

Grant-making (beneficiary-selection) policy

Grants are made to the National Church to cover a proportion of its central costs and also to cover the cost of training for ministry). Grants are paid to other connected charities and to other charitable projects which appear to the Board of Finance to support the furtherance of the Board of Finance's objects.

Other related parties

Canon M Arlington, Chair of the Finance Committee and Director of the Board of Finance and Canon N Spraggins, Diocesan Chief Executive are both Governors of the Samworth Church Academy in Mansfield.

Subsidiaries

During the year, the Board received loan interest from Wind FX Limited of £87,900 and received repayment of the short term loan of £204,624. Wind FX Limited also paid the Board £3,000 towards accountancy costs in the year. At 31 December 2016 Wind FX Limited owed the Board £951,331. SNDBF Solar Limited owes the Board £226,190 at 31 December 2016 and the Board owes SNDBF Solar £18,180.

SOUTHWELL & NOTTINGHAM DIOCESAN BOARD OF FINANCE

NOTES TO THE FINANCIAL STATEMENTS (continued) For the year ended 31 December 2016

30. FUNDS HELD AS CUSTODIAN TRUSTEE

The Board acts as Diocesan Authority or custodian trustee for many trust funds by virtue of the Parochial Church Councils (Powers) Measure 1956 and the Incumbents and Churchwardens (Trusts) Measure 1964 where the managing trustees are parochial church councils and others. Assets held in this way are not aggregated in these financial statements as the Board does not control them. Each year an annual statement of value is made available to all PCCs. The market value of investment held on behalf of PCCs and others is £7.8 million, cost £3.9million (2015- £7.2million, cost £3.9million).

31. DEVOLVED CAPITAL FORMULA

Since April 2006, the Education Funding Agency (EFA) have paid devolved Formula Capital (DFC), directly to schools or dioceses before the funds are spent on capital projects. This year education restricted funds received £667,204 on behalf of 18 schools (2015- £145,495 on behalf of 13 schools). These funds are maintained in individual school ledgers with payments and governors 10% contributions shown.

The Schools Executive Officer monitors these accounts and advises schools of current balances and authorises payments. At the year end the balance of these DFC accounts was £105,343 (2015-£101,349) which is not included in these accounts.