

**BIRMINGHAM DIOCESAN BOARD
OF FINANCE**
(A company limited by guarantee)

Financial Statements

Year ended 31 December 2013



BIRMINGHAM DIOCESAN BOARD OF FINANCE
(A company limited by guarantee)

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TRUSTEES (BISHOP'S COUNCIL)

The members of the Bishop's Council set out below have held office during the period from 1 January 2013 to the date of this report, unless otherwise stated.

The Lord Bishop of Birmingham – President
The Bishop of Aston
Mr Philip Nunnerley – DBF Chair

Ex-officio

The Archdeacon of Birmingham
The Archdeacon of Aston (post vacant with effect 1 January 2014)
The Dean of Birmingham Cathedral
The Chair of the Diocesan House of Clergy – Revd. Canon Martin Stephenson
The Chair of the Diocesan House of Laity – Mr Stephen Fraser (Yardley & Bordesley)

General Synod representative

Dr Rachel Jepson

Bishop's appointees

The Revd Canon Tim Pilkington (until 25 September 2013)
Mr Malcolm Owens (Solihull)

Council appointments

Mrs Waveney Richards

Elected - House of Clergy

The Revd Canon Freda Evans (Aston)
The Revd Dr Andrew Jolley (Aston)
The Revd Dr Crispin Pailing (Handsworth)
The Revd John Routh (Sutton Coldfield)
The Revd Nigel Traynor (Aston)
The Revd Priscilla White (Edgbaston)

Elected - House of Laity

Mr Ray Buick (Edgbaston)
Mr Michael Hastilow (Moseley)
Mr Guy Hordern (Edgbaston)
Mrs Deirdre Moll (Solihull)
Mr Peter Oakley (Shirley)
Mr Julian Phillips (Solihull)
Mr Steven Skakel (Shirley)
Dr Carol Starkie (Edgbaston)

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DIOCESAN SECRETARY

Mr A W Halstead

DIOCESAN DIRECTOR OF FINANCE

Ms M J T Crooks (from 4 March 2013)

DIOCESAN SURVEYOR

Mr A N Broadway

DIOCESAN REGISTRAR

Mr H Carslake

REGISTERED OFFICE

1 Colmore Row
Birmingham
B3 2BJ

AUDITORS

Mazars LLP
45 Church Street
Birmingham
B3 2RT

BANKERS

Bank of Scotland
125 Colmore Row
Birmingham
B3 3SF

INVESTMENT ADVISERS

Smith and Williamson Investment Management Limited
9 Colmore Square
Birmingham
B3 2BJ

PROPERTY AGENTS

Knight Frank
1 Colmore Row
Birmingham
B3 2BJ

COMPANY REGISTRATION NUMBER

440966

CHARITY REGISTRATION NUMBER

249403

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CHAIRMAN'S STATEMENT

The Birmingham Diocesan Board of Finance ("BDBF") continues to act as the financial executive providing the resources which support the mission of the Diocese, including the valuable work of the Diocesan Board of Education.

The principal outgoings remain the cost of clergy stipends, pensions and housing provision. Whilst there continues to be an invaluable contribution from the Church Commissioners grant, our income depends critically on parish contributions through Common Fund. Despite the tough economic environment these have held up well again. The introduction of incentive has particularly assisted the management of the BDBF's cash flow with more parishes providing regular monthly contributions.

Towards the end of the year the BDBF has reviewed its investment strategy and its implementation in 2014 is intended to ensure a sustainable and consistent income stream from that source.

The opportunity has been taken to review our accounting policies particularly those relating to properties with recognition for the first time of the value of our parsonages on the balance sheet. One of the consequences of the changes in accounting policies has been a need to make some prior year adjustments impacting the opening balance sheet position. Overall the accounts reflect a sound financial structure but the Board remain acutely aware of the risks attaching to the relative uncertainties surrounding its income streams.

I am grateful to the Diocesan Secretary and Director of Finance together with all the staff employed by the BDBF for their hard work without which we would have been unable to sustain our mission of 'Growing churches at the heart of each community'.


Phil Nunnerley
Chair

9 June 2014

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The trustees, who are also directors for the purposes of company law present their trustees report together with the financial statements and auditors' report of the charitable company for the year ended 31 December 2013. The financial statements comply with current statutory requirements, the Statement of Recommended Practice 2005 "Accounting and Reporting by Charities" ("SORP2005") and the Companies Act 2006.

This report refers to Birmingham Diocesan Board of Finance Limited (BDBF) and is set out as follows:

- Objectives and Activities
- Governance and Structure
- Achievements and Performance
- Financial Review
- Plans for the future
- Summary information about the structure of the Church of England

OBJECTIVES AND ACTIVITIES

Aims and Objectives

The BDBF ("the Church of England in Birmingham") Mission:

"Growing churches at the heart of each community"

The Church of England in Birmingham through the BDBF aims to promote, facilitate and assist with the work and purposes of the Church of England for the advancement of the Christian faith in the Diocese of Birmingham and elsewhere. This includes the provision of facilities for public worship, pastoral care and spiritual, moral and intellectual development, together with the promotion of Christian values and services by members of the Church in and to their communities, to the benefit of individuals and society as a whole.

In this, the BDBF acts as the financial executive for the Diocesan Synod in the administration of the Church of England in Birmingham's interests.

The Church of England in Birmingham is working towards 10 diocesan goals:

1. To grow the number of adults, young people and children within the worshipping Christian community year on year;
2. To make the most of opportunities presented by the occasional offices, the church calendar and invitational events such as Back to Church Sunday;
3. To develop an understanding of communications in every parish, promoting a church that is visible, welcoming and accessible;
4. To develop a spiritually enriching children's and youth ministry in every parish and church school, encouraging clustering where appropriate;
5. To ensure that a Christian Basics course of some kind is offered in every parish at least once a year;
6. To implement in every parish an appropriate strategy for making confident, prayerful disciples in their daily life;
7. To encourage an increasing number of worshipping Christians to take tithing seriously and to give at least 5% of their income to the local church;
8. To increase the range and spiritual fruitfulness of partnerships and community initiatives across the diocese;
9. To increase the number of leaders of all ages, and drawn from every ethnic group, who are trained and deployed in the church and wider community;
10. To encourage every parish community to think through the challenges of relating constructively to those of other faiths

The BDBF helps to facilitate the pursuit of these goals by its ongoing objective to maintain a sound financial structure that resources the needs determined by Diocesan Synod and informed by local and national church institutions. This financial structure includes supporting clergy through the payment of stipends, managing parsonages and other ministerial houses and also by providing other facilities and resources in the support of the ministry of both clergy and lay people in parishes across the Diocese.

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Ensuring our work delivers our goals

The Church of England in Birmingham through the BDBF reviews its work each year and considers outcomes and plans for the future. It takes account of the Charity Commission general guidance on public benefit when reviewing its purpose and in considering how planned activities will meet that aim.

How our activities deliver public benefit

Our main activities aim to deliver public benefit in the following ways:

- **Clergy** - providing parish and other clergy in order to offer Christian services and spiritual oversight.
- **Parochial Church Councils** – assisting PCCs to provide churches, sacred spaces and worship services.
- **Parish Mission** – assisting parishes particularly through the Transforming Church mission initiative.
- **Education** - contributing to the spiritual and moral education of children and young people in over 50 church schools.
- **Social action** - contributing to and assisting in social action in parishes and elsewhere, such as food banks and night shelters.
- **Training** - providing training and assistance in order that parishes have clergy and volunteers who are competent, for example, to assist clergy in providing Christian services, visit the sick, and comfort the bereaved.
- **Grants** - making grants to enable the national church institutions to function and have a positive wider influence.
- **World Mission** – in part through links with the Anglican Dioceses in Malawi.

Who benefits from our services?

We aim to make our services open to as wide a section of the public as possible. For example:

- Everywhere in the Diocese is part of a Church of England parish that has a member of clergy who has concern for the spiritual welfare of the individuals who reside in it.
- Parishes in wealthier areas generally contribute somewhat more than the cost of their clergy in order that clergy can also be provided in less wealthy areas.
- Training courses are offered at reduced or no cost where appropriate in order that ability to pay is not a bar.

Main activities to deliver public benefit

Clergy

Provision of Clergy

Although the BDBF does not employ the parish clergy, it is responsible for training them, paying them, and paying into their pension fund. With approximately 131 trained stipendiary clergy and 19 stipendiary training curates this responsibility is by far the BDBF's largest financial commitment. It can only be met if the parishes pay their Common Fund. Stipend and pension levels are set nationally with some slight regional flexibility.

In principle the BDBF could save money and make its operations easier by significantly reducing the number of clergy. But provision of clergy and paying for them is at the very heart of the BDBF's purpose, "to maintain and promote the spiritual teaching of the Church of England". Reducing clergy numbers goes against these aims so there is no overall objective to reduce clergy numbers. In the same way, reducing the levels of training would be counter-productive.

Some clergy are not paid stipends. These include self-supporting ministers, ministers in secular employment, and retired clergy. They give wonderful service, but generally have less time to offer and in most cases cannot be asked to take charge of a parish.

Good clergy, well trained and with high morale, are at the heart of the BDBF's purpose. We have to ensure that we can continue to raise the money to keep as many as possible in post, for the sake of the Church, the Gospel, and the people and communities of the Diocese.

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Clergy housing

Although parsonage houses are not owned by the BDBF, it does have responsibility for maintaining and insuring them. This involves dealing with repairs, carrying out a comprehensive programme of inspections, and undertaking major renovation works during vacancies. There is also a phased programme of improving the overall standard of housing within the constraints of available funding, using the Church Commissioners "Green Guide" standard as an aspiration.

Chaplains

The BDBF also supports chaplains who provide a strong Christian influence in local industry and commerce, Birmingham Airport, schools and Birmingham, Aston and Birmingham City Universities.

Assisting Parochial Church Councils

The BDBF provides formal and informal advice and support to parishes on the maintenance, repair and development of church buildings and churchyards. A major theme is ensuring long term sustainability of church buildings in tandem with wider mission to local communities.

Parish Mission

Transforming Church is the name given to our parish mission initiative which aims to grow churches at the heart of each community. Launched in 2009, it seeks to resource churches to be the best they can be and to grow both numerically and spiritually. Using a combination of over 50 Transforming Church Consultants, a fund churches can access and a range of conferences and courses, our goal is to do whatever we can to transform the Church across the diocese in order to give the greatest glory to God.

Education

Children

Advice and support is offered to parishes to reach and keep families through fresh expressions of church like "Messy Church" and to provide training for leaders of children's ministry. Our work here also includes child safeguarding training.

Youth

Advice and support is offered to parish youth workers and to those parishes looking to encourage their youth activities. Our work also includes the organisation of specific youth focused events including the pilgrimage to Taizé.

Schools

With the Birmingham Diocesan Board of Education, the BDBF seeks to ensure that schools have high standards and are distinctively Christian. This focus on raising high standards includes the sponsorship of church academy schools.

Social action

The BDBF aims to encourage and support Christians and churches to participate in activities that help to transform the lives of people living in their local neighbourhoods and particularly to support Christian activity that alleviates poverty and disadvantage.

Training

The BDBF oversees the selection of candidates for ordination up to the point when they attend a national selection event and on-the-job training once they are ordained. The BDBF is also responsible for the ongoing review and professional development of clergy and licensed lay ministers, together with training in general Christian service in the community. In addition the BDBF provides practical support and training for churchwardens, treasurers, and other parish officials.

Grants

The BDBF makes certain grants to support parishes and church schools within the Diocese. The principal grant payments are funded by the CCLA Diocesan Loan Scheme, Sites and Buildings Fund and Church Schools Fund.

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World Mission

The BDBF's support to world mission is by the Malawi- Birmingham Partnership link that has been in operation since 1966. This support is both mission orientated and financial aid.

GOVERNANCE AND STRUCTURE

Constitution

The BDBF is established under the Diocesan Boards of Finance Measure of 1925. It is a company limited by guarantee and subject to its own Memorandum and Articles of Association. The BDBF is also a registered charity.

The BDBF is constituted as the financial executive of the Diocesan Synod, each member of which is also a member of the BDBF. Trustees are appointed by the members on a triennial basis. The BDBF acts as the Parsonages Board and the Mission and Pastoral Committee for the purposes of ecclesiastical legislation.

The BDBF which meets 4 times each year, is the principal policy making body. It takes advice from its Board of trustee directors, constituted as the Bishop's Council, which examine issues in detail and makes recommendations. The Council also take executive action in certain matters and deals with day to day issues. The membership of the Bishop's Council is contained on page 1 of this report.

The day to day management and administration of the BDBF's affairs are undertaken by the staff employed at its principal office. The key staff with responsibility for meeting the BDBF's objectives and goals are:

Mr Andrew Halstead – Diocesan Secretary
Ms Melanie Crooks – Director of Finance
Rev. Jackie Hughes – Director of Education
Mr Alan Broadway – Diocesan Surveyor

Recruitment and Training of Trustees

Trustees are recruited through a mixture of ex-officio positions, elections and nominations. Elections take place every three years at the first meeting of the new Diocesan Synod (itself elected every three years). The trustees have the power to co-opt members according to their assessment of the needs of the BDBF in terms of required skills and experience.

Induction for new trustees consists of a one day course designed to ensure that all trustees are familiar with the BDBF's governing document and its aims and objectives. They are also given relevant literature which explains the role and obligations associated with their role as a director and trustee of the BDBF. Trustees then receive ongoing training as appropriate. This training is tailored to the individual needs of the trustees and may include introductions to church, company and charity law, an overview of current programmes and plans of the diocese and an introduction to any special areas with which they will be working such as Board of Education. Trustees are encouraged to visit diocesan operations.

All trustees are required to maintain their entry in the register of declarations of interests.

Some senior staff have job titles incorporating the title "Director" but they are not directors of the company (for the purposes of company law) and therefore are not "charity trustees".

Management Structure

The BDBF is assisted in its work during the year by a number of committees:

Board of Education – the Diocesan Board of Education (statutory body) forms part of the BDBF, with its responsibilities discharged by the Board of Education Committee. This committee is also responsible for the Diocesan Church Schools' Fund (restricted fund).

Pastoral Sub-Committee – discharges responsibility inter alia for considering applications for grants and loans from the parishes of the diocese and making recommendations to the BDBF.

Finance, Investment and Property Sub-Committee (FIPS) – acts in all finance matters, including audit, remuneration of BDBF staff, the management of BDBF investment property and fiscal investments and parsonage maintenance issues and makes recommendations to the BDBF.

Other organisations with which the BDBF co-operates in achieving its objectives

Within the ministry of the Church of England in the Diocese of Birmingham, the BDBF plays an important role in co-operation with other persons and charities which form part of the Church. While the Bishop of Birmingham and his clergy have the cure of souls within the Diocese, the responsibility for the funding of clergy stipend costs, providing clergy housing, training clergy and other diocesan costs falls to the BDBF. Some of these clergy are trustees of the BDBF and they are listed on page 1.

The BDBF has important relationships with the national institutions of the Church of England, specifically:

- **The Archbishops' Council** to which it pays grants based on an apportionment system for funding national training of ordinands and the activities of the various national boards and councils, as well as General Synod.
- **The Church Commissioners** from which the BDBF receives grants and which acts on behalf of clergy with HM Revenue and Customs. The BDBF pays for clergy stipends through the Church Commissioners.
- **The Church of England Pensions Board** which provides pensions for clergy and the BDBF's lay staff. It also offers schemes to provide housing for clergy in retirement.

At local level key relationships include:

- **Parochial Church Councils (PCCs)** which are the main income source for the BDBF through the Common Fund system. PCC's are independent charities and operate under the Parochial Church Councils (Powers) Measure 1956. They are able to influence decision making within the BDBF and at Diocesan Synod level through representation to those bodies and through the input of their Deanery Synods.
- **Church Urban Fund (CUF) Joint Venture** which the Bishop of Birmingham, the BDBF and CUF are the founding members of a subsidiary of CUF "Thrive Together Birmingham". This is a company limited by guarantee with an application for charity status progressing at present. The BDBF Director of Community Regeneration, an employee of BDBF has oversight of the work of a development worker who is employed by Thrive Together Birmingham.
- **The Diocese of Birmingham Educational Trust** which is a charity set up in response to the 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 operates as a sponsor or co-sponsor of Church of England Academies in the Diocese as required and supports Academy Trusts to both fulfil their responsibilities and provide a challenge to governors in this regard.
- **Birmingham Cathedral** with whom there is now an established pattern of close collaborative working, including the sharing of offices and associated resources.
- **St Martin's Trust and other local trusts** which generously provide financial support in the diocese's most economically deprived parishes.
- **Other Christian Denominations** with and through whom the BDBF works on matters of workplace chaplaincy and ecumenical relations notably through Churches & Industry Group Birmingham and Churches Together Birmingham.
- **Interfaith bodies**, such as The Faithful Neighbourhood Centre and The Feast, as part of our cross community work to promote good interfaith relations.
- **BIRDFO Properties Limited** which is a subsidiary property management company of the BDBF. Any resulting profits from such activities are gift aided to the BDBF in furtherance of its charitable objectives.
- **Birmingham Diocesan Trustees Registered (BDTR)** which is the custodian trustee for properties and permanent endowments on behalf of parishes and schools. BDTR is a separately registered charity.

Volunteers

The Church of England in Birmingham 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 this church managed volunteering also has a significant impact on people's approach to the church at time of crisis and other aspects of church life and community engagement.

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Within this, the BDBF greatly values the considerable time given by all the committee members across the diocese in pursuit of the diocese's mission.

Reserves Policy

Free reserves are maintained for the following purposes:

- To avoid bank borrowing if there is a temporary shortfall in income and/ or surge in expenditure
- To provide for emergencies

The reserves policy of the BDBF is formulated in line with recommendations of the Charity Commission of England and Wales. The basic policy statement is as follows:

"The BDBF aims to maintain the equivalent of at least 3 months operating expenditure in cash and readily liquid assets in the general unrestricted fund. This excludes all designated funds and loans. The policy is to be reviewed on an annual basis"

In arriving at the minimum amount account has been taken of the Board's well established effective income raising and budgeting process. Most income is now received in a steady stream throughout the year and performance against budget is monitored regularly and frequently.

We held this position over the year.

The unrestricted reserve stands at £4,569,000 (when designated funds of £1,238,000 are taken into account). As at 31 December 2013, the amount of readily realisable assets within this reserve is £3,771,000. An amount of £2,389,500 representing 3 months operating expenditure is retained as a general reserve to allow for any unexpected rises in expenditure or shortfall in income. The trustees believe that retaining such reserves will cushion the BDBF from short term revenue problems and will enable them to meet their legal requirements in case of serious financial problems.

Investment Policy

The BDBF maintains a review of its investments through its FIPS subcommittee, which also monitors performance against market benchmarks and considers the adequacy of its investment mix.

The investments are managed in accordance with the approved Statement of Investment Principles (1995) which takes into account both asset class mix and targeted return objectives. The current investment return objectives are as follows:

- Property investments to achieve a return of 6% net on current valuation;
- Fiscal investments to achieve a return of 5%;
- The minimum yield target from the equity portion of the portfolio to be 2% gross per annum. within medium risk parameters.

The portfolio in the year was managed in the following manner:

- Direct property investments managed by Knight Frank;
- Marketable investments actively managed by Smith & Williamson;
- Remaining funds within CCLA/ CBF funds on a self-managed basis.

In the final quarter of 2013, the trustees undertook a review of (non direct property) both investment strategy and advisors and will be finalising and implementing a revised Statement of Investment Principles during 2014.

CHARITABLE AND POLITICAL DONATIONS

No political contributions were made during the year. Charitable contributions have been made as part of the BDBF's objectives, mainly to projects sponsored under parish initiatives

TAXATION STATUS

The BDBF is a charity having been established under the Diocesan Boards of Finance Act 1926 and, as such, is not liable to income tax or corporation tax. The BDBF is also registered as a charity (reg. No. 249403).

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AUDITORS

A resolution to appoint the auditors will be proposed at the forthcoming annual general meeting.

RESPONSIBILITIES OF THE TRUSTEES

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

Company law requires the trustees 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 affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the trustees are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charitable company will continue in business.

The trustees are responsible for keeping adequate accounting records that are sufficient to show and explain the charitable company's transactions and disclose with reasonable accuracy at any time the financial position of the charitable company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the charitable company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In accordance with company law, as Charitable Company Trustees, we certify that, so far as we are aware, there is no relevant audit information, of which the auditors are unaware.

STRATEGIC REPORT

ACHIVEMENTS AND PERFORMANCE

Strategic Focus

2013 has been a lively and busy year for the Church of England in Birmingham. Our strategic focus has been on the development of our 2015-2020 vision for the diocese, within which everyone in our diocese may be given the opportunity to respond to the claims of Jesus Christ. The development process has been fully consultative across a broad spectrum of our church community at both Bishop's Council and parish levels. The operational plan of this vision is being developed within our "People and Places" strategic plan which will continue to be worked on in 2014.

Church Life and Community Engagement

Clergy

Clergy form a central part in the life of churches in the Birmingham diocese and carry out important roles in communities. As well as engaging in a wide variety of community and church projects, clergy in the Birmingham diocese carry out an astonishing 1,000 weddings, 4,000 funerals and 2,500 baptisms/christenings every year. During some of the highs and lows of life the Church of England is a reliable supporting force for families and individuals.

Caring for the 131 trained stipendiary clergy and 19 stipendiary training curates in the diocese is a priority of the BDBF and represents by far its largest financial commitment. Although the BDBF does not employ the parish clergy, it is responsible for training them, paying them, and paying into their pension fund. New terms of service were introduced in 2011 in the form of Common Tenure under which all new clergy are appointed (some present clergy chose to retain their freehold). The new package gives greater clarity on the rights and obligations of clergy and requires that they participate in a process of Continual Professional Development and Ministerial Development Review. It also gives clergy access to Employment Tribunals and other useful services.

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

As part of our investment into clergy development a three-day residential took place in 2013 at Swanwick Conference Centre where keynote speakers included Loretta Minghella OBE, Chief Executive of Christian Aid and renowned speaker David Runcorn.

Volunteers and staff

Alongside clergy is an army of volunteers and staff, some with a special license from the Bishop, who are enabling worship to take place and making valuable connections with the local community. Offices, business and, in particular, caring professions are full of Christians contributing to society and offering a high standard of care. Churches are right at the centre of many community projects all over the Birmingham diocese with a high number of people clocking up hundreds of hours of voluntary help every year in things like foodbanks, schools, charities, uniformed groups and other organisations.

As well as providing an array of services to help churches carry out mission in their parishes, the BDBF provides formal and informal advice and support on the maintenance, repair and development of church buildings and churchyards. A major theme is ensuring long term sustainability of church buildings in tandem with wider mission to local communities.

Children and Young people

Advice and support is offered to parishes to reach and keep families through fresh expressions of church like "Messy Church" and to provide training for leaders of children's ministry. Voluntary and paid youth workers are offered support and training and mission and development opportunities are given to young people through things like the Mission Academy programme and the annual pilgrimage to Taizé. Safeguarding training is an essential part of this work.

Making our schools and academies among the finest in the region has been the prime objective for the BDBF through the Diocesan Board of Education throughout 2013. Our aim has been to ensure the highest possible standards of teaching and learning in all our 51 schools and academies, with each embracing a culture expressing the distinctive joy and ethos of the Gospel of Christ. By the end of the year Ofsted rated 22 of our schools as "Good" and 14 as "Outstanding".

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Chaplaincy

Our churches and chaplains collaborate with Churches and Industry Group Birmingham and Solihull (www.cigb.org.uk) to empower working lives and to drive for a faithful economy. This is mainly through our 25 volunteers who have a heart for service in places like shops, factories and offices and a number of parish priests also include such prophetic roles in their ministry.

We develop projects with ecumenical colleagues (eg. helping people into work and manage money). CIGB has given regular training for fresh volunteer chaplains and linked us to useful partner organisations such as 'Chaplaincy Plus', 'Faith in Business', and 'Industrial Mission Association'

We are also helping to shape business and finance 'corporate social responsibility' with Aston University Business School and Ecumenical Council for Corporate Responsibility. This work will continue into 2014.

Social Action and Community Regeneration

The Church of England, working in partnership with other organisations in the Birmingham diocese, is committed to play its part to improve the lives of people in the most disadvantaged neighbourhoods of the diocese and to create neighbourhoods that are clean, safe and generous. Churches are encouraged to play a role in local regeneration activity while staff with diocese-wide roles work to influence regional and local authority policy making. During the week many of our church buildings are open providing a base for community activities run by the church itself or other organisations.

2013 highlights included:

The Winter Night Shelters project which saw six churches offering hospitality and overnight accommodation to ten homeless men for six nights over six very cold weeks in January and February. Over 300 volunteers provided food and hospitality to 31 regular guests and partnering with other agencies, many guests were transferred to shelters and some were assisted to find work and accommodation.

Moving Together in Body, Mind and Spirit Partnership - This new ecumenical partnership of churches has been commissioned to deliver activities to enable vulnerable older people to live independently and relieve their isolation. This year over 650 people have benefitted through participating.

Emerging from Birmingham's Social Inclusion Inquiry (Giving Hope. Changing Lives.), chaired by Bishop David, Places of Welcome seeks to respond to the issue of isolation and loneliness through a network of participating venues offering hospitality, free refreshments and advice. 15 active Places of Welcome now exist and another 12 are pending.

Interfaith

The Birmingham diocese is very diverse with people of all the world's faiths living here. Emphasis is given to working across faiths to bring out the very best in communities through positive engagement between faiths and centrally-organised courses often working in partnership with colleagues in the diocese and outside organisations with specific expertise such as The Feast, the Christian-Muslim Forum or Interserve.

Catalyst youth leaders programme has brought together a group of Christian, Muslim, Sikh, Hindu and Buddhist young leaders. The course encouraged them to understand the faith of others, express and question their own beliefs and to work together for the good of others. Shabz, a young Muslim attendee said: "The Catalyst leadership course gave me the courage to take ownership for my community and grow as a leader ».

The Near Neighbours programme aims to bring people of different faiths together to transform their neighbourhood together. Around 50 new projects were funded before the small grants programme closed in November which included work with children and young people, older people, women, community clean-ups, arts programmes and sports.

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Mission

Mission is about both intentional engagement with the 1.5million people in the Birmingham diocese and connecting with our neighbours around the world. The Church of England - Birmingham engages in mission from Moseley to Malawi and Bordesley to Bolivia.

Transforming Church is the name given to our parish mission initiative aims at 'growing churches at the heart of each community'. Using a combination of over 50 Transforming Church Consultants, a fund churches can access and a range of conferences and courses, our goal is to do whatever we can to transform the Church across the diocese in order to give the greatest glory to God. During 2013, the Transforming Church Fund contributed £314,000 to transformational projects at both diocesan and local parish level and has already committed £545,000 to future projects.

The Mission Apprentice Scheme has seen seven Apprentices linked with seven local churches in some of the most deprived parishes in the diocese for a period of two years. During these two years they have been trained on the job and meet every fortnight with other Apprentices for further training. Their aim is to try and help grow an area of the church during their time. All seven Apprentices have completed the programme.

The Board alongside many parishes and individuals support our Malawi-Birmingham Partnership, one which has been in operation since 1966. Malawi is one of the poorest countries in the world and around £50,000 of financial aid goes towards making a tangible difference. A recent project was to help build accommodation for teachers in one of our partner schools. The partnership is not just about money, visits to and from Malawi have been cultivating friendship and mutual learning for nearly 50 years. A Skill Share group went to Malawi in August 2013 where practical needs were fulfilled as well as a variety of training workshops with 70 Malawian primary teachers.

Training

A full programme of training events has been delivered in 2013 across all aspects of church life. Highlights have included:

- 533 lay members have deepened their spiritual understanding through the "3D" and "Growing Gifts" programmes;
- 266 have attended adult and children safeguarding training;
- Establishment of a newsletter and seminar programme for parish treasurers and stewardship officers;
- Nationally acclaimed leadership and governance conferences and seminars for our school teachers and governors;
- Our youth ministry has been involved in two exciting initiatives. Working with our minority ethnic Anglican advisor Urban Disciples is a project designed to encourage leadership and discipleship amongst young people from urban contexts. Whilst the Church of England- Birmingham Mission Academy is a learning community made up of young people using their ideas and faith to pursue mission activities;
- In caring for our church buildings, we hosted seminars for both parishes and professionals serving our parishes on Care of Churches in design and conservation;
- Continuing support for our clergy from ordination to retirement has been delivered by targeted workshops and pastoral support.

Grants

Despite difficult economic conditions, our grant programmes have continued to flourish with some £509,000 of grants awarded across a broad range of initiatives in 2013.

FINANCIAL REVIEW

Overview

Despite challenging economic conditions in 2013 overall income levels have held up well on 2012 with a small increase of £65,000 to £9,770,000

The single largest source of income continues to be parochial contributions or "Common Fund". This represents 55% of our total income. Parishes despite the challenges they face have managed to maintain the overall level of Common Fund in 2013. The introduction of an incentive scheme has particular assisted the management of our cash flow with more parishes providing regular monthly contributions. However, economic outlook still remains uncertain with many of our parishes not having significant reserves to fall back on. The BDBF continues to closely monitor the amounts of Common Fund received on a monthly basis.

Overall expenditure is £9,876,000 compared to £9,693,000 in 2012. This takes into account the exceptional cost of £524,000 recognised in the cost of generating funds line. This represents the recognition of a write down in the carrying value of the Birdbof Properties loan investment following an external professional valuation of their 2 properties.

This gives an overall deficit for the year of (£106,000) before taking into account the net gains on disposal of properties and assets in the year yielding £479,000. The resulting cash flow from these disposals of surplus property has been used to repay external bank debt and for reinvestment in our long term investment portfolio.

The BDBF has still been able to fund its core activities of placing and funding clergy, housing and pensions plus the advisory officers. Average parochial clergy deployment during the year remained static at 152 year on year.

There are a number of factors which can impact on the BDBF's ability to meet its objectives, but which are outside its control. Most important is the collection of the Common Fund from the parishes. Any significant shortfall in that collected could have implications for our mission objectives and deployment.

As is the case for all charities with historic endowment, the BDBF is vulnerable to changes in the value and returns upon its properties and stock market based (fiscal) investments. This is mitigated by employing specialist fund managers and advisors to help develop an appropriate investment policy. The BDBF continues to receive significant and increased support from the Church Commissioners. The amount of these selective grants is outside the BDBF's direct control, but is generally known in advance of budgets being set.

Prior Year Adjustments to Financial Statements

During the year ended 31 December 2013, the BDBF has reviewed its accounting policies in place and has amended certain policies to ensure that they are in accordance with The Church of England Diocesan Annual Reports and Financial Statements Guide and industry wide best practice. This has resulted in changes to the accounting policies in the following areas:

- Parsonage recognition
- Valuation of non-investment properties
- Recognition of other funds within the Board financial statements
- Accounting for properties and their associated value linked loans
- Accounting for joint ownership properties with Parochial Church Councils and other third parties

The net impact of these changes is disclosed within note 20 to the financial statements. The changes in accounting policy are significant in impact to necessitate prior year adjustments and the restatement of the year ended 31 December 2012 financial statements. The restatement represents an increase of net assets of £17,955,000 as at 31 December 2012.

Transfers between Funds

The net income from the Endowments and Glebe funds of £300,000 (note 14) was transferred to the General Fund to meet stipends cost as required under the Endowments and Glebe Measure (1976). The BDBF's General Fund contributed £858,000 towards the costs of parsonage repairs and £84,000 towards the cost of pension scheme deficit payments. The Transforming Church Fund granted £100,000 to the General Fund towards ministry costs in deprived parishes.

RISK MANAGEMENT OF PRINCIPAL RISKS AND UNCERTAINTIES

The trustees of the BDBF have overall responsibility for ensuring that the charitable company has an appropriate system of controls, financial and otherwise. The systems of internal control are designed to provide reasonable, but not absolute assurance against material misstatement or loss. They include:

- An annual budget approved by the trustees;
- Regular consideration of both financial results and other performance indicators;
- Delegation of authority and segregation of duties.

The trustees undertake an annual risk analysis exercise. The analysis includes a consideration of risks (financial/operational/ reputational damage) which could impact seriously on the BDBF's operation and development. The Finance, Investment and Property subcommittee oversees the implementation of the recommendations arising out of this risk analysis exercise.

The key risks, which may impact on the BDBF include:

- Failure to grow the Church in its mission;
- Failure to attract and retain high quality clergy;
- Non-payment of Common Fund;
- The future funding of clergy pensions;
- Unforeseen property management and maintenance costs;
- Litigation and associated legal costs.

GOING CONCERN

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

PLANS FOR FUTURE PERIODS- "PEOPLE AND PLACES"

Despite continuing reports of church decline, the number of people worshipping in Church of England churches in Birmingham and the wider region has grown! Congregational attendance is stable, no longer declining, and in some places growing. At the same time, though, the effects of the Transforming Church initiative have been patchy, inevitably, because each parish has made its own independent assessment of priorities.

In 2013 we have been discussing how best to develop strategic resourcing plans to better support mission across the diocese. Part of the motivation is to prepare a stable long term platform for sustainable Anglican witness in the region. In addition, we are establishing guidelines and a framework for new investments that will promote growth.

We want to ensure that every one of the one and a half million people that live in the geographical area of the diocese of Birmingham has the chance to examine and respond to the claims of Jesus Christ, whether Anglicans, other Christian denominations, other faiths or no faith.

We are called:

- To take forward the spiritual and numerical growth of the Church of England – including the growth of its capacity to serve the whole community of this country;
- To re-shape or reimagine the Church's ministry for the century coming, so as to make sure that there is a growing and sustainable Christian witness in every local community; and
- To focus our resources where there is both greatest need and greatest opportunity.

We aim to equip ourselves to:

- Build flexibly in mission and achieve spiritual and numerical growth
- Achieve and enhance standards of excellence in ordained ministry across the diocese and generate vocations
- Sustain a capacity to influence policy, to respond to what the State proposes and to contribute to the common good
- Communicate what the Church is about both to our own household of faith and to those outside

BIRMINGHAM DIOCESAN BOARD OF FINANCE
(A company limited by guarantee)

ANNUAL REPORT OF THE TRUSTEES
For the year ended 31 December 2013

The Church Commissioners have offered up to an additional £1million funding to any diocese with a coherent evidence-based plan for growth, not to sustain current structures, but for innovative projects, collaborating across parishes.

A four pronged resourcing plan is emerging to bid for £1million of Church Commissioners investment during 2014:

1. Underpin the core Anglican parish mission with a stipendiary minister only where there is sufficient congregation or sufficient population. This plan would release the funding from 16 posts for alternative deployment of these resources.
2. Invest any released, new or repurposed money to support a strategy of "Growing Younger" by employing half-time Children & Families' or Schools workers, Mission Apprentices or Mixed-Mode ordinands;
3. Support the establishment of a new City Centre Resourcing church in Birmingham;
4. Address the strategic leadership gaps alongside the Diocesan Directors of Education, Community Regeneration, InterFaith and Communications, in the following areas:
 - a. Mission
 - b. Event Management
 - c. World Mission
 - d. Public Affairs, Social Responsibility
 - e. Ecumenical working with other church partners

The Board of Trustees approve their Annual Report and, in their capacity as company directors, also approve the Strategic Report incorporated therein on 9 June 2014 and signed on its behalf



Andrew Halstead
Company Secretary

BIRMINGHAM DIOCESAN BOARD OF FINANCE
(A company limited by guarantee)

ANNUAL REPORT OF THE TRUSTEES
For the year ended 31 December 2013

APPENDIX – SUMMARY INFORMATION ABOUT THE STRUCTURE OF THE CHURCH OF ENGLAND

The Church of England is organised as two provinces, each led by an archbishop. The Archbishop of Canterbury leads the Southern Province and the Archbishop of York leads the Northern Province. Each province is comprised of dioceses of which there are 43 in England.

Dioceses, each under the spiritual leadership of a Diocesan Bishop, are the principal pastoral, financial and administrative resource of the Church of England. Each diocese in England is divided into parishes. Each parish is overseen by a parish priest, who is usually called an incumbent, vicar, rector or priest in charge. From ancient times through to today, they and their bishop are responsible for the 'cure of souls' in their parish.

Her Majesty The Queen, who is the Supreme Governor of the Church of England, appoints archbishops, bishops and some deans of cathedrals on the advice of the Prime Minister. The two archbishops and 24 senior bishops sit in the House of Lords.

The Church of England is episcopally-led, with 112 bishops including Diocesan Bishops and Assistant and Suffragan Bishops. It is governed by General Synod as its legislative and deliberative body at national level, making decisions on matters of doctrine, the holding of church services and relations with other churches. General Synod passes measures which, if accepted by Parliament, have the effect of acts of Parliament. It is made up of three groups or 'houses' of members: the Houses of Bishops, of Clergy and of Laity. General Synod meets in London or York at least twice annually to consider legislation for the broader good of the Church.

The three National Church Institutions

The Archbishops' Council, the Church Commissioners and the Church of England Pensions Board are sometimes referred to as the three National Church Institutions.

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

The Church Commissioners manage the historic assets of the Church of England, spending most of their income on pensions for the clergy. The costs of episcopal administration through the diocesan and suffragan bishops are met by the Church Commissioners.

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

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

The Diocese

The Cathedral

Birmingham Cathedral is the mother church of the diocese and legally is constituted as a separate charity currently exempt from Charity Commission registration and supervision. Copies of its trustees' report and financial statements may be obtained from the Cathedral Offices, 1 Colmore Row, Birmingham, B3 2BJ

Diocesan Synod

The statutory governing body of the diocese is Diocesan Synod which is made up of broadly equal numbers of clergy and lay representatives elected from across the diocese together with the diocesan bishops and archdeacons. Its role is to:

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

BIRMINGHAM DIOCESAN BOARD OF FINANCE
(A company limited by guarantee)

ANNUAL REPORT OF THE TRUSTEES
For the year ended 31 December 2013

Deanery Synod

There is a Deanery Synod in each of the Diocese's deaneries. Each Deanery Synod has two houses, laity and clergy, and Deanery Synod's role is to:

- Respond to requests from General Synod
- Give effect to the decisions made by Diocesan Synod
- Consider matters affecting the Church of England by drawing together the views of the parishes within the deanery
- Act as a channel of communication to express the views of parishes to Diocesan Synod and thence to General Synod
- Raise with Diocesan Synod such matters as it considers appropriate
- Elect members of the deanery to Diocesan Synod and of the diocese to General Synod

The Bishop's Council

Under the constitution of Diocesan Synod, Bishop's Council has the following functions:

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

Parochial Church Council (PCC)

A PCC is the elected governing body of an individual parish which broadly is the smallest pastoral area in the Church of England. Typically each parish has one parish church. A PCC is made up of the incumbent as chair, the churchwardens, and a number of elected and ex-officio members. Each PCC is a charity. All PCCs with gross income over £100,000 are required by law to register with the Charity Commission (as soon as practical after their gross income exceeds £100,000) unless the Charity Commission issues a written determination to the contrary. This may be possible in exceptional circumstances such as when gross income includes a substantial grant for a purpose that will not be repeated for the foreseeable future. If not required to register, PCCs are 'excepted' charities.

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

Benefices, Parishes, Deaneries and Archdeaconries

A benefice is a parish or group of parishes normally served by a single incumbent or priest in charge, with the exception of team ministries, which may have several clergy serving one benefice. A deanery is a group of parishes over which an area dean has oversight and an archdeaconry is a group of deaneries for which an archdeacon is responsible to the Diocesan Bishop, although many archdeacons' duties can be delegated.

The information in this appendix about General Synod, the Church Commissioners, the Archbishops' Council, Birmingham Cathedral and PCCs is included as background only. The financial transactions of these bodies do not form part of these financial statements.

BIRMINGHAM DIOCESAN BOARD OF FINANCE
(A company limited by guarantee)

INDEPENDENT AUDITORS REPORT
For the year ended 31 December 2013

We have audited the financial statements of the Birmingham Diocesan Board of Finance for the year ended 31 December 2013 which comprise the Statement of Financial Activities, the Income and Expenditure Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet, the Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 10, the directors (who are also the Trustees of the charity for the purposes of charity 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 charity's affairs as at 31 December 2013 and of its incoming resources and application of resources, including its income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

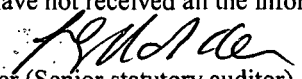
Opinion on the other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

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

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


Ian Holder (Senior statutory auditor)
for and on behalf of Mazars LLP
Chartered Accountants and Statutory Auditor
45 Church Street
Birmingham
B3 2RT

Date 11 June 2014

BIRMINGHAM DIOCESAN BOARD OF FINANCE
(A company limited by guarantee)
STATEMENT OF FINANCIAL ACTIVITIES
For year ended 31 December 2013

		Restricted funds		Unrestricted funds		Total funds	Restated Total funds
	Note	Endowment funds £'000	Other funds £'000	Designated funds £'000	Undesignated funds £'000	2013 £'000	2012 £'000
INCOMING RESOURCES							
<u>Incoming resources from generated funds:</u>							
Parochial contributions		-	41	-	5,310	5,351	5,171
Church Commissioners		-	-	218	1,739	1,957	2,005
Stipend Sources		-	-	-	660	660	703
Other donations - Allchurches and other		-	46		96	142	145
<u>Activities for generating funds:</u>							
Housing income		-	188	64	-	252	178
<u>Investment income:</u>							
Investment income	8 (e)	333	187	16	17	553	556
<u>Incoming resources from charitable activities:</u>							
Fees		-	-	-	542	542	455
<u>Other income:</u>							
Other income			45	202	66	313	492
TOTAL INCOMING RESOURCES		333	507	500	8,430	9,770	9,705
RESOURCES EXPENDED							
<u>Cost of generating funds</u>							
Investment and property management costs (includes exceptional item of £524,000)	2	33	42	52	533	660	216
<u>Charitable Activities</u>							
<u>Resourcing ministry and mission:</u>							
Clergy pay, including national insurance and pension contributions		-	-	-	5,710	5,710	5,728
Housing			861	-	-	861	1,131
Diocesan Forums		-	-	-	648	648	678
Synodical support		-	-	-	174	174	149
Grants	3	-	148	320	11	479	483
Interest	5	-	8	39	18	65	65
Administration		-	-	-	541	541	528
<u>Contributions to Archbishops' Council:</u>							
National Church responsibilities		-	-	-	227	227	230
Ministry training		-	-	-	197	197	177
<u>Education:</u>							
Board of Education		-	162	-	65	227	200
Grants	3	-	30	-	-	30	52
Governance Costs	2	-	-	-	57	57	56
TOTAL RESOURCES EXPENDED	2	33	1,251	411	8,181	9,876	9,693
Net incoming/(outgoing) resources before transfers		300	(744)	89	249	(106)	12
Transfers between funds		(300)	723	(151)	(272)	-	-
NET INCOMING/(OUTGOING) RESOURCES FOR THE YEAR	6	-	(21)	(62)	(23)	(106)	12

BIRMINGHAM DIOCESAN BOARD OF FINANCE
(A company limited by guarantee)
STATEMENT OF FINANCIAL ACTIVITIES
For year ended 31 December 2013

		Restricted funds		Unrestricted funds		Total funds	Restated Total funds
	Note	Endowment funds £'000	Other funds £'000	Designated funds £'000	Undesignated funds £'000	2013 £'000	2012 £'000
NET INCOMING/(OUTGOING) RESOURCES FOR THE YEAR	6	-	(21)	(62)	(23)	(106)	12
Gains on fixed assets	7	(110)	-	(78)	299	111	-
Gains/(losses) on investments	8	154	208	2	4	368	(69)
Net gains/losses		44	208	(76)	303	479	(69)
NET MOVEMENT IN FUNDS		44	187	(138)	280	373	(57)
Balance brought forward as originally stated		-	-	-	-	-	20,472
Prior year adjustment		-	-	-	-	-	16,941
Balance brought forward (Restated)		26,627	5,064	1,376	4,289	37,356	37,413
Balance carried forward	14	26,671	5,251	1,238	4,569	37,729	37,356

Transfers between Funds

The net income from the Endowments and Glebe funds was transferred to the General Fund to meet stipends cost as required under the Endowments and Glebe Measure (1976). The BDBF's General Fund contributed towards the costs of parsonage repairs and the cost of pension scheme deficit payments. The Transforming Church Fund contributed towards ministry costs in deprived parishes.

All activities derive from continuing operations.

BIRMINGHAM DIOCESAN BOARD OF FINANCE
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BALANCE SHEET
At 31 December 2013

COMPANY NUMBER -440966

	Note	2013 £'000	2012 As Restated £'000
FIXED ASSETS			
Tangible assets	7	24,097	24,590
		<u>24,097</u>	<u>24,590</u>
Investments:			
Investment properties	8 (a)	2,885	3,916
Birdbof Properties Limited loan	8 (b)	268	792
Other investments	8 (c)	7,859	7,547
		<u>11,012</u>	<u>12,255</u>
TOTAL FIXED ASSETS		35,109	36,845
CURRENT ASSETS			
Current asset investment	9	450	600
Debtors:			
Receivable within one year	10	1,313	2,339
Receivable after one year	10	520	741
		<u>2,283</u>	<u>3,680</u>
Cash at bank		4,287	2,019
		<u>6,570</u>	<u>5,699</u>
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	11	(1,042)	(1,638)
NET CURRENT ASSETS		5,528	4,061
TOTAL ASSETS LESS CURRENT LIABILITIES		40,637	40,906
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	12	(2,908)	(3,550)
NET ASSETS		37,729	37,356
FUNDS			
Restricted income funds		5,251	5,064
Restricted property fund		16,938	17,078
Endowment funds		9,733	9,549
Unrestricted income funds:			
Designated		1,238	1,376
Undesignated		4,569	4,289
	13/14	<u>37,729</u>	<u>37,356</u>

Approved by the Board on 9 June 2014

And signed on its behalf


Mr Phil Nunnerley- Chair

BIRMINGHAM DIOCESAN BOARD OF FINANCE
(A company limited by guarantee)

INCOME AND EXPENDITURE ACCOUNT
For the year ended 31 December 2013

	2013	2012
	£'000	As Restated £'000
Gross income from continuing activities	9,770	9,705
Total expenditure from continuing activities	(9,876)	(9,693)
Net operating (expenditure)/income for the year	(106)	12
Profit on disposal of fixed assets and investments	170	-
Net income/ (expenditure) for the year	64	12

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
For the year ended 31 December 2013

	2013	2012
	£'000	As Restated £'000
Net income/ (expenditure) for the year	64	12
Prior year adjustment impact re fixed assets	-	16,895
Prior year adjustment impact re recognition of funds	-	1,060
Unrealised gain/(loss)on revaluation of investments	309	(69)
Total gains and losses for the year	373	17,898

BIRMINGHAM DIOCESAN BOARD OF FINANCE
(A company limited by guarantee)

CASH FLOW STATEMENT
For the year ended 31 December 2013

	Note	2013 £'000	2012 As Restated £'000
Cash inflow/ (outflow) from operating activities	18	871	(714)
Servicing of finance	19	488	491
Capital expenditure and financial investment	19	1,505	(184)
Cash inflow/ (outflow) before use of liquid resources and financing		2,864	(407)
Use of liquid resources	19	24	(323)
Cash flow from financing	19	(620)	(82)
Increase/ (decrease) in cash in the year		2,268	(812)

**RECONCILIATION OF NET CASH FLOW TO
MOVEMENT IN NET FUNDS**

Increase/(decrease) in cash in the year		2,268	(812)
Net cash outflow relating to loans and deposits		620	105
Movement in net funds in the year	20	2,888	(707)
Impact of Prior Year Adjustment on net funds (note 20 and 21)		-	(844)
Non cash movement on value linked loans		95	-
Net (debt)/funds at beginning of year		(1,509)	42
Net funds/(debt) at end of year	20	1,474	(1,509)

NOTES TO THE ACCOUNTS
For the year ended 31 December 2013

1 PRINCIPAL ACCOUNTING POLICIES

Basis of accounting

The financial statements have been prepared in accordance with the Companies Act 2006, Charities Act 2011, applicable accounting standards and the Statement of Recommended Practice (SORP), "Accounting and Reporting by Charities – March 2005", The Church of England Diocesan Annual Reports and Financial Statements Guide and under the historical cost accounting rules except that fixed asset investments and investment properties are included at market valuation.

Also consolidated accounts have not been prepared for the reasons given in note 8 below. Compliance with Statement of Recommended Practice "Accounting and Reporting by Charities" requires departure from the requirements of the Companies Act 2006 relating to depreciation, and an explanation of the departure is given below.

Prior Year Adjustments and changes in accounting policy

During the year ended 31 December 2013, the BDBF has reviewed its accounting policies in place and has amended certain policies to ensure that they are in accordance with The Church of England Diocesan Annual Reports and Financial Statements Guide and industry wide best practice. This has resulted in changes to the accounting policies in the following areas:

- Parsonage recognition
- Valuation of non-investment properties
- Recognition of other funds within the Board financial statements
- Accounting for properties and their associated value linked loans
- Accounting for joint ownership properties with Parish Church Councils and other third parties

The new accounting policies are outlined under the respective policies below and the impact of these changes is disclosed within note 21 to the financial statements. The changes in accounting policy are significant in impact to necessitate prior year adjustments and the restatement of the year ended 31 December 2012 financial statements.

Turnover:

The BDBF does not undertake trading on its own account. There is a subsidiary company which gift aids its profits to the BDBF:

Birdbof Properties Limited - a wholly owned property investment company.

Incoming Resources

Common Fund and income from parochial fees

The principal source of income comes from voluntary giving in the form of parochial contributions (Common Fund), which includes amounts received up to the 31 January following the year end. Common Fund income also includes any arrears received from previous years.

Grant income

Grant income is accounted for when the amount can be measured reliably and there is clear entitlement and certainty of receipt. Grants received which are subject to pre-conditions for entitlement or use specified by the donor which have not been met at year end are included in creditors.

Income from the Archbishops' Council is accounted for on a receivable basis and represents the annual grant for diocesan and parish mission, the funds for which originate in a block grant by the Church Commissioners to the Archbishops' Council.

Other income

All other material forms of income are accounted for on a receipts basis, other than investment income which is accounted for when due.

Expended Resources:

Expended resources are included on the accruals basis under the following headings; all costs are allocated to a specific category.

NOTES TO THE ACCOUNTS
For the year ended 31 December 2013

1 ACCOUNTING POLICIES (Continued)

Grants payable

Grants payable are accounted for when authorised, when the award of the grant has been specifically communicated to the recipient and when the trustees have agreed to pay the grant without condition, or any condition attaching to the grant is outside the control of the BDBF.

Cost of Generating Funds:

These are the costs of managing the Endowment and Glebe funds investments, plus the costs associated with letting the vacant parsonages and Board houses.

Charitable Activities:

Resourcing ministry and mission – these are direct costs for the clergy and parishes, plus the costs of supporting the work of the parishes within the City and Diocese of Birmingham. This principally includes the cost of clergy stipends, costs related to maintaining clergy housing in the parishes, the payment of grants to assist parish work plus the related staff costs and overheads.

Contributions to Archbishop's Council – this is the Board's contribution to the training of clergy.

Education – these are the costs for the Diocesan Board of Education, which supports the activities of the Church of England schools within the Diocese.

Support Costs - these are costs incurred directly in support of the charitable activities. These are costs which are directly attributable to a specific activity.

Governance Costs

These are costs incurred in connection with the administration of the charity and compliance with constitutional and statutory requirements, including external audit and diocesan registrar fees

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 life in each case, and because their expected residual values (by reference to prices ruling at the time of acquisition of the capitalised asset in each case) are not materially less than their carrying value.

The BDBF has a policy of regular structural inspection, repair and maintenance, which in the case of residential properties is in accordance with the Repair of Benefices Buildings Measure 1972 and properties are therefore unlikely to deteriorate or suffer from obsolescence. In addition disposals of properties occur well before the end of their economic lives and disposal proceeds are usually not less than their carrying value. The Trustees perform annual impairment reviews in accordance with requirements of FRS15 and FRS 11 to ensure that the carrying value is not more than the recoverable amount.

Parsonage houses

In a change in accounting policy, the BDBF has followed the requirements of FRS5 in its accounting treatment for benefice houses (parsonages). FRS5 requires the accounting treatment to follow the substance of arrangements rather than their strict legal form. The BDBF is formally responsible for the maintenance and repair of such properties and has some jurisdiction over their future use or potential sale if declared redundant. The Trustees therefore consider the most suitable accounting policy to be to capitalise such properties as expendable endowment assets and to carry them at cost where known, otherwise at the midpoint of the relevant 1994 council tax band value.

Other non-investment properties

In a change in accounting policy, the BDBF now includes all other non-investment properties at cost where known, otherwise at the midpoint of the relevant 1994 council tax band value. For properties that are jointly owned with a third party such as a parochial church council, only the proportion of the BDBF's investment in the property is accounted for within the financial statements of the BDBF.

Redundant churches are included at no value.

NOTES TO THE ACCOUNTS
For the year ended 31 December 2013

1 ACCOUNTING POLICIES (Continued)

Properties subject to value linked loans

Value linked loans from the Church Commissioners that are administered by the BDBF and the corresponding equivalent value of the property to which they relate are all included in the balance sheet as an asset and corresponding liability, in accordance with the recommendation of the Diocesan Accounts Guide. Each year end the respective property and loan are carried at an index linked current valuation basis. This is a change in accounting policy.

Investment properties

In accordance with the SORP, investment properties are revalued by the trustee's annually and the aggregate surplus or deficit is recognised in the Endowment Fund and Glebe Fund. Investment properties were last professionally valued in December 2010, the results of which are included in these financial statements. The next professional valuation of properties is due as at December 2015. No depreciation is provided on investment properties.

The Companies Act 2006 requires all properties to be depreciated. However this requirement conflicts with the generally accepted accounting principle set out in the SORP. The directors consider that, because these properties are held as investments, to depreciate them would not give a true and fair view, and that it is necessary to adopt the SORP in order to give a true and fair view. If this departure from the Act had not been made, the profit for the financial year would have been reduced by depreciation. However, the amount of depreciation cannot reasonably be quantified because depreciation is only one of many factors reflected in the annual valuation and the amount which might otherwise have been shown cannot be separately identified or quantified.

Non Property fixed assets

Tangible fixed assets costing more than £1,000 are capitalised and included at cost.

Depreciation:

Depreciation of non property assets is charged by equal annual instalments at rates estimated to write off their cost less any residual value over the expected useful lives that are as follows:

Computer equipment	3 years
Office furniture and fittings	10 years

Other investments

Consolidated accounts have not been prepared on the basis that the results of the subsidiary company are not material to the accounts of the Birmingham Diocesan Board of Finance. These financial statements therefore present the information about the company as an individual entity rather than as a group.

The loan to Birdbof Properties Limited is stated at the value of the properties transferred from the BDBF less an impairment provision.

All other investments are stated at market value. Unrealised gains and losses on these investments are shown in the Statement of Financial Activities.

Pension costs and other post-retirement benefits

The BDBF contributes to the Church of England Funded Pension Scheme for clergy and the Defined Benefit section of the Church Workers Pension Fund for other staff. Both these schemes are multi-employer pension schemes and, after consulting the schemes' actuaries, the BDBF has concluded that it is not possible to identify the underlying assets and liabilities of the schemes attributable to the BDBF on a consistent and reliable basis. Therefore, in accordance with FRS 17, payments to the schemes are accounted for as for defined contribution schemes and the BDBF accounts for pension costs on the basis of contributions payable to the schemes for the year, including obligations under specific deficit-reduction payment plans. Details of the schemes are given in note 16 to the accounts.

Funds

Funds over which the BDBF's control is limited by statute or the terms of a trust deed, or which are restricted in their use, have been defined as "restricted funds". Funds which are controlled by the BDBF and over which there are essentially no restrictions as to their use (either by statute or trust) have been defined as "unrestricted". Designated funds are unrestricted funds that have been set aside by the BDBF for purposes designated by BDBF policy. Such designations may be set aside from time to time according to policy decisions.

NOTES TO THE ACCOUNTS
For the year ended 31 December 2013

1 ACCOUNTING POLICIES (Continued)

Endowments

The Endowment Funds are those whose capital represent permanent endowment and are therefore not available for revenue expenditure. The income derived from the properties and other investments is available for meeting the costs of clergy stipends only. There are two such funds:

Diocesan Glebe This represents those historic lands and buildings which were held by incumbents and formed part of the benefice prior to the Endowment and Glebe Measure 1976. Glebe investments are subject to regulations under this Measure and previous Acts of Parliament, the main provisions being that Glebe should be held only as land or property.

The Endowment Fund This is a local fund originally set up under a Charity Commissioners Scheme of 1906 (amended in 1930) and is available for investment at the discretion of the Board of Finance subject to general charities legislation.

Details of the major funds held by the BDBF are given in note 14 to the financial statements. For the year ended 31 December 2013, these include two restricted funds (Malawi Partnership and Action in the City) and a designated fund (Transforming Church) which were not previously included in the financial statements. Their recognition is to ensure compliance with the Diocesan Annual Report and Financial Statements Guide together with the recognition criteria within FRS5.

Operating leases

Rentals payable under operating leases are charged in the Statement of Financial Activities on a straight line basis over the lease term. Where rent free periods are given as part of an operating lease, the impact of this rent free period is reflected in the Statement of Financial Activities over the shorter of the overall lease term or first break clause, whichever is shorter in time.

Irrecoverable VAT

Irrecoverable VAT is grossed up and included in all relevant expenditure.

Schools major repair and capital projects

The Board of Education (as incorporated within the Diocesan Board of Finance) receives contributions from governors of church schools in 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 the 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 incoming resources or resources expended in the Statement of Financial Activities. Any monies held at the balance sheet date are treated as creditors on the balance sheet.

BIRMINGHAM DIOCESAN BOARD OF FINANCE
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NOTES TO THE ACCOUNTS
For the year ended 31 December 2013

2 ANALYSIS OF EXPENDED RESOURCES

	Activities directly undertaken £'000	Grant funding of activities £'000	Support costs £'000	Total £'000
Cost of generating funds (including exceptional item- see below)	660	-	-	660
Resourcing ministry and mission	7,999	479	-	8,478
Contributions to Archbishop's council	424	-	-	424
Education	139	30	88	257
Governance	-	-	57	57
	<u>9,222</u>	<u>509</u>	<u>145</u>	<u>9,876</u>

(Note 3)

	Activities directly undertaken As Restated £'000	Grant funding of Activities As Restated £'000	Support Costs £'000	Total 2012 As Restated £'000
Cost of generating funds	216	-	-	216
Resourcing ministry and mission	8,279	483	-	8,762
Contributions to Archbishop's council	407	-	-	407
Education	112	52	88	252
Governance	-	-	56	56
	<u>9,014</u>	<u>535</u>	<u>144</u>	<u>9,693</u>

(Note 3)

Exceptional Item	2013 £'000	2012 £'000
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Included within Cost of Generating Funds:

Write down of the carrying value of the investment in its subsidiary
undertaking BIRDBOF Properties Limited

524	-
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BIRMINGHAM DIOCESAN BOARD OF FINANCE
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NOTES TO THE ACCOUNTS
For the year ended 31 December 2013

3 GRANTS

	2013 £'000	2012 £'000 As Restated
Sites and Building approvals	-	12
Education	30	52
Pastoral account (new churches)	106	77
Transforming Church	214	252
Malawi Link	122	93
Action in the City	26	12
Other	11	37
	509	535

NOTES TO THE ACCOUNTS
For the year ended 31 December 2013

4 INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	2013 No	2012 No
Full time equivalent numbers employed during the year :		
Executives	14	13
Secretarial	5	6
Administration	6	8
Youth Adviser	1	1
	<u>26</u>	<u>28</u>
	£'000	£'000
Employee costs during the year (excluding clergy pay):		
Wages and salaries	863	876
Social security costs	83	79
Pension costs	152	164
	<u>1,098</u>	<u>1,119</u>

One employee earned more than £60,000 in the year (£65,000 to £70,000); (2012-one in range £60,000 to £65,000). The total amount of employer defined contribution pension contributions paid on behalf of this employee was £8,062, (2012:£7,820).

None of the directors received any remuneration as directors. The BDBF paid £1,913 for the premium on the trustees' indemnity insurance.

The clergy and clergy stipends are not included within the BDBF's staff costs, as they are not employees of the BDBF. The Diocesan Board is merely responsible for the central administration and payment of the stipends on behalf of the parishes.

5 INTEREST PAYABLE AND SIMILAR CHARGES

	2013 £'000	2012 £'000
Bank loans, overdrafts and other loans	<u>65</u>	<u>65</u>

BIRMINGHAM DIOCESAN BOARD OF FINANCE
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NOTES TO THE ACCOUNTS
For the year ended 31 December 2013

6 NET INCOMING RESOURCES

	2013 £'000	2012 £'000
Net movement in funds is stated after charging:		
Depreciation – owned assets	34	14
Profit on disposal of fixed assets	(161)	-
Payments under operating leases	50	50
Auditors' remuneration	22	22
	<u> </u>	<u> </u>

7 TANGIBLE FIXED ASSETS

	Freehold Properties (See analysis below) £'000	Freehold Properties subject to value linked loans £'000	Computer equipment £'000	Office Equipment £'000	Total £'000
Cost/deemed cost or valuation					
At 1 January 2013 (as originally stated)	5,017	-	108	140	5,265
Prior year adjustment	16,678	2,725	-	-	19,403
At 1 January 2013 (as restated)	21,695	2,725	108	140	24,668
Additions			13	7	20
Disposals	(223)	(127)	-	-	(350)
Transfers/ revaluations	-	(129)	-	-	(129)
At 31 December 2013	<u>21,472</u>	<u>2,469</u>	<u>121</u>	<u>147</u>	<u>24,209</u>
Accumulated depreciation					
At 1 January 2013 (as originally stated)	-		72	6	78
Prior year adjustment	-	-	-	-	-
At 1 January 2013 (as restated)	-	-	72	6	78
Charge for the year	-	-	19	15	34
At 31 December 2013	<u>-</u>	<u>-</u>	<u>91</u>	<u>21</u>	<u>112</u>
Net book value					
At 31 December 2013	<u>21,472</u>	<u>2,469</u>	<u>30</u>	<u>126</u>	<u>24,097</u>
At 31 December 2012(as restated)	<u>21,695</u>	<u>2,725</u>	<u>36</u>	<u>134</u>	<u>24,590</u>
At 31 December 2012(as originally stated)	<u>5,017</u>	<u>-</u>	<u>36</u>	<u>134</u>	<u>5,187</u>

All the above assets are used for charitable purposes.

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. It is likely that the open market value of the BDBF's freehold land and buildings are materially greater than their book values. The amount of such differences cannot be ascertained without incurring significant costs, which in the opinion of the Trustees is not justified in terms of the benefit to the users of the financial statements.

NOTES TO THE ACCOUNTS
For the year ended 31 December 2013

7 TANGIBLE FIXED ASSETS (CONTINUED)

Freehold Properties

	2013	2012
	Cost or	As restated
	deemed	Cost or
	cost	deemed
	£'000	cost
		£'000
Endowment Funds:		
<i>Benefice houses fund:</i>		
Parsonage houses	16,938	17,078
<i>Glebe funds:</i>		
Housing of team vicars, curates & others	960	960
Unrestricted funds:		
<i>Corporate property:</i>		
Housing of senior clergy, curates & others	850	850
Other corporate property	2,724	2,807
Total Freehold Properties (excluding those subject to value linked loans)	21,472	21,695

The prior year adjustments in respect of property fixed assets above incorporate the necessary adjustments to reflect:

	Freehold properties	Freehold properties subject to value linked loans
	£'000	£'000
Inclusion of parsonages and other houses	18,290	-
Change in accounting policy for recognition of houses at cost or deemed cost	(412)	-
Change in accounting policy for recognition of houses subject to value linked loans at current value	(1,447)	2,650
Correction to accounting for houses jointly owned with parish council or third party	(351)	75
Transfer houses from investment properties (note 8)	1,536	-
Change in accounting policy for recognition of houses at cost or deemed cost on houses transferred from investment properties	(938)	-
Total prior year adjustments in respect of freehold properties	16,678	2,725

BIRMINGHAM DIOCESAN BOARD OF FINANCE
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NOTES TO THE ACCOUNTS
For the year ended 31 December 2013

8 INVESTMENT HELD AS FIXED ASSETS

	Glebe £'000	Endowment Fund £'000	Total £'000
a) Investment properties			
At 1 January 2013(As originally stated)	4,172	1,280	5,451
Prior year adjustment (note7)	(1,536)	-	(1,536)
At 1 January 2013(As restated)	2,636	1,280	3,916
Disposals	(431)	-	(431)
Transfer to current asset investment	(600)	-	(600)
At 31 December 2013	<u>1,605</u>	<u>1,280</u>	<u>2,885</u>

The prior year adjustment is to correctly reflect the functional operational asset nature of a number of properties previously included as investment properties (see note 7).

The transfer to current asset investment relates to 3 Temple Row West. This was disposed of on 28 February 2014.

Properties were valued by Knight Frank (Chartered Surveyors) on an open market existing use basis as at 31 December 2010. The BDBF's policy is to seek formal professional valuations of its investment properties every 5 years with trustee review in the intervening period.

b) Birdbof Properties Limited loan		
	£'000	£'000
Loan principal	965	965
Repaid		
Provision against under-recovery	(697)	(173)
Amounts recoverable at the year end	<u>268</u>	<u>792</u>

The loan is unsecured, interest free, and will only be repayable upon the disposal of the properties held in Birdbof Properties Limited. The provision against under recovery has been increased in 2013 to reflect the movement in the carrying value of the underlying properties held in Birdbof Properties Limited.

	Listed investments £'000	Unlisted investments £'000	Total £'000
c) Other investments			
At valuation			
At 1 January 2013 (as originally stated)	1,511	5,707	7,218
Prior year adjustment (note 21)	-	329	329
At 1 January 2013 (as restated)	1,511	6,036	7,547
Sales	(147)	(226)	(373)
Purchases	148	201	349
Change in market value	290	46	336
At 31 December 2013	<u>1,802</u>	<u>6,057</u>	<u>7,859</u>
Historic cost:			
At 31 December 2013	<u>1,223</u>	<u>5,442</u>	<u>6,665</u>
At 31 December 2012 (as restated)	<u>1,062</u>	<u>5,470</u>	<u>6,532</u>
Investments at market value comprised:	Listed investments £'000	Unlisted investments £'000	Total £'000
UK fixed interest securities	104	-	104
UK equities	68	-	68
UK investment and unit trusts	1,345	6,057	7,402
Foreign investment and unit trusts	285	-	285
	<u>1,802</u>	<u>6,057</u>	<u>7,859</u>

BIRMINGHAM DIOCESAN BOARD OF FINANCE
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NOTES TO THE ACCOUNTS
For the year ended 31 December 2013

8 INVESTMENT HELD AS FIXED ASSETS (continued)

Unlisted investments consist of freely marketable shares in The Central Board of Finance Investment Fund and COIF administered by the CCLA Fund Managers.

The prior year adjustment reflects the inclusion of investment assets held by the Malawi Fund (£241,000) and Action in the City Fund (£88,000) respectively as at 31 December 2012.

d) Subsidiary undertakings

The BDBF owns the entire share capital of Birdbof Properties Limited, a property investment company registered in England and Wales. At the end of the year, the company had net liabilities of £ (695,783), and appropriate provision has been made against its indebtedness to the BDBF (see above).

The company's trading results and balance sheet can be summarised as follows:

	2013 £'000	2012 £'000
(1) – Profit and loss account:		
Turnover	23	32
Administrative expenses (including exceptional charge of £527,000)	(547)	(65)
(Loss) on ordinary activities	(524)	(33)
Result for the year	(524)	(33)
(2) – Net assets:		
Tangible Fixed Assets	310	837
Net current liabilities	(41)	(44)
Creditors: amounts falling due after more than one year	(965)	(965)
Net liabilities	(696)	(172)

Consolidated accounts have not been prepared on the basis that the results of the subsidiary company are not material to the accounts of the Birmingham Diocesan Board of Finance

e) Investment Income

	Endowment funds £'000	Other funds £'000	Designated funds £'000	Un- designated funds £'000	Total funds 2013 £'000	Total funds 2012 As restated £'000
Investment properties	128	-	-	-	128	128
UK equities , Unit Trusts and Deposits	205	187	16	17	425	428
	333	187	16	17	553	556

BIRMINGHAM DIOCESAN BOARD OF FINANCE
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NOTES TO THE ACCOUNTS
For the year ended 31 December 2013

9 CURRENT ASSET INVESTMENT

	2013	2012
	£'000	£'000
Property asset held for resale:		
Transfer from investment property /(2012:fixed assets)	600	500
Revaluation to net realisable value	(150)	100
	<u>450</u>	<u>600</u>
Carrying value as at 31 December 2013		

The current asset investment for the year ended 31 December 2013 relates to the former investment property – 3 Temple Row West. This was disposed on 28 February 2014. The current asset investment for the year ended 31 December 2012 related to the former Diocesan office at 175 Harborne Park Road. This was disposed in April 2013.

10 DEBTORS

	2013	2012
	£'000	As restated £'000
Receivable within one year:		
Parish loans	202	313
Other loans	328	58
Prepayments	637	1,497
Accrued income	146	471
	<u>1,313</u>	<u>2,339</u>
Receivable after one year:		
Parish loans	318	302
Other loans	202	439
	<u>520</u>	<u>741</u>
Total Debtors	<u>1,833</u>	<u>3,080</u>

Parish loans in 2013 include an amount of £ 453,000 (2012 £450,000) due from parishes in respect of “back-to-back” loans made to parishes from funds made available to the BDBF by the Central Board of Finance. The corresponding liability, being the amount repayable by the BDBF to the Central Board of Finance, is included within other loans in note 12 below. Interest was payable and receivable at the same rate, being 0.55% above the CBF deposit rate.

11 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2013	2012
	£'000	As restated £'000
Bank loans	-	460
Other loans	370	58
Trade creditors	47	141
Other creditors	196	633
Accruals	429	346
	<u>1,042</u>	<u>1,638</u>

BIRMINGHAM DIOCESAN BOARD OF FINANCE
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NOTES TO THE ACCOUNTS
For the year ended 31 December 2013

12 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2013	2012
	£'000	As Restated
		£'000
Pension fund deficit	465	540
Other loans (including value linked loans)	2,443	3,010
	2,908	3,550

Other loans due after more than one year relate principally to advances from the Church Commissioners for house purchases. The Church Commissioners have up to 100% equity in certain diocesan houses subject to value linked loans.

All loans are variable interest loans at the rate of the Central Board of Finance Church of England Deposit Fund rate plus 0.55%

Repayment of each loan is due upon the sale of the related property. As at 31 December 2013 it was not anticipated that any of these loans will be repayable within five years, unless the properties to which they relate are sold.

The Church Commissioners and bank loans are secured on the buildings for which the money was loaned.

BIRMINGHAM DIOCESAN BOARD OF FINANCE
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NOTES TO THE ACCOUNTS
For the year ended 31 December 2013

13 ANALYSIS OF ASSETS AND LIABILITIES BETWEEN FUNDS

	—Restricted—		—Unrestricted—			
	Endowment £'000	Other £'000	Designated funds £'000	Un- designated funds £'000	Total funds 2013 £'000	Total funds 2012 As Restated £'000
Tangible assets						
Other fixed assets	17,898	-	5,949	250	24,097	24,590
Investments - Fixed						
Investment properties	2,885	-	-	-	2,885	3,916
Birdbof loan	-	-	-	268	268	792
Other	4,406	3,352	101	-	7,859	7,547
Investment - Current	450	-	-	-	450	600
Debtors						
Due within one year	-	349	-	964	1,313	2,339
Due after one year	-	392	-	128	520	741
Cash at bank	1,032	1,479	(1,995)	3,771	4,287	2,019
Creditors						
Due within one year	-	(321)	(44)	(677)	(1,042)	(1,638)
Due after one year	-	-	(2,773)	(135)	(2,908)	(3,550)
Net assets	<u>26,671</u>	<u>5,251</u>	<u>1,238</u>	<u>4,569</u>	<u>37,729</u>	<u>37,356</u>

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NOTES TO THE ACCOUNTS
For the year ended 31 December 2013

14 MOVEMENTS IN FUNDS

	1 January 2013 As originally stated £'000	Prior year adjust- ments £'000	1 January 2013 As restated £'000	Income £'000	Expenditure £'000	Transfers £'000	Capital movements £'000	31 December 2013 £'000
Endowments funds								
Glebe	5,409	(575)	4,834	158	(20)	(138)	28	4,862
Endowment	4,715	-	4,715	175	(13)	(162)	156	4,871
Parsonage houses	-	17,078	17,078	-	-	-	(140)	16,938
	<u>10,124</u>	<u>16,503</u>	<u>26,627</u>	<u>333</u>	<u>(33)</u>	<u>(300)</u>	<u>44</u>	<u>26,671</u>
Other restricted funds								
Parsonage fund	-	-	-	188	(911)	723	-	-
Sites and buildings fund	949	-	949	10	-	-	-	959
Church Schools fund	3,696	-	3,696	198	(192)	-	210	3,912
Action in the City fund	-	89	89	7	(26)	-	(8)	62
Malawi Partnership fund	-	330	330	104	(122)	-	6	318
	<u>4,645</u>	<u>419</u>	<u>5,064</u>	<u>507</u>	<u>(1,251)</u>	<u>723</u>	<u>208</u>	<u>5,251</u>
Unrestricted funds								
Designated funds:								
Houses fund	300	-	300	64	(91)	(135)	(78)	60
Pastoral fund	983	-	983	218	(106)	-	2	1,097
Pensions Reserve	(548)	-	(548)	-	-	84	-	(464)
Transforming Church	-	641	641	218	(214)	(100)	-	545
Undesignated funds:								
General fund	3,897	392	4,289	8,430	(8,181)	(272)	303	4,569
	<u>4,632</u>	<u>1,033</u>	<u>5,665</u>	<u>8,930</u>	<u>(8,592)</u>	<u>(423)</u>	<u>227</u>	<u>5,807</u>
Total	<u>19,401</u>	<u>17,955</u>	<u>37,356</u>	<u>9,770</u>	<u>(9,876)</u>	<u>-</u>	<u>479</u>	<u>37,729</u>

Details of the major funds are as follows:

Endowment Funds

Parsonages House Fund

This fund represents the carrying value of all the benefice houses (parsonages) in the Diocese.

NOTES TO THE ACCOUNTS
For the year ended 31 December 2013

14 MOVEMENTS IN FUNDS (CONTINUED)

Glebe Fund

Under the terms of the Endowment and Glebe Measure 1976, all historic parish Glebe land holdings were transferred to the respective Diocesan Boards of Finance, which were required, in return, to ensure that all clergy within their Diocese received at least the agreed minimum stipend for the year. It represents glebe assets, the accumulated sale proceeds of glebe property. Capital funds may be used for the purchase, improvement and maintenance of glebe property and benefice property. Besides glebe property, the funds may be invested in investments or cash held on deposit. All clear income derived from these investments is transferred to the General Fund as a contribution towards the cost of clergy stipends.

Birmingham Diocesan Endowment Fund

This fund was also established under a scheme of the Charity Commissioners (dated September 1906), promoted by the Worcester Diocese, with the object of providing a permanent capital endowment, the income derived from which was to be available to the Diocesan trustees for the purpose of augmenting the incomes of clergy serving in the 'poorer areas' of Birmingham. In 1963, the Charity Commissioners approved a variation to the scheme appointing the BDBF as joint trustees of the charity, together with the Birmingham Diocesan Trustees Registered. The objects were varied slightly by a Birmingham Commissioners Order dated August 1981, following the implementation of the Endowment and Glebe Measure, confirming that any clear income of the charity is to be applied in augmenting stipends of the clergy in the Diocese of Birmingham. Subsequent to the 'Fresh Start' re-organisation of 1993, the BDBF transferred certain property and fiscal investments previously held in the General Fund into the Endowment Fund. Glebe and Endowment Fund investments are monitored by the Finance Investments and Property Sub-committee, advised by the BDBF's professional property agents and investment managers.

Restricted Funds

Sites and Buildings

This fund was originally created under a scheme of the Charity Commissioners by the Worcester Diocese in November 1906, when Birmingham was first being established as an independent Diocese, (Birmingham being formed mostly from parishes previously part of either the Diocese of Worcester or Lichfield). The objects of that fund were to assist the proposed new Diocese in providing sites for and building new churches and mission rooms. The fund was absorbed into the Annual Reports of the Birmingham Diocese during the years following the First World War and in 1951 the Charity Commissioners' consent was obtained to replacing individual trustees by the Birmingham Diocesan Board of Finance. This fund continues to be used to provide income for making grants to PCCs for the maintenance or extension of churches, and loans at reduced interest rates for new churches or (more usually) major repair projects.

Parsonages Fund

This fund was established in 1972 following the implementation of the 'Repair of Benefice Buildings' measure of 1971. The cost of all repairs and renewals to benefice properties (parsonages) incurred by the BDBF are charged to this fund, which is credited with parish contributions to repairs plus any grants received from external trusts, together with any monies allocated from the sale of redundant parsonages. The balance of expenditure is met by a transfer from the BDBF's General Fund.

Church Schools Fund

This fund comprises the accumulated capital proceeds arising from the sale of closed Church Schools. Under section 86 of the 1944 Education Act (now section 554 of the 1996 Act), part or all of the proceeds arising on the sale of closed schools will have been directed to this fund under a Determination Order by the Secretary of State for Education. These proceeds in Birmingham are held under the terms of a Uniform Statutory Trust. The income deriving from the deposits and investments (mainly Common Investment Funds) is applied for the benefit of existing voluntary aided schools by way of grants and or loans for building projects and repairs.

NOTES TO THE ACCOUNTS
For the year ended 31 December 2013

14 MOVEMENTS IN FUNDS (CONTINUED)

Action in the City Fund

This fund is the surplus funds raised by churches in the Diocese of Birmingham against the target set to create the endowment fund that set up the Church Urban Fund ("CUF"). CUF was set up in response to the 'Faith in the City' report in the wake of the social unrest that manifested itself in the England's inner cities in the early 1980s. Its residual capital and income continues to be used to support parishes engaged in community regeneration activities.

The Malawi Partnership

This relates to monies raised by individuals and parishes across the Birmingham diocese to provide support to link dioceses and their parishes in Malawi.

Unrestricted funds

Transforming Church Fund

This is a designated fund to help with parish growth initiatives.

Pastoral Fund

The diocesan pastoral fund represents the proceeds of redundant churches. The funds may be used for the acquisition and development of parsonages and other clergy houses and the provision, restoration, improvement and repair of churches once the legal obligations for redundant church buildings vested in the BDBF for disposal are met. When these funds have been used to purchase or improve property this has been charged to the Pastoral Fund in the year of expenditure. Proceeds of sale have been credited as income in the year of receipt. Where the BDBF has used the funds to purchase or improve properties in its corporate capacity, these have been included as fixed assets in these financial statements.

Pension Reserve

This represents a designated or "earmarked" fund in respect of possible BDBF obligations in respect of pension scheme arrangements.

Houses Fund

This fund is used to fund expenditure on houses owned by the BDBF and used to accommodate parish and diocesan non-beneficed clergy.

General Fund

The general fund is the BDBF's unrestricted, undesignated fund available for any of the Board's purposes without restriction.

15 CAPITAL COMMITMENTS

At 31 December 2013 the company had no capital commitments which were contracted for but not provided in the financial statements (2012 £Nil).

16 PENSION COSTS

Employees – Church Workers Pension Scheme

The BDBF participates in the Church of England Defined Benefits Section ('DBS') of the Church Workers Pension Fund (the Fund), a pension scheme administered by the Church of England Pensions Board to provide benefits to lay employees based on final pensionable salaries. The assets of the fund are held separately from those of the employer. It was agreed that from April 2012 to make all future non clergy pension arrangements through the defined contribution section of the Church Workers Pension Scheme administered by the Church of England Pensions Board.

The pension cost for the year shown in the financial statements is equal to the total contributions. The total contributions for the year were £64,757 (2012 £78,789).

The BDBF is unable to identify its share of the underlying assets and liabilities, as each employer is exposed to actuarial risks associated with current and former employees of other entities participating in the DBS.

At 31 December 2013 the BDBF had nil active members and 35 deferred pensioner members in the Fund.

NOTES TO THE ACCOUNTS
For the year ended 31 December 2013

16 PENSION COSTS (Continued)

Employees (continued)

A valuation of the fund was carried out as at 31 December 2010. In order to fund its share of the fund deficit the BDBF is having to pay a liability of £647,757 in ten annual instalments of £64,757, with the first payment having been made in April 2012. The future contribution rate was also increased with effect from 1 April 2012 to 26.6%. The BDBF have however agreed to close future membership of the scheme. The next valuation of liabilities for the scheme will be carried out as at 31st December 2013.

For eligible salaried employees who commenced employment after 1 January 2006 the BDBF participates in the Church of England Defined Contributions Section (DCS), within the Church Workers Pension Fund.

The DCS is a with- profit annuity arrangement, where the annuity is determined up front by the scheme conversion factors with an obligation on the employer to pay further contributions if the section does not have sufficient assets to pay the employee benefits guaranteed.

The DCS is hence a defined benefit section, which is administered by the Church of England Pensions Board and provides benefits at retirement based on contributions made to the DCS prior to the date of retirement. The assets of the DCS are held separately from those of the employer. At the formal valuation at December 2010, the DCS was in surplus on an on-going funding basis. The BDBF is unable to identify its share of the underlying assets and liabilities as each employer is exposed to actuarial risks associated with the current and former employees of other entities participating in the DCS. For schemes like this, paragraph 9(b) of FRS 17 required the BDBF to account for pension costs on the basis of contributions actually payable to the Scheme in the year.

The pension cost for the year shown in the financial statements is equal to the total contributions. The total contributions for the year were £87,142 (2012 £85,193).

The BDBF had 29 active members and 7 deferred members in the DCS at 31 December 2013.

Stipendiary Clergy

The BDBF participates in the Church of England Funded Pensions Scheme and makes contributions for 166 members of the scheme out of a total membership of approximately 9,000 active members. For 2013, the total contributions were £1,277,885 (2012 £1,210,268).

The Church of England Funded Pensions Scheme is a defined benefit scheme but the BDBF is unable to identify its share of the underlying assets and liabilities – each employer in that scheme pays a common contribution rate. A valuation of the Scheme was carried out as at 31 December 2009. This revealed a shortfall of £262m, with assets of £605m and a funding target of £867m, assessed using the following assumptions:

- An investment strategy of:
 - For investments backing liabilities for pensions in payment, an allocation to gilts, increasing linearly from nil at 31 December 2009 to 2/3rds by 31 December 2029, with the balance in return-seeking investments; and
 - For investments backing liabilities prior to retirement, a 100% allocation to return seeking investments.
- Investment returns of 4.40% pa on gilts and 5.90% pa on equities;
- RPI inflation of 3.80% pa (and pension increases consistent with this);
- Increase in pensionable stipends 3.80% pa; and
- Post-retirement mortality in accordance with 80% of the S1NA tables, with allowance for future improvements according to the “medium cohort” projections, and subject to a minimum annual improvement in mortality rates of 1.5% for males and 1.0% for females.

For schemes such as the Church of England Funded Pensions Scheme, paragraph 9(b) of FRS 17 require the BDBF to account for pension costs on the basis of contributions actually payable to the Scheme in the year.

Following the valuation of the Scheme as at 31 December 2012 the contribution rate has been set at 39.9% of the national minimum stipend with effect from 1 January 2015, compared to 38.2% since 1 January 2011.

NOTES TO THE ACCOUNTS
For the year ended 31 December 2013

17 COMMITMENTS UNDER OPERATING LEASES

At 31 December 2013 the charity was committed to making the following payments under non-cancellable operating leases:

	Land and buildings 2013 £	Other 2013 £	Land and buildings 2012 £	Restated Other 2012 £
Operating leases which expire:				
Within one year	-	7,820	-	-
Within two and five years	-	20,554	-	28,374
After five years	145,320	-	145,320	-
	<u>145,320</u>	<u>28,374</u>	<u>145,320</u>	<u>28,374</u>

The Birmingham Cathedral contributes to the above operating lease commitment in respect of shared offices.

18 RECONCILIATION OF INCOMING RESOURCES TO OPERATING CASH FLOWS

	2013 £'000	Restated 2012 £'000
Net incoming/ (outgoing) resources, before interest	(594)	(479)
Depreciation	34	14
Write down of Birdbof loan	524	37
Decrease/(increase) in debtors	1,247	(635)
(Decrease) in creditors	(524)	(323)
Prior Year Adjustments(non-cash impact) (note 21)	-	672
Write down carrying value of current asset investment property	150	-
Non cash movements	34	-
Net cash inflow/(outflow) from operating activities	<u>871</u>	<u>(714)</u>

BIRMINGHAM DIOCESAN BOARD OF FINANCE
(A company limited by guarantee)

NOTES TO THE ACCOUNTS
For the year ended 31 December 2013

19 ANALYSIS OF CASH FLOW FOR HEADINGS

NETTED IN THE CASH FLOW STATEMENT	2013 £'000	Restated 2012 £'000
Servicing of finance		
Investment income	553	556
Interest paid	(65)	(65)
Net cash inflow for servicing of finance	<u>488</u>	<u>491</u>
 Capital expenditure and financial investment		
Purchase of tangible fixed assets	(20)	(184)
Sale of tangible fixed assets	494	-
Sale of investment properties	1,031	-
Net cash inflow/(outflow) for capital expenditure and financial investment	<u>1,505</u>	<u>(184)</u>
 Use of liquid resources		
Proceeds on disposal of investments	373	-
Purchase of investments	(349)	-
Withdrawal of cash on long term deposit	-	(323)
	<u>24</u>	<u>(323)</u>
 Financing		
Loan repayments	(620)	(82)
Net cash (outflow)/ inflow from financing	<u>(620)</u>	<u>(82)</u>

20 ANALYSIS OF NET FUNDS

	As originally stated at 1 January 2013 £'000	Prior Year Adjustment £'000	As restated at 1 January 2013 £'000	Cash flow £'000	Non Cash movement £'000	At 31 December 2013 £'000
Cash in hand and at bank	337	37	374	1,736	-	2,110
	<u>337</u>	<u>37</u>	<u>374</u>	<u>1,736</u>	<u>-</u>	<u>2,110</u>
Bank loans	(460)	-	(460)	460	-	-
Other loans	(2,141)	(927)	(3,068)	160	95	(2,813)
	<u>(2,601)</u>	<u>(927)</u>	<u>(3,528)</u>	<u>620</u>	<u>95</u>	<u>(2,813)</u>
Cash held on deposit	1,599	46	1,645	532	-	2,177
Net funds	<u>(665)</u>	<u>(844)</u>	<u>(1,509)</u>	<u>2,888</u>	<u>95</u>	<u>1,474</u>

Included in "other loans" shown above are loans amounting to £ 2,353,299 (2012 (Restated): £2,576,995) in respect of advances from the Church Commissioners for the purchase of houses. The non cash movement relates to the valuation of value linked loans from the Church Commissioners. Full details are given in notes 7,11 and 12 to the accounts.

NOTES TO THE ACCOUNTS
For the year ended 31 December 2013

21 PRIOR YEAR ADJUSTMENTS

As noted within the accounting policies note 1 and within the corresponding notes to the financial statements, a number of adjustments have been made to the opening position as at 1 January 2013. These relate to changes in accounting policies and the recognition of certain assets and funds. The impact of the adjustments on the opening balance sheet position is as follows:

	As at 1 January 2013 (as originally stated) £'000	Transform- ing Church £'000	Malawi Fund £'000	Action in the City Fund £'000	Parsonages recognition £'000	Fixed asset adjustments £'000	Value linked and parish loan adjustment £'000	1 January 2013 (As restated) £'000
Fixed assets	5,187				17,078	1,398	927	24,590
Investments:								
Investment properties	5,451					(1,535)		3,916
BIRDBOF investment	792							792
Other investments	7,218		241	88				7,547
Current asset investment	600							600
Debtors < 1 year	2,328		11					2,339
Debtors > 1 year	741							741
Cash at bank	1,936	4	78	1				2,019
Creditors < 1 year	(2,229)	637					(46)	(1,638)
Creditors > 1 year	(2,623)						(927)	(3,550)
Net Assets	19,401	641	330	89	17,078	(137)	(46)	37,356

During the year ended 31 December 2013, the BDBF has reviewed its accounting policies in place and has amended certain policies to ensure that they are in accordance with The Church of England Diocesan Annual Reports and Financial Statements Guide and industry wide best practice. This has resulted in changes to the accounting policies in the following areas:

- Parsonage recognition
- Valuation of non-investment properties
- Recognition of other funds within the Board financial statements
- Accounting for properties and their associated value linked loans
- Accounting for joint ownership properties with Parish Church Councils and other third parties

The changes in accounting policy are significant in impact to necessitate prior year adjustments and the restatement of the year ended 31 December 2012 financial statements.

NOTES TO THE ACCOUNTS
For the year ended 31 December 2013

22 RELATED PARTY TRANSACTIONS

No trustee received any remuneration for services as a director. The trustees received travelling and out of pocket expenses totalling £1,322.

The BDBF is responsible for funding via the Church Commissioners the stipends of licensed stipendiary clergy in the diocese, other than bishops and cathedral staff. The BDBF is also responsible for the provision of housing for stipendiary clergy in the diocese, including suffragan bishops but excluding diocesan bishop and cathedral staff. The following table gives details of the trustees who were in receipt of a stipend and housing provided by the BDBF during the year:

	Stipend	Housing
The Bishop of Aston	No	Yes
The Archdeacon of Birmingham	Yes	Yes
The Archdeacon of Aston	Yes	Yes
Revd. Canon Martin Stephenson	Yes	Yes
Revd Canon Tim Pilkington	Yes	Yes
The Revd Canon Freda Evans	Yes	Yes
The Revd Dr Andrew Jolley	Yes	Yes
The Revd Dr Crispin Pailing	Yes	Yes
The Revd John Routh	Yes	Yes
The Revd Nigel Traynor	Yes	Yes
The Revd Priscilla White	Yes	Yes

The stipend of the Suffragan Bishop was funded by the Church Commissioners. The annual rate of stipend funded by the BDBF, paid to Archdeacons in 2013 was in the range of £32,360 -£33,610 (2012: £31,730 - £32,950) and for other clergy who were trustees the diocesan stipend rate was £23,575 (2012:£23,000).

The Archbishops' Council has estimated the value to the occupant, gross of income tax and national insurance, of church provided housing in 2013 at £9,950 (2012: £9,870).

A trustee of the BDBF is also a member of the Birmingham Cathedral Chapter. The BDBF has facilitated a Central Board of Finance loan for the Cathedral. The balance outstanding on the loan as at 31 December 2013 was £320,000 (2012: £360,000). Interest on this loan amounted to £3,849 during the year (2012: £5,808).

The Cathedral shares office space with the BDBF and an amount of £23,250 (2012£5,812) was payable for this space for the year ended 31 December 2013.

The Cathedral paid Common Fund of £40,000 to the BDBF for the year ended 31 December 2013 (2012:£40,000).