

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

Financial Statements

Year ended 31 December 2012



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

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BIRMINGHAM DIOCESAN BOARD OF FINANCE
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DIRECTORS (BISHOP'S COUNCIL)

The members of the Bishop's Council set out below have held office during the period from 1 January 2012 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
The Dean of Birmingham Cathedral
The Chair of the Diocesan House of Clergy – Revd 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
Mr Malcolm Owens (Solihull) (from 14 December 2012)

Council appointments

Mrs Waveney Richards

Elected - House of Clergy

The Revd Freda Evans (Aston)
The Revd Dr Andrew Jolley (Aston)
The Revd Dr Crispin Pailing (Handsworth)
The Revd Canon Michael Parker (Solihull) (until 13 December 2012)
The Revd John Routh (Sutton Coldfield)
The Revd Priscilla White (Edgbaston)
The Revd Nigel Traynor (Aston) (from 9 January 2013)

Elected - House of Laity

Mr Terry Adams (Moseley) (until 13 December 2012)
Mr Ray Buick (Edgbaston) (from 14 December 2012)
Mr Michael Hastlow (Moseley)
Mr Guy Hordern (Edgbaston) (from 14 December 2012)
Mrs Deirdre Moll (Solihull) (from 14 December 2012)
Mr Malcolm Owens (Solihull) (until 13 December 2012)
Mr Julian Phillips (Solihull)
Mr Geoffrey Shuttleworth (Handsworth) (until 13 December 2012)
Mr Steven Skakel (Shirley) (from 14 December 2012)
Canon Dr Terry Slater (Moseley) (until 13 December 2012)
Mrs Diana Smith (Kings Norton) (until 13 December 2012)
Dr Carol Starkie (Edgbaston) (from 14 December 2012)

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

CHAIRMAN'S STATEMENT
For the year ended 31 December 2012

DIOCESAN SECRETARY

Mr A W Halstead

DIOCESAN DIRECTOR OF FINANCE

Mr R J Goater (interim until 30 September 2012)
Ms M J T Crooks (from 4 March 2013)

DIOCESAN SURVEYOR

Mr A N Broadway

DIOCESAN REGISTRAR

Mr H Carslake

REGISTERED OFFICE

Diocesan Office (until 24 September 2012)
175 Harborne Park Road
Harborne
Birmingham
B17 0BH

1 Colmore Row (from 24 September 2012)
Birmingham
B3 2BJ

AUDITORS

Mazars LLP
45 Church Street
Birmingham
B3 2RT

BANKERS

Bank of Scotland
125 Colmore Row
Birmingham
B3 3SF

INVESTMENT ADVISERS

Smth 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

BIRMINGHAM DIOCESAN BOARD OF FINANCE
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CHAIRMAN'S STATEMENT
For the year ended 31 December 2012

The economic environment remained difficult throughout 2012, and recognising the continuing pressures on incomes the decision was taken to absorb the rise in stipends and inflationary impacts on other costs. This meant difficult decisions had again to be taken to keep the underlying level of costs flat. This allowed us again not to seek an increase in parochial contributions in 2012. However the overall level of income from Common Fund and collection rates were unchanged year on year and, representing a substantial shortfall against budget, continues to give cause for concern as we look forward in an uncertain economic environment.

For the first year the additional monies received from the Church Commissioners to support the Transforming Church mission work across the Diocese have been accounted for in our Income and Expenditure.

During the year the decision was taken to relocate Church House from Harborne Park Road to the City Centre. The costs of the move are reflected in the uplift in Administration costs. The former property was sold at a premium to book value after the year end. Invested, the proceeds of sale will deliver an income to substantially offset the rent on our new offices.

There was during the year a significant increase in expenditure on clergy housing as further inroads were made into the backlog of quinquennial improvements. The additional expenditure was funded from the proceeds of disposal of 2 redundant parsonages in 2011 and 2012.

I am grateful for the continuing financial support of parishes, critical if we are to sustain God's ministry and mission across our Diocese.

Phil Nunnerley
Chair



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

ANNUAL REPORT OF THE DIRECTORS
For the year ended 31 December 2012

The directors present their report and the financial statement for the year ended 31 December 2012 which has been prepared in accordance with the Statement of Recommended Practice (Accounting and Reporting by Charities – March 2005) and complies with applicable law

(1) REFERENCE AND ADMINISTRATIVE DETAILS

Details of the registered and principal office, charity and company numbers, together with professional advisors for the Birmingham Diocesan Board of Finance ('the Board') are contained on page 2 of this report

The directors who held office during the financial year and at the date of this report are listed on page 1 of this report

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

Mr Andrew Halstead – Diocesan Secretary

Mr Robin Goater- Director of Finance (interim) –until 30 September 2012

Ms Melanie Crooks – Director of Finance – appointed 4 March 2013

Mrs Jackie Hughes – Director of Education

Mr Alan Broadway – Diocesan Surveyor

(2) STRUCTURE, GOVERNANCE AND MANAGEMENT

CONSTITUTION

The Board 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 Board is also a registered charity.

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

RECRUITMENT AND TRAINING OF TRUSTEES

Directors, who also serve as trustees for the purposes of charitable legislation, are a mixture of ex-officio, elected and co-opted members. Elections take place every three years at the first meeting of the new Diocesan Synod (itself elected every three years). The directors have the power to co-opt members according to their assessment of the needs of the Board in terms of required skills and experience.

Prior to accepting appointment, nominees are elected to the Bishop's Council which has the same membership as the Board. Induction for new directors consists of a one day course designed to ensure that all trustees are familiar with the Board's governing document plus 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 Board. Further training for trustees is completed when necessary or when requested by members in order to ensure they are up to date with any changes in the sector. This allows them to fulfil their governance and stewardship roles.

GOVERNANCE AND MANAGEMENT STRUCTURE

The Bishops Council also constitutes the Parsonages Board (for the purposes of the Repair of Benefice Buildings Measure) and is supported by and reported to by a number of sub-committees, the principal ones are

Board of Education – the Diocesan Board of Education (statutory body) forms part of the Diocesan Board of Finance, 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 – this sub-committee has responsibility inter alia for considering applications for grants and loans from the parishes of the diocese and making recommendations to the Board.

Finance, Investment and Property Sub-Committee (FIPS) – this sub-committee deals with all finance matters, including audit, remuneration of Board staff, the management of Board investment property and fiscal investments and parsonage maintenance issues and makes recommendations to the Board.

(2) STRUCTURE, GOVERNANCE AND MANAGEMENT

RELATIONSHIPS AND WIDER NETWORK

The Board is a statutory part of the Church of England's financial administration, and works closely with other elements of the Church

Clergy stipends are paid by the Church Commissioners and charged through the Diocesan Stipend Fund. Stipends are part funded by grants from the Church Commissioners to the Board of £1 690m (2011 - 1 655m). The remainder is funded by the Board itself, mainly through contributions received from the parishes of the diocese.

The Board also works closely with the parishes and their related Parochial Church Councils (PCCs). The PCCs are separate charities, which contribute towards clergy stipends through the parochial contributions (Common Fund) of £5 123m (2011 - £5 121m). PCCs with annual income in excess of £100,000 are now required to register as charities.

The Board is a contributing member to both the Clergy Pension Scheme and the Church Workers Pension Fund.

The Board has a subsidiary property management company (BIRDBOF Properties Limited), which gift aids all profits to the Board.

RISK ASSESSMENT

The directors have assessed the major risks to which the Board is exposed, and taken action to mitigate these risks. This is completed by regular detailed risk assessments undertaken by Board officers, the results of which are advised to the directors.

TREASURY OPERATIONS AND FINANCIAL INSTRUMENTS

The finance department at the Board's principal office is responsible for managing liquidity and interest risks associated with the Board's activities.

The Board's principal instruments are bank overdrafts and loans plus loans from the Church Commissioners, the main purpose of which is to raise finance for the purchase and maintenance of clergy housing. The Board also makes loans available to the parishes and church schools within the diocese primarily to provide assistance with capital projects. In addition the Board has various other financial assets and liabilities such as receivables and payables arising directly from its operations. In accordance with the Board's treasury policy, derivative instruments are not entered into for speculative purposes.

LIQUIDITY RISK

The Board manages its cash and borrowing requirements centrally to maximise interest income and minimise interest expense, whilst ensuring that the Board has sufficient liquid resources to meet the operating needs of its activities. Surplus cash is held with the AAA rated CCLA CBF Church of England Deposit Fund.

INTEREST RATE RISK

The Board is exposed to fair value interest rate risk on its fixed rate borrowings and cash flow interest rate risk on floating rate deposits, bank overdrafts and loans.

FOREIGN CURRENCY RISK

The Board does not undertake any foreign currency transactions.

CREDIT RISK

Common Fund receipts from the parishes are monitored closely, and any arrears are discussed on a timely basis with the respective parishes and (where necessary) with the respective Area Deans. Loans are only made to parishes after approval by the appropriate committee, balances are reviewed on an ongoing basis and provision is made for doubtful debts where necessary.

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

ANNUAL REPORT OF THE DIRECTORS
For the year ended 31 December 2012

(3) OBJECTIVE AND ACTIVITIES

OBJECTS AND PRINCIPAL ACTIVITIES

Birmingham Diocesan Board of Finance ('the Board') 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 Board is also a registered charity.

The Board is constituted as the Financial Executive of the Diocesan Synod. Each member of the Financial Executive is also a Director of the Board and a Trustee of the Charity. The Trustees/Directors also constitute the Bishop's Council for the Diocese. Directors are elected by the members of Diocesan Synod on a triennial basis. Current membership of the Council is set out on page 1 of these financial statements. The Board has sub-committees dealing with parsonage and housing matters, the management of Glebe, Endowments and other investments, and general finance.

The main object of the Board is to act as the Financial Executive for the Diocesan Synod in the administration of the Church of England's interests within the area covered by the Diocese of Birmingham. The Board's officers and employees provide financial and advisory services to all the boards and committees of the Synod, and to certain other small funds and trusts 'connected with' the Church of England within the Diocese. The Board Secretary and Finance Office also provide similar services to the Birmingham Diocesan Trustees Registered, a separately registered charity, which acts as legal custodian for the properties and permanent endowments of parishes and schools.

The main activities of the Board in meeting its objectives are the payment and housing of clergy, the provision of central advisory and training services to parishes, governing bodies of Church schools, and contributing financially to the national work of the Church of England.

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

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

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

STRATEGIES AND ACTIVITIES

The Board's principal activities are established by church statutes, therefore the main activities are unchanged from previous years.

The fulfilment of these activities is achieved by the setting and approval of an annual budget, the calculation and collection of parochial contributions (Common Fund) from the parishes within the Diocese, the collection of parochial fees plus the prudent and careful management of the Board's investment income. Other key sources of income, primarily contributions from the Church Commissioners and historic charitable trusts, are outside the Board's direct control.

The rate of parochial contributions received from the parishes (95%), while the same as 2011, remains a cause of concern for the Board. The continued difficult economic environment which the parishes and parishioners were facing in 2012 again adversely affected collection rates. The Board continued to review procedures for those parishes giving most concern at the end of 2011. The Board did not request an increase in parochial contributions in 2012 holding the amount requested static for the third successive year. Hardship grants to alleviate contribution requests, first offered in 2011, were continued in 2012, helping to maintain collection levels. From 2013 onwards a new method of calculating parish contributions based on a percentage of ministry, parish services and clergy training costs will be introduced. A standing order discount will be offered to encourage regular monthly contributions and the hardship grants will be made available. The economic outlook still remains uncertain meaning the Board continues to closely monitor the amounts of parochial contributions being received as this "headline" rate of collection is recognised as being of importance in sustaining confidence in the Common Fund system.

GRANT MAKING POLICY

Grant making is limited solely to supporting parishes (PCCs) and church schools (Governors) within the Diocese. The principal grant payments are funded by the CCLA Diocesan Loan Scheme (PCC's) Sites and Buildings (PCCs) and Church Schools fund (see section below on 'Restricted Funds and Endowments'). The Board also makes a small number of minor discretionary grants to parish projects and ordinands.

(4) ACHIEVEMENTS AND PERFORMANCE

REVIEW OF ACTIVITIES

Despite income being below budget, the Board 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 decreased from 158 in 2011 to 152, a fewer than the budgeted number. Clergy numbers are close to the limit of what is considered affordable, and are not expected to be above 157 during 2013.

There are a number of factors which can impact on the Board's ability to meet its objectives, but which are outside its control. Most important is the collection of the parochial contributions from the parishes. Any significant shortfall in the percentage collected could have implications for the numbers of clergy which can be deployed within the Diocese.

As is the case for all charities with historic endowment, the Board 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 (see below). The Board continues to receive significant and increased support from the Church Commissioners. The amount of these selective grants is outside the Board's direct control, but is generally known in advance of budgets being set.

INVESTMENTS

Capital values of fiscal investments rose again offsetting some of the losses in 2011. This is however consistent with the long term approach to investments. Dividend payments have again been maintained, particularly from the CCLA/CBF funds. There are significant property investments held in both the Glebe and Endowment Funds, these were last valued in 2010 and were not revalued during the financial year (except for a property investment jointly held with the Birmingham Cathedral) in line with the three year approach to such valuations. The policy of continuing investment in the CCLA/CBF Funds (Equity, Property and Fixed Interest) has proved to be a sound one producing acceptable and balanced capital growth with good income yields at a minimal management cost.

(5) FINANCIAL REVIEW

INVESTMENT POLICY

A summary of the Board's investments is provided in note 13, 'Analysis of Assets and Liabilities'. Of total investments of just over £13.4m at 31 December 2012, £5.4m is represented by property investments (Glebe £4.1m, Endowment £1.3m), £8.0m by various fiscal investments (of which £2.8m represents Schools Fund holdings, and £0.8m comprises the Board's investment in its property subsidiary BIRDBOF Properties Limited). Property investments are managed with a view to achieving a return of 6% net on current valuation. The balance of property / fiscal investments accords with the policy of the Board approved in December 1995 of increasing the proportion of non - property investments from what was initially about 15% of the total, to circa 30% of fixed assets (excluding schools) and with a target yield of 5%. Fiscal investments are managed by the Board's investment advisors in accordance with the terms of an agreed policy, and are spread approximately 40/60 between direct stock market investments (mainly investment trusts) and authorised common investment funds for charities (Central Board of Finance Investment Office, COIF and Schroders). The current year has seen a cyclical small rise in investment values with an unrealised investment gain of £135,000 compared to a loss in the previous year (£205,000). A significant, but unquantifiable, advantage of the fiscal investments is that they are both readily realisable, and realisable in part, if required.

BIRMINGHAM DIOCESAN BOARD OF FINANCE
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ANNUAL REPORT OF THE DIRECTORS
For the year ended 31 December 2012

(5) FINANCIAL REVIEW (Continued)

RESERVES POLICY

The general reserves of the Board are largely represented by property holdings, including certain houses for curates and assistant clergy and the loan to BIRDBOF Properties Limited for the reordering of two redundant churches. The short term 'free reserves' are represented by General Fund net current assets, and at the year end amounted to £2,118,000 (2011 - £1,505,000). This includes the former administrative offices in Harborne Park Road which were sold in April 2013. The directors recognise that the Board is heavily dependent upon the receipt of parish contributions to the Common Fund of the Diocese, as are all such 'administrative' charities. There is a regular reporting process in place to enable officers of the Diocese to monitor and manage the timely receipt of these contributions.

RESTRICTED FUNDS AND ENDOWMENTS

There are three restricted funds under the control of the Board - Sites and Buildings, Parsonages and Church Schools - and two permanent endowments - Glebe and Endowment. A brief summary of their historic origin and objects of each is as follows:

I) 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.

II) 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 Board 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 Board's General Fund.

III) 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.

IV) Glebe properties

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. Until recently, all Glebe assets were required to be held in property and most of this fund is still represented by property investments. Surplus cash is held on deposit at the Central Board of Finance. All clear income derived from these investments is transferred to the General Fund as a contribution towards the cost of clergy stipends.

(V) 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 Board 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 Board 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 Board's professional property agents and investment managers.

TRANSFERS BETWEEN FUNDS

The net income from the Endowments and Glebe funds of £265,000 (note 14) was transferred to the General Fund to meet stipends cost as required under the Measure. The Board's General Fund contributed £727,000 towards the costs of parsonage repairs.

PRINCIPAL FUNDING SOURCES AND THEIR APPLICATION

The principal funding for the Board is derived from parochial contributions from the parishes. This income is used to fund clergy stipends and pensions, clergy housing and to provide support for the clergy across the Diocese. It is supplemented by contributions from the Church Commissioners, returns on investments, fees, and monies from historic local trust funds which exist to support the clergy.

(6) PLANS FOR FUTURE PERIODS

Given the current difficult economic climate, the main focus of the Board in 2013 will continue to be on core activities in order to ensure Common Fund collection rates are maintained and operating costs are controlled.

(7) STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

As far as the directors are aware, they have taken all necessary steps to make the auditors aware of any relevant audit information and to establish that they are aware of that information, and there is no relevant audit information of which the company's auditors are unaware.

(8) CHARITABLE AND POLITICAL CONTRIBUTIONS

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

(9) DIRECTORS

None of the directors received any emoluments from the Board in their capacity as directors for services to the Board. The total amount of expenses reimbursed was less than £500.

Appropriate trustee and officers' liability insurance cover is in place in respect of all of the company's directors. Charity trustees' indemnity insurance is provided by the Board at a cost in 2012 of £1,560 (2011 - £1,600).

(10) TAXATION STATUS

The Board 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 Board is also registered as a charity (reg No 249403).

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

ANNUAL REPORT OF THE DIRECTORS
For the year ended 31 December 2012

(11) AUDITORS

Mazars LLP have indicated their willingness to continue to act, and a resolution to re-appoint them as auditors will be proposed at the forthcoming annual general meeting

(12) RESPONSIBILITIES OF THE DIRECTORS

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors 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 directors 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 directors 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 company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the 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 company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Approved by the Board on 13 June 2013
and signed on its behalf



Andrew Halstead
Company Secretary

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

INDEPENDENT AUDITORS REPORT
For the year ended 31 December 2012

We have audited the financial statements of the Birmingham Diocesan Board of Finance for the year ended 31 December 2012 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 2012 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.

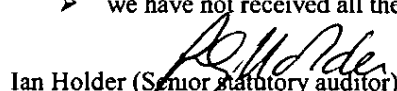
Opinion on the other matter prescribed by the Companies Act 2006

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


26 June 2013

BIRMINGHAM DIOCESAN BOARD OF FINANCE
(A company limited by guarantee)
STATEMENT OF FINANCIAL ACTIVITIES
For year ended 31 December 2012

		Restricted funds		Unrestricted funds		Total funds	Restated Total funds
	Note	Endowment funds £'000	Other funds £'000	Designated funds £'000	Undesignated funds £'000	2012 £'000	2011 £'000
INCOME AND EXPENDITURE							
INCOMING RESOURCES							
<u>Incoming resources from generated funds</u>							
Parochial contributions		-	-	-	5,123	5,123	5,121
Church Commissioners		-	-	-	1,995	1,995	1,655
Stipend Sources		-	-	-	703	703	598
Other donations - Allchurches and other					98	98	96
<u>Activities for generating funds</u>							
Housing income		-	175	49	-	224	263
<u>Investment income</u>							
Investment income	8 (e)	347	156	16	14	533	582
<u>Incoming resources from charitable activities</u>							
Fees		-	-	-	455	455	453
<u>Other income</u>							
Proceeds from disposal of redundant parsonages and schools						-	162
Transfer of redundant parsonages							-
Other income		-	46	274	172	492	355
TOTAL INCOMING RESOURCES		347	377	339	8,560	9,623	9,285
RESOURCES EXPENDED							
<u>Cost of generating funds</u>							
Investment and property management costs		82	54	43	37	216	222
<u>Charitable Activities</u>							
<u>Resourcing ministry and mission</u>							
Clergy pay, including national insurance and pension contributions		-	-	-	5,728	5,728	5,814
Housing		-	1,173	-	-	1,173	858
Diocesan Forums		-	-	-	882	882	692
Synodical support		-	-	-	149	149	137
Grants	3	-	-	35	49	84	185
Interest	5	-	-	39	26	65	88
Administration		-	-	-	528	528	393
<u>Contributions to Archbishops' Council</u>							
National Church responsibilities		-	-	-	230	230	236
Ministry training		-	-	-	177	177	154
<u>Education</u>							
Board of Education		-	129	-	71	200	221
Grants	3	-	52	-	-	52	104
Governance Costs	2	-	-	-	56	56	56
Provision for pension deficit	2					-	548
TOTAL RESOURCES EXPENDED	2	82	1,408	117	7,933	9,540	9,708
Net incoming/(outgoing) resources before transfers		265	(1,031)	222	627	83	(423)
Transfers between funds		(265)	1,052	(60)	(727)	-	-
NET INCOMING/(OUTGOING) RESOURCES FOR THE YEAR	6	-	21	162	(100)	83	(423)

BIRMINGHAM DIOCESAN BOARD OF FINANCE
(A company limited by guarantee)
STATEMENT OF FINANCIAL ACTIVITIES
For year ended 31 December 2012

		Restricted funds		Unrestricted funds		Total funds	Restated Total funds
		Endowment funds	Other funds	Designated funds	Undesignated funds	2012	2011
	Note	£'000	£'000	£'000	£'000	£'000	£'000
NET INCOMING/(OUTGOING) RESOURCES FOR THE YEAR	6	-	21	162	(100)	83	(423)
Gains on fixed assets	7	-	-	-	-	-	30
Gains/(losses) on investments	8	(228)	69	-	100	(59)	(205)
Net gains/losses		(228)	69	-	100	(59)	(175)
NET MOVEMENT IN FUNDS		(228)	90	162	-	24	(598)
Balance brought forward		10,352	4,555	573	3,897	19,377	19,975
Balance carried forward	12/13	10,124	4,645	735	3,897	19,401	19,377

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 Measure. The Board's General Fund contributed towards the costs of parsonage repairs.

All activities derive from continuing operations.

There are no recognised gains and losses other than the net movement in funds for the financial year.

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

BALANCE SHEET
At 31 December 2012

COMPANY NUMBER -440966

	Note	2012	2011
		£'000	£'000
FIXED ASSETS			
Tangible assets	7	5,187	5,517
		5,187	5,517
Investments			
Investment properties	8 (a)	5,451	5,745
Birdhof Properties Limited loan	8 (b)	792	829
Other investments	8 (c)	7,218	6,782
		13,461	13,356
TOTAL FIXED ASSETS		18,648	18,873
CURRENT ASSETS			
Current asset investment	9	600	-
Debtors			
Receivable within one year	10	2,328	1,564
Receivable after one year	10	741	881
		3,669	2,445
Cash at bank		1,936	2,725
		5,605	5,170
CREDITORS AMOUNTS FALLING DUE WITHIN ONE YEAR	11	(2,229)	(1,833)
NET CURRENT ASSETS		3,376	3,337
TOTAL ASSETS LESS CURRENT LIABILITIES		22,024	22,210
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	12	(2,623)	(2,833)
NET ASSETS		19,401	19,377
FUNDS			
Restricted income funds		4,645	4,555
Endowment funds		10,124	10,352
Unrestricted income funds			
Designated		735	573
Undesignated		3,897	3,897
	13/14	19,401	19,377

Approved by the Board on 13 June 2013
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 2012

	2012	2011
	£'000	£'000
Gross income from continuing activities	9,623	9,285
Total expenditure from continuing activities	(9,540)	(9,708)
Net operating (expenditure)/income for the year	83	(423)
Profit on disposal of fixed assets	-	30
Net income/ (expenditure) for the year	83	(393)

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
For the year ended 31 December 2012

	2012	2011
	£'000	£'000
Net income/ (expenditure)/income for the year	83	(393)
Unrealised loss on revaluation of investments	(59)	(205)
Total gains and losses for the year	24	(598)

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

CASH FLOW STATEMENT
For the year ended 31 December 2012

	Note	2012 £'000	2011 £'000
Cash (outflow)/inflow from operating activities	18	(158)	102
Servicing of finance (interest paid)		(65)	(88)
Capital expenditure and financial investment	19	(184)	192
Cash (outflow)/inflow before use of liquid resources and financing		(407)	206
Use of liquid resources	19	(323)	330
Cash flow from financing	19	(82)	262
(Decrease)/increase in cash in the year		(812)	798

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

(Decrease)/increase in cash in the year		(812)	798
Net cash outflow relating to loans and deposits		105	(592)
Movement in net funds in the year	20	(707)	206
Net funds at beginning of year		42	(164)
Net(debt)/funds at end of year		(665)	42

NOTES TO THE ACCOUNTS
For the year ended 31 December 2012

1 ACCOUNTING POLICIES

The financial statements have been prepared in accordance with applicable accounting standards and the Statement of Recommended Practice (SORP), "Accounting and Reporting by Charities – March 2005", with the exception that consolidated accounts have not been prepared for the reasons given in note 8 below. The particular policies adopted are described 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.

Accounting convention:

The financial statements are prepared under the historical cost convention as modified by the revaluation of certain freehold and fixed asset investments.

Turnover:

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

Birdbof Properties Limited - a wholly owned property investment company

Incoming Resources

Parochial Contributions

The principal source of income comes from voluntary giving in the form of parochial contributions (Common Fund), which is accounted for when receivable.

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, with no apportionment between different categories.

Grants

Grants are accounted for in the year they are approved by the relevant committee. As at 31 December 2012, grants approved but not paid, which have been included under other creditors, amounted to £3,000 (2011 - £13,500).

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, with no apportionment between different activities.

Governance Costs

These are costs incurred in connection with the administration of the charity and compliance with constitutional and statutory requirements.

NOTES TO THE ACCOUNTS
For the year ended 31 December 2012

1 ACCOUNTING POLICIES (Continued)

Governance Costs Restatement (2011)

Governance cost allocations for 2011 have been restated to include a consistent cost allocation method as that used in 2012

Tangible fixed assets and depreciation

Investment properties

In accordance with the SORP, investment properties are revalued by the directors 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 accounts. 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.

Other fixed assets

i) Other properties

No depreciation is provided on freehold and long leasehold properties on the grounds that they are maintained regularly to a high standard and, in the opinion of the Board, given the length of their economic useful lives, the depreciation charge and accumulated depreciation would be immaterial to these accounts. The Board has carefully considered any impairment in the carrying value of the properties (which are externally valued every three years) and a provision is not considered necessary.

ii) Computer equipment

Depreciation is provided on cost in equal annual instalments over the estimated useful lives of the assets at 33% per annum straight line.

iii) Office equipment

Depreciation is provided on cost in equal annual instalments over the estimated useful lives of the assets at 10% per annum straight line.

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 Board less an impairment provision.

All other investments are stated at market value.

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

Pension costs and other post-retirement benefits

The Board of Finance 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 Board of Finance has concluded that it is not possible to identify the underlying assets and liabilities of the schemes attributable to the Board 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 Board 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.

A number of staff also contributes to money purchase pension schemes – employer contributions are charged to the Statement of Financial Activities in the period to which they relate.

1 ACCOUNTING POLICIES (Continued)

Funds

Funds over which the Board'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 Board and over which there are essentially no restrictions as to their use (either by statute or trust) have been defined as "unrestricted"

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

Other administered funds

Funds not forming part of the Board's assets, but only administered by the staff of the Board, are excluded from these accounts These include Action in the City and Malawi The amounts involved are immaterial in relation to the Board accounts

Parsonage houses

The Board has given considerable thought to the question of whether or not the capital value of parsonage houses should be included on its balance sheet

The Repair of Benefice Buildings Measure requires Diocesan Boards of Finance periodically to survey parsonages and initiate repairs as necessary with costs recoverable from parishes (mainly through the Common Fund) The Board does not enjoy the benefits of ownership nor is it able to receive the proceeds of any redundancy unless the Bishop agrees that such proceeds should accrue to the Board, and an Order in Council is secured giving effect to that decision Until then, the property remains part of the benefice and of the incumbent for the time being The Board therefore considers that these properties should not be included as Board assets

Because of the inherent uncertainty as to whether any profits will accrue to the Board, sale proceeds in respect of parsonage houses and similar assets are recognised in the financial statements only when they become receivable by the Board

The parsonages are insured by the Board as agents for the benefice on a block policy in order to minimise the cost to parishes As at 31 December 2012, there were 150 parsonages (2011 151), with a total insured value of £42m (2011 £42m)

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

NOTES TO THE ACCOUNTS
For the year ended 31 December 2012

2 ANALYSIS OF EXPENDED RESOURCES

	Activities directly undertaken £'000	Grant funding of activities £'000	Support costs £'000	Pension Deficit £'000	Total £'000
Cost of generating funds	216	-	-	-	216
Resourcing ministry and mission	8,525	84	-	-	8,609
Contributions to Archbishop's council	407	-	-	-	407
Education	112	52	88	-	252
Governance	-	-	56	-	56
	<u>9,260</u>	<u>136</u>	<u>144</u>	<u>-</u>	<u>9,540</u>

(Note 3)

	Activities directly undertaken £'000	Grant funding of activities £'000	Support costs £'000	Pension Deficit £'000	Restated Total 2011 £'000
Cost of generating funds	222	-	-	-	222
Resourcing ministry and mission	7,982	185	-	-	8,167
Contributions to Archbishop's council	390	-	-	-	390
Education	189	104	32	-	325
Governance (Restated)	-	-	56	-	56
Pension deficit	-	-	-	548	548
	<u>8,783</u>	<u>289</u>	<u>88</u>	<u>548</u>	<u>9,708</u>

(Note 3)

Governance cost allocations for 2011 have been restated to include a consistent cost allocation method as that used in 2012

3 GRANTS

	2012 Amount £'000	2012 Number	2011 Amount £'000	2011 Number
Sites and Building approvals	12	3	5	5
Education	52	9	104	10
Pastoral account (new churches)	35	6	95	4
Other	37	8	85	12
	<u>136</u>	<u>26</u>	<u>289</u>	<u>31</u>

All of the above grants are institutional grants

NOTES TO THE ACCOUNTS
For the year ended 31 December 2012

4 INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	2012 No	2011 No
Full time equivalent numbers employed during the year		
Executives	13	13
Secretarial	6	7
Administration	8	8
Youth Adviser	1	1
	<u>28</u>	<u>29</u>
	£'000	£'000
Employee costs during the year (excluding clergy pay)		
Wages and salaries	876	846
Social security costs	79	68
Pension costs	164	169
	<u>1,119</u>	<u>1,083</u>

One employee earned more than £60,000 in the year (£60,000 to £65,000), (2011-one)

None of the directors received any remuneration as directors or reimbursed for out of pocket expenses during either year. The Board paid £1,560 for the premium on the trustees' indemnity insurance.

The clergy and clergy stipends are not included within the Board's staff costs, as they are not employees of the Board. 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

	2012 £'000	2011 £'000
Bank loans, overdrafts and other loans	<u>65</u>	<u>88</u>

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

NOTES TO THE ACCOUNTS
For the year ended 31 December 2012

6 NET INCOMING RESOURCES

	2012	2011
	£'000	£'000
Net movement in funds is stated after charging		
Depreciation – owned assets	14	4
Profit on disposal of fixed assets	-	30
Payments under operating leases	50	-
Auditors' remuneration	22	22
	<u> </u>	<u> </u>

7 TANGIBLE FIXED ASSETS

	Freehold properties £'000	Computer equipment £'000	Office equipment £'000	Total £'000
Cost or valuation				
At 1 January 2012	5,517	64	-	5,581
Additions	-	44	140	184
Transfer to current asset investments	(500)	-	-	(500)
	<u>5,017</u>	<u>108</u>	<u>140</u>	<u>5,265</u>
At 31 December 2012				
Accumulated depreciation				
At 1 January 2012	-	64	-	64
Charge for the year	-	8	6	14
	<u>-</u>	<u>72</u>	<u>6</u>	<u>78</u>
At 31 December 2012				
Net book value				
At 31 December 2012	<u>5,017</u>	<u>36</u>	<u>134</u>	<u>5,187</u>
At 31 December 2011	<u>5,517</u>	<u>0</u>	<u>0</u>	<u>5,517</u>

Properties were valued by Knight Frank (Chartered Surveyors) on an open market existing use basis as at 31 December 2010

The total original cost of the valued properties including those held as investments (note 8), was £7,473,038 (2011 £7,473,038)

Within freehold properties are certain houses purchased for non-beneficed clergy, financed by loans from the Church Commissioners, on terms that provide that any surplus or deficit on eventual disposal accrues to the Church Commissioners and not to the Board of Finance. Accordingly, these properties are included at cost, which at 31 December 2012 amounted to £860,450 (2011 £860,450)

NOTES TO THE ACCOUNTS
For the year ended 31 December 2012

8 INVESTMENT HELD AS FIXED ASSETS

	Glebe £'000	Endowment Fund £'000	Total £'000
a) Investment properties			
At 1 January 2012	4,465	1,280	5,745
Additions	-	-	-
Disposals	-	-	-
Revaluation	(294)	-	(294)
At 31 December 2012	<u>4,171</u>	<u>1,280</u>	<u>5,451</u>

Properties were valued by Knight Frank (Chartered Surveyors) on an open market existing use basis as at 31 December 2010

b) Birdbof Properties Limited loan

Loan principal	965	965
Repaid		-
Provision against under-recovery	(173)	(136)
Amounts recoverable at the year end	<u>792</u>	<u>829</u>

The loan is unsecured, interest free, and will only be repayable upon the disposal of the properties held in Birdbof Properties Limited

	Listed shares £'000	Unlisted shares £'000	Total £'000
c) Other investments			
At valuation			
At 1 January 2012	1,393	5,389	6,782
Additions	-	-	-
Disposals	-	-	-
Transfer		300	300
Revaluation	118	18	136
At 31 December 2012	<u>1,511</u>	<u>5,707</u>	<u>7,218</u>
Historic cost:			
At 31 December 2012	<u>1,062</u>	<u>5,382</u>	<u>6,444</u>
At 31 December 2011	<u>1,062</u>	<u>5,082</u>	<u>6,144</u>
Investment at market value comprised UK equities and unit trusts	<u>1,511</u>	<u>5,707</u>	<u>7,218</u>

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

NOTES TO THE ACCOUNTS
For the year ended 31 December 2012

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

d) Subsidiary undertakings

The Board 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 £172,046, and appropriate provision has been made against its indebtedness to the Board (see above)

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

	2012 £'000	2011 £'000
(1) – Profit and loss account:		
Turnover	32	66
Administrative expenses	(65)	(68)
(Loss)/Profit on ordinary activities	(33)	(2)
Payment under Gift Aid	-	-
Result for the year	(33)	(2)
(2) – Net assets:		
Tangible Fixed Assets	837	837
Net current liabilities	(44)	(11)
Creditors amounts falling due after more than one year	(965)	(965)
Net liabilities	(172)	(139)

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 2012 £'000	Total funds 2011 £'000
Investment properties	128	-	-	-	128	245
UK equities, Unit Trusts and Deposits	219	156	16	14	405	337
	347	156	16	14	533	582

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

NOTES TO THE ACCOUNTS
For the year ended 31 December 2012

9 CURRENT ASSET INVESTMENT

	2012 £'000	2011 £'000
Property asset held for resale		
Transfer from fixed assets	500	-
Revaluation to net realisable value	100	-
	<u>600</u>	<u>-</u>
Value as at 31 December 2012	<u>600</u>	<u>-</u>

The current asset investment relates to the former Diocesan office at 175 Harborne Park Road. This was disposed in April 2013.

10 DEBTORS

	2012 £'000	2011 £'000
Receivable within one year		
Parish loans	313	5
Other loans	58	576
Prepayments	1,497	337
Accrued income	460	646
	<u>2,328</u>	<u>1,564</u>
Receivable after one year		
Parish loans	302	869
Other loans	439	12
	<u>741</u>	<u>881</u>
Total Debtors	<u>3,069</u>	<u>2,445</u>

Parish loans in 2012 include an amount of £450,000 (2011 £490,000) due from parishes in respect of "back-to-back" loans made to parishes from funds made available to the Board by the Central Board of Finance. The corresponding liability, being the amount repayable by the Board 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

	2012 £'000	2011 £'000
Bank loans	460	473
Other loans	58	25
Trade creditors	141	376
Other creditors	633	192
Accruals	937	767
	<u>2,229</u>	<u>1,833</u>

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

NOTES TO THE ACCOUNTS

For the year ended 31 December 2012

12 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2012	2011
	£'000	£'000
Pension fund deficit	540	648
Other loans	2,083	2,185
	<u>2,623</u>	<u>2,833</u>

Other loans due after more than one year relate principally to advances from the Church Commissioners for house purchases

All loans are variable interest loans at the rate of CCLA 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. It is 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
(A company limited by guarantee)

NOTES TO THE ACCOUNTS
For the year ended 31 December 2012

13 ANALYSIS OF ASSETS AND LIABILITIES BETWEEN FUNDS

	Restricted		Unrestricted			
	Endowment	Other	Designated	Un-	Total	Total
	£'000	£'000	funds	designated	funds	funds
			£'000	funds	2012	2011
				£'000	£'000	£'000
Tangible assets						
Other fixed assets	-	-	4,202	985	5,187	5,517
Investments - Fixed						
Investment properties	5,451	-	-	-	5,451	5,745
Birdbof loan	-	-	-	792	792	829
Other	4,076	2,842	300	-	7,218	6,781
Investment - Current				600	600	-
Debtors						
Due within one year	-	974	-	1,354	2,328	1,565
Due after one year	-	315	-	426	741	881
Cash at bank	597	901	(1,188)	1,626	2,236	2,725
Creditors						
Due within one year	-	(387)	(380)	(1,462)	(2,229)	(1,833)
Due after one year	-	-	(2,199)	(424)	(2,623)	(2,833)
Net assets	10,124	4,645	735	3,897	19,401	19,377

BIRMINGHAM DIOCESAN BOARD OF FINANCE
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NOTES TO THE ACCOUNTS

For the year ended 31 December 2012

14 MOVEMENTS IN FUNDS

	1 January 2012 £'000	Income £'000	Expenditure £'000	Transfers £'000	Capital movements £'000	31 December 2012 £'000
Endowments funds						
Glebe	5,775	121	(69)	(52)	(366)	5,409
Endowment	4,577	226	(13)	(213)	138	4,715
	<u>10,352</u>	<u>347</u>	<u>(82)</u>	<u>(265)</u>	<u>(228)</u>	<u>10,124</u>
Other restricted funds						
Parsonage fund	-	175	(1,227)	1,052	-	-
Sites and buildings fund	944	6	(1)	-	-	949
Schools funds	3,611	196	(180)	-	69	3,696
	<u>4,555</u>	<u>377</u>	<u>(1,408)</u>	<u>1,052</u>	<u>69</u>	<u>4,645</u>
Unrestricted funds						
Designated funds						
Houses fund	333	49	(82)	-	-	300
Pastoral fund	788	290	(35)	(60)	-	983
Pensions Reserve	(548)	-	-	-	-	(548)
Undesignated funds						
General fund	3,897	8,560	(7,933)	(727)	100	3,897
	<u>4,470</u>	<u>8,899</u>	<u>(8,050)</u>	<u>(787)</u>	<u>100</u>	<u>4,632</u>
Total	<u>19,377</u>	<u>9,623</u>	<u>(9,540)</u>	<u>-</u>	<u>(59)</u>	<u>19,401</u>

Details of the different funds and the transfers between funds are contained in the Directors Report

15 CAPITAL COMMITMENTS

At 31 December 2012 the company had no capital commitments which were contracted for but not provided in the financial statements (2011 £Nil)

16 PENSION COSTS

Employees – Church Workers Pension Scheme

The Board 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 £78,789 (2011 £155,063).

The Board 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 2012 the Board had 0 active members and 35 deferred pensioner members in the Fund.

NOTES TO THE ACCOUNTS
For the year ended 31 December 2012

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 Board 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 Board 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 Board 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 ongoing funding basis. The Board 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 Board 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 £85,193 (2011 £33,726).

The Board had 29 active members and 7 deferred members in the DCS at 31 December 2012.

Stipendiary Clergy

The Board 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 2012, the total contributions were £1,210,268 (2011 £1,287,187).

The Church of England Funded Pensions Scheme is a defined benefit scheme but the Board 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 SINA 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 Board 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 2009, and some agreed changes to benefits, the contribution rate has been set at 38.2% of the national minimum stipend with effect from 1 January 2011.

Contribution rates will be reviewed at the next valuation of the Scheme, due no later than as at 31 December 2012.

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

NOTES TO THE ACCOUNTS
For the year ended 31 December 2012

17 COMMITMENTS UNDER OPERATING LEASES

At 31 December 2012 the charity was committed to making the following payments under non-cancellable operating leases

	Land and buildings	Other	Land and buildings	Other
	2012	2012	2011	2011
	£	£	£	£
Operating leases which expire				
Within one year	-	-	-	-
Within two and five years	-	-	-	-
After five years	145,320	-	-	-
	<u>145,320</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>145,320</u>	<u>-</u>	<u>-</u>	<u>-</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

	2012 £'000	2011 £'000
Net incoming/ (outgoing) resources, before interest	148	(335)
Redundant parsonages transferred to the Glebe Fund at market value	-	-
Depreciation	14	4
Write down of Birdbof loan	37	
(Increase) in debtors	(624)	(332)
Increase in creditors	267	765
Net cash (outflow)/inflow from operating activities	<u>(158)</u>	<u>102</u>

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

NOTES TO THE ACCOUNTS
For the year ended 31 December 2012

19 ANALYSIS OF CASH FLOW FOR HEADINGS

	2012	2011
	£'000	£'000
NETTED IN THE CASH FLOW STATEMENT		
Capital expenditure and financial investment		
Purchase of tangible fixed assets	(184)	-
Sale of tangible fixed assets	-	1,312
Purchase of investments	-	(1,120)
	<u>(184)</u>	<u>192</u>
Net cash outflow for capital expenditure and financial investment	<u>(184)</u>	<u>192</u>
Use of liquid resources		
Withdrawal of cash on long term deposit	(323)	330
	<u>(323)</u>	<u>330</u>
Financing		
New loans	-	262
Loan repayments	(82)	-
	<u>(82)</u>	<u>262</u>
Net cash inflow/(outflow) from financing	<u>(82)</u>	<u>262</u>

20 ANALYSIS OF NET FUNDS

	At 1 January	Cash flow	At 31 December
	2012	2012	2012
	£'000	£'000	£'000
Cash in hand and at bank	1,149	(812)	337
	<u>1,149</u>	<u>(812)</u>	<u>337</u>
Bank loans	(473)	13	(460)
Other loans	(2,210)	69	(2,141)
	<u>(2,683)</u>	<u>82</u>	<u>(2,601)</u>
Cash held on deposit	1,576	23	1,599
Net funds	<u>42</u>	<u>(707)</u>	<u>(665)</u>

Included in "other loans" shown above are loans amounting to £1,262,720 (2011 £1,318,335) in respect of advances from the Church Commissioners for the purchase of houses, at a cost of £1,845,242 (2011 £1,845,242). Full details are given in note 7 to the accounts