



# NEWCASTLE DIOCESAN BOARD OF FINANCE

FINANCIAL STATEMENTS  
YEAR ENDED 31 DECEMBER 2009

Charity number 247233  
Company number 00650977



# NEWCASTLE DIOCESAN BOARD OF FINANCE

## CONTENTS

---

	<b>PAGE</b>
Trustees Annual Report	<b>3</b>
Independent Auditor's Report	<b>13</b>
Statement of Financial Activities	<b>15</b>
Income and Expenditure Account	<b>16</b>
Balance Sheet	<b>17</b>
Cash Flow Statement	<b>18</b>
Notes to the Financial Statements	<b>19</b>
Members of the Board and Professional Advisers	<b>33</b>

The trustees, who are also directors for the purposes of company law, present their combined trustees' report and directors' report, together with the audited financial statements, for the year ended 31 December 2009.

**1. Reference and administrative details of the Diocese of Newcastle**

These are set out on page 33.

**2. Summary information about the structure of the Church of England**

The Church of England is organised as two provinces; each led by an archbishop (Canterbury for the Southern Province and York for the Northern). Each province comprises dioceses of which there are 43 in England.

Each diocese in England is divided into parishes. Each parish is overseen ecclesiastically by a parish priest if not an 'incumbent' (usually called a vicar or rector). 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 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; there are some 108 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, and 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, today spending most of their income on pensions for the clergy. The costs of episcopal administration through the diocesan and assistant 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 widow(er)s of those who have served in that ministry, and to administer pension schemes for lay employees of Church organisations.

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

**The Cathedral**

The 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 Chapter Clerk, the Cathedral Administrator, Cathedral Church of St Nicholas, Newcastle upon Tyne, NE1 1PF.

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

## **The Diocese**

### **Diocesan Synod**

The statutory governing body of the diocese is the diocesan synod which is elected with representation from across the diocese. The Synod has broadly equal numbers of clergy and lay people meeting together in Diocesan Synod 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.

### **Deanery Synods**

The parishes of the Diocese are grouped into 12 Deaneries. Each deanery is run by its Synod which has two houses, laity and clergy, and its role is to:

- respond to requests from General Synod;
- where appropriate, give effect to the decisions made by the Diocesan Synod;
- consider matters affecting the Church of England by drawing together the views of the parishes within the deanery;
- act as a channel of communication to express the views of parishes to Diocesan Synod and thence to General Synod;
- raise with Diocesan Synod such matters as it considers appropriate; and
- elect members of the deanery to the Diocesan Synod and of the diocese to General Synod.

### **The Bishop's Council**

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

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

### **Parochial Church Council (PCC)**

The PCC is the elected statutory governing body of an individual parish, which - broadly - is the smallest pastoral area in the Church of England. Each parish has one parish church. The PCC is made up of the incumbent, the churchwardens and a number of elected and ex officio members including other licensed clergy and Deanery Synod representatives. Each PCC is a corporate charity, and all those not exceeding £100,000 annual gross income are currently excepted from registration with the Charity Commission. Except where shown, the transactions of PCCs do not form part of these financial statements. Financial statements of an individual PCC can be obtained from the relevant PCC treasurer.

## **Parishes**

A benefice is a parish or group of parishes served by an incumbent in holy orders who as such is a Church beneficiary and typically receives a stipend and the benefit of free occupation and use of a parsonage house by right of being the incumbent for the purpose of carrying out specified spiritual duties.

A deanery is a group of parishes over which a rural dean has oversight and an archdeaconry is a group of deaneries for which an archdeacon is responsible.

The diocese is then the principal pastoral and, by means of its Board of Finance, financial and administrative resource of the Church of England, encompassing the various archdeaconries under the spiritual leadership of the Diocesan Bishop.

### **3. Structure, governance and management**

The Diocese of Newcastle was founded in 1882. It covers the area of Northumberland, Newcastle, North Tyneside, and small areas in east Cumbria and north Durham. Within an area of 2,110 square miles there are 246 churches in 176 parishes and 136 benefices, arranged in 12 deaneries and two archdeaconries of Northumberland and Lindisfarne.

#### **Diocesan governance**

The Diocese is governed by Standing Orders approved in 1960 and subsequent amendments, and its statutory governing body is the Diocesan Synod, which is an elected body with representation from all parts of the Diocese. A new constitution was adopted at a meeting of the Diocesan Synod held on 18th October 2003.

Membership consists of ex-officio members, including the Bishops and Archdeacons, clergy members elected by the houses of clergy in Deanery Synods, lay persons elected by the houses of laity in Deanery Synods, up to five persons who may be co-opted and a maximum of ten members nominated by the Diocesan Bishop. The Diocesan Synod normally meets twice a year in formal session and twice informally i.e. forum format open to all members of the Diocese. Many of the Diocesan Synod's responsibilities have been delegated to the Standing Committee and the Bishop's Council.

#### **Company status**

The company, the Newcastle Diocesan Board of Finance Limited (NDBF), was formed to manage the financial affairs and hold the assets of the Diocese. It was incorporated on 1st March 1960 as a charitable company limited by membership guarantees (No. 00650977) and its governing documents are the Memorandum and Articles of Association. NDBF is registered with the Charity Commission (No. 247233).

Every member of Diocesan Synod is also a member of NDBF for company law purposes and has a personal liability limited to £1 under their guarantee as company members in the event of its being wound up. The members of the Standing Committee of Diocesan Synod and Bishop's Council comprise the Board of Trustees of NDBF – they are its Directors under company law.

#### **Decision-making structure**

Within the supervisory powers of the Diocesan Synod, as listed below, certain diocesan functions are undertaken by the Board of Trustees in pursuit of NDBF's charitable objects:

- Planning the business of Synod including the preparation of agendas and papers
- Initiation of proposals for action by the Diocesan Synod and provision of policy advice
- Transacting the business of the Diocesan Synod when not in session
- Management of the funds and property of the Diocese
- Preparation of annual estimates of diocesan expenditure
- Advising on action needed to raise the income necessary to finance expenditure

- Oversight of expenditure by bodies in receipt of Diocesan Synod's funds against estimates of expenditure approved by Diocesan Synod
- Advising Diocesan Synod of the financial aspects of its policy and on any other matters referred to it
- Appointing members of committees or nominating members for election to committees, subject to the directions of Diocesan Synod
- Carrying out any other functions delegated by Diocesan Synod.

The Board of Trustees has delegated responsibility for the day-to-day management of the company to the Diocesan Secretary who is supported by a number of heads of departments and their staff.

### **Committee structure**

There are a number of Diocesan Synod committees that, though not sub-committees of NDBF can influence the operations of NDBF.

Those that follow are statutory committees:

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

*Diocesan Mission and Pastoral Committee*, which is responsible for advising on pastoral reorganisation in the Diocese of Newcastle, taking account of available clergy numbers and making use of new patterns of ministry.

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

*Redundant Churches Uses Committee*, which advises on the finding of appropriate alternative uses for churches closed to regular public worship in the Diocese of Newcastle which have been declared redundant. This committee ceased to be in existence in August 2009 and was incorporated into the responsibilities of the Diocesan Mission and Pastoral Committee.

### **Bishop's Council**

The Bishop's Council, the Standing Committee of Synod, is essentially the Board of Directors, although there is now an additional co-opted Director. Bishop's Council consists of nine ex officio members, including the Diocesan and Assistant Bishops and the two Archdeacons, three clergy elected by the house of clergy from among their number and six lay persons elected by the members of the house of laity representing deaneries.

The NDBF has the following sub-committee, which has written terms of reference:

*Finance Sub-Group*, which is responsible for considering the financial affairs of the Diocese. Amongst other things, it draws up draft budgets for approval by the trustees prior to submission to Diocesan Synod and monitors expenditure and income. The group has six members who are all Directors, including the Chairman

The Board receives voluntary contributions from the parishes, known as Parish Share, and it manages its assets on behalf of the Diocese and the parishes. On the national level the Board receives funding from the Church Commissioners who hold money from historic endowments centrally. The money is paid from the Commissioners annual income and it is distributed using a formula intended to help the diocese in those regions of England which are most deprived. The formula is set by the Archbishops Council, the standing committee of General Synod, which seeks approval from the Synod regarding the way sums are allocated to the dioceses.

### **Appointment of trustees**

Trustees of NDBF are the members of the Bishop's Council. The trustees who served the charity during the period were as follows:

The Rt Revd J M Wharton (*Bishop of Newcastle*)  
The Rt Revd P Richardson (*Assistant Bishop of Newcastle*) (*retired 16/01/2010*)  
The Very Revd CC Dalliston (*Dean of Newcastle*)  
The Ven PJA Robinson (*Archdeacon of Lindisfarne*)  
The Ven GV Miller (*Archdeacon of Northumberland*)  
Revd Canon MJ Webb (*Chair of House of Clergy of Diocesan Synod*) (*resigned 31/10/2009*)  
Mr M Stoker (*Chair of House of Laity of Diocesan Synod*)  
Dr. J W Bull  
Rev Canon Dr. R P Greenwood  
Mr S R Harper (*Chair*)  
Mrs M Macleod (*resigned 31/10/2009*)  
Dr M Mckendrick (*resigned 31/10/2009*)  
Revd Canon J A Robertson (*Vice Chair*)  
Miss V L Scurfield  
Mr. E Tingate  
Mr RWC Wheatley (*resigned 31/10/2009*)  
Revd SJH White (*resigned 31/10/2009*)  
Revd. Dr. D Winter  
Ms C Wolstenholme

The following trustees were appointed during the year or subsequently:

Revd Canon J Sinclair (*Chair of House of Clergy of Diocesan Synod*) (*appointed 31/10/2009*)  
Revd P Cunningham (*appointed 27/11/2009*)  
Mrs S Hart (*appointed 27/11/2009*)  
Mr D Radcliff (*appointed 15/01/2010*)

Trustees (Directors) are appointed for a three year period, following the election of the new Diocesan Synod. They are chosen from the Synod membership by means of an election using the simple majority system. The total number selected by means of this procedure is nine, three clergy and six lay. There are also nine ex-officio members (the two Bishops, the Dean, both Archdeacons, the Chairs of the Houses of Clergy and Laity, and the Chairs of the Finance Sub Group and the Pastoral Committee). The maximum number of Directors (elected and ex-officio) is 25. At December 2009 there were 19 Directors. From this total, nine were elected, nine were ex-officio and one was co-opted.

Trustees are given induction training when first appointed and receive ongoing training, as appropriate.

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 so they do not count as "charity trustees".

### **Trustees' responsibilities**

The trustees (who are also directors for the purposes of Company Law) are responsible for preparing the Trustee's Report and the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice. Company law requires the trustees (in their capacity as directors) to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the net incoming or outgoing resources of the company for that year.

In preparing those financial statements the trustees are required to:

- Select the most suitable accounting policies and apply them consistently;
- Observe the methods and principals in the Charities SORP
- Make judgements and estimates that are reasonable and prudent;
- Follow applicable accounting standards and the SORP, subject to any material departures disclosed and explained in the financial statements;
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The trustees are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the corporate and trust assets of the company and ensuring their proper application under charity law and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The trustees as a board confirm that to the best of their knowledge there is no information relevant to the audit of which the auditors are unaware, and that they have each taken all necessary steps to ensure that they themselves are aware of all relevant audit information and that this information has been communicated to the auditors.

### **Related parties and other bodies with which NDBF co-operates in furthering its aims**

#### **General Synod, Church Commissioners and Archbishops' Council**

NDBF has to comply with Measures passed by the General Synod of the Church of England and is required to make certain annual payments to the Archbishops' Council towards the running costs of the National Church. The stipends of six clergy including the Diocesan and Assistant Bishops are borne by the Church Commissioners and are not reflected in the financial statements.

#### **Parochial Church Councils (PCCs)**

NDBF is required by Measure to be custodian trustee in relation to PCC property, but the NDBF has no control over PCCs, which are independent charities. The accounts of PCCs do not form part of these financial statements.

PCCs are able to influence the decision-making within NDBF and at Diocesan Synod level through representations to those bodies and through the input of their Deanery Synods.

#### **Connected charities**

The trustees consider the following to be connected charities:

*Newcastle Diocesan Board of Education*, a registered charity, which has responsibility for 50 Church schools across the Diocese, provides pastoral and professional support to all its schools and has a particular commitment to enhancing the quality of provision for religious education, collective worship and the spiritual, moral, social, and cultural development of all pupils.

*Newcastle Diocesan Society*, a registered charity is empowered to hold real and personal property for purposes connected with the Church of England. Under the Parochial Churches Councils (Powers) Measure 1956 monies and property held by parochial church councils on permanent trusts for charitable ecclesiastical purposes must be vested in the Diocesan Society as custodian trustee.

*Stirling Newall Trust*, whose objective is the advancement of the Christian religion by the provision of a house of retreat for members of the Church of England whether clerical or lay who are resident or working in the area comprising the dioceses of Durham and Newcastle.

In recent years the Newcastle and Durham Diocesan Boards of Finance have actively co-operated in joint working and the sharing of posts. At 31 December 2009 there were three employees working jointly for the two Dioceses, in ministerial training, and in financial management. The two Diocesan Boards of Finance have no trustees in common.

### **Risk management**

The trustees confirm that the major risks to which NDBF is exposed, as identified by the trustees and staff, have been reviewed and that systems and procedures have been established to manage those risks. The trustees delegate to the Finance Sub-Group the task of ensuring that risks are reviewed and managed as part of the risk management strategy. The Finance Sub-Group have defined the risks, reported on the measures in place to manage and monitor these risks and implemented procedures and controls designed to minimise any potential impact on NDBF should any of the risks materialise. A risk register has been compiled.

## **4. Aims, objectives and activities**

### **Aims and objectives**

NDBF 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 Newcastle and elsewhere. The objects of the charity, as set out in the Memorandum and Articles of Association, are to hold real and personal property for purposes connected with the Church of England, and to transact business in connection with the Church of England and the Diocese. The NDBF is the financial adviser and executive of the Diocesan Synod; it is responsible for the collection, custody, disbursement and accounts of the Synod's funds and the employment of all persons in receipt of salaries paid directly from those funds.

NDBF's strategy for achieving its objectives is to maintain the sound financial structure needed to enable it to continue supporting the clergy through the payment of stipends, managing parsonages and other ministerial housing and also by providing other facilities and resources in support of the ministry of both clergy and lay people in parishes across the Diocese. The key activities may be summarised as:

1. Providing and managing the resources needed to support mission and ministry in the parishes of the Diocese. This includes all the clergy training, housing, stipends, pension and other expenditure supporting parish-based ministry.
2. Contributions to support the National Church Institutions (contributions are made by all Dioceses in accordance with a national formula).
3. Educational activities.

The trustees are aware of the Charity Commission's guidance on public benefit in *The Advancement of Religion for the Public Benefit* and have had regard to it in their administration of the DBF. The trustees believe that, by promoting the work of the Church of England in the Diocese of Newcastle, it helps to promote the whole mission of the Church (pastoral, evangelistic, social and ecumenical) more effectively, both in the diocese as a whole and in its individual parishes, and that in doing so it provides a benefit to the public by:

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

### **Statutory functions**

NDBF has responsibility for the management of glebe property and investments to generate income to support the cost of stipends.

### **Grant-making (beneficiary-selection) policy**

Grants are made to the National Church in accordance with an agreed formula, to cover a proportion of its central costs and also to cover the cost of training for ministry. The total paid to the National Church in 2009 was £339K (2008: £288K).

Grants are paid to other connected charities and to other charitable projects which appear to the Board to support the furtherance of NDBF's objectives. The Mission Development Fund is the primary source of such grants, using funds provided by the Archbishops' Council. Grants made during 2009 from this source totalled £34K (2008: £31K).

### **Political and charitable contributions**

Charitable contributions have been paid as normal expenditure in the exercise of the Board's objectives. There have been no political contributions.

## **5. Achievements and performance**

### **Plans and achievements in 2009**

During 2009 NDBF planned to:

- Continue to develop the financial strategy in line with Diocesan priorities, and assess the availability of reserves to support future prospects.
- To provide support for stipendiary posts in line with the National Church allocation.
- To limit expenditure to that authorised in the budget.
- To achieve 94% receipt of Parish Share.
- To maintain readily accessible reserves of £1.5 million.

During the year NDBF has:

- Continued to develop the financial strategy in line with Diocesan priorities
- Provided support to stipendiary posts in line with the National Church allocation
- Limited expenditure to that authorised by the budget
- Maintained readily accessible reserves of £1.5m.

### **Operational performance**

NDBF received 90.6% of Parish Share due for the year and has met all of its financial obligations to continue resourcing diocesan needs as these arise, including the support of the ministry, provision of well-maintained houses for the clergy, national church responsibilities and enriching and facilitating many other aspects of church life throughout Newcastle such as retreats and cultural and spiritual gatherings.

The number of clergy working in the parishes was reduced to 122.6 posts. This reflects a small fall in the numbers going forward for ordination nationally and the numbers of clergy retiring but is in line with the national allocation of clergy to the diocese.

### **Investment performance**

#### **Overall performance**

Investments are held in both glebe and general funds. The total value of investments (excluding short-term cash deposits) at 31 December 2009 was £3.19m (2008: £3.02m) and the total return on investment was 4.6%.

#### **Glebe investments**

During the year the NDBF sold some of its property and land and recognised gains totalling £32K. The investments held by the NDBF, mainly agricultural land and shares, have been revalued to latest market values

which amount to £1.43m. These investments are held primarily to generate a sustainable income to continue funding clergy stipends. Rents receivable amounted to £34K (2008: £31K) – an income yield of 2.4% .

### **Investment securities**

Investments in equity and fixed interest securities were valued at £1.75m at 31 December 2009 (2008: £1.60m) – an increase of 9.3% over the year. The unrealised gain in the value of investments during the year amounted to £149K, an increase of 9.3% on the equity portfolio. Income from these securities amounted to £105K (2008: £104K) – a yield of around 6.5%.

### **External factors affecting performance**

Every effort is made by the Diocese to hold down increases in the Parish Share, which is contributed by the Deaneries and PCCs towards the ministry and other costs of the Diocese. A large part of the costs are staff salaries and building maintenance costs, which both tend to increase at a rate in excess of the Retail Price Index. In addition, the Diocese is having to increase contributions to the clergy and staff pension schemes.

## **6. Financial review**

### **Overall financial position**

Income totalled £6.31m (2008: £6.43m) and expenditure amounted to £6.62m (2008: £6.64m).

The Statement of Financial Activities (SOFA) for the year shows net outgoing resources of £318K (2008: £216K) before gains and losses on the year-end revaluation of investment assets.

After all gains and losses for the year, the net negative movement in funds amounted to £123K (2008: £553K).

During the year, total fund balances reduced from £22.50m to £22.37m

There was an overall net cash outflow of £1,148K (2008: £518K).

### **Principal funding sources**

Around 61% of the income of the DBF is from the Parish Share and 25% from National Church Selective Allocations.

### **Review of the financial position**

The balance sheet has remained healthy due to the high level of short-term investments and cash. Net cash flow however has been negative due to further investment in property for use by the Diocese.

### **Going concern**

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

### **Investment policies**

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

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

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

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

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

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

### **Glebe investments**

Glebe investments are held in agricultural land, commercial and residential land and buildings, equities and fixed interest securities.

### **Unrestricted fund investments**

Funds which may be needed for working capital in the short term are held as deposits with the Central Board of Finance.

### **Reserves policy**

NDBF has considerable responsibilities including the remuneration at the end of 2009 of 128.3 full time equivalent parochial stipendiary clergy, the upkeep of over 150 houses and the employment of some 16.2 full time equivalent staff. The target free reserves (net of fixed assets and investments) is currently set at an amount equivalent to three months' gross expenditure from unrestricted funds estimated at £1.5m. At 31 December 2009, NDBF's free reserves (i.e. excluding those tied up in fixed assets) were £2.0m.

## **7. Plans for future periods**

The NDBF's financial objectives for 2010 are as follows:

- To continue to develop the financial strategy in line with Diocesan priorities, and assess the availability of reserves to support future prospects.
- To provide support for stipendiary posts in line with the National Church allocation.
- To limit expenditure to that authorised in the budget.
- To maintain readily accessible reserves of £1.5 million.

## **8. Appointment of auditors**

A resolution to reappoint **unw** LLP as auditors to the company and to authorise the trustees to fix their remuneration will be proposed at the Annual General Meeting.

By Order of the Board

**Mr GP Barnard**  
**Diocesan Secretary**

**Mr SR Harper**  
**Chair**

Date

We have audited the financial statements of the Newcastle Diocese Board of Finance Limited for the year ended 31 December 2009 which comprise the Statement of Financial Activities, the Summary Income and Expenditure Account, the Balance Sheet, the Cash Flow Statement and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the charitable company's members, as a body, in accordance with Sections 495 and 496 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the charitable company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charitable company and its members as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of the trustees and auditors**

The trustees' (who are also the directors of the Newcastle Diocesan Board of Finance Limited for the purposes of company law) responsibilities for preparing the Trustees' Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and for being satisfied that the financial statements give a true and fair view are set out in the Statement of Trustees' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view, have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice and have been prepared in accordance with the Companies Act 2006. We also report to you whether in our opinion the information given in the Trustees' Annual Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the charity has not kept adequate accounting records, if the financial statements are not in agreement with the accounting records and returns, if we have not received all the information and explanations we require for our audit, or if certain disclosure of trustees' remuneration specified by law are not made.

We read the Trustees' Annual Report and consider the implications for our report if we become aware of any apparent misstatements within it.

### **Basis of audit opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the trustees in the preparation of the financial statements, and of whether the accounting policies are appropriate to the charitable company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

**Opinion**

In our opinion:

1. the financial statements give a true and fair view of the state of the charitable company's affairs as at 31 December 2009, and of its incoming resources and application of resources, including its income and expenditure, for the year then ended;
2. the financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice.
3. the financial statements have been prepared in accordance with the Companies Act 2006; and
4. the information given in the Trustees' Annual Report is consistent with the financial statements.

**Andrew Wilson BA FCA (Senior Statutory Auditor)**

For and on behalf of  
unw LLP  
Chartered Accountants & Registered Auditors  
Citygate  
St James Boulevard  
Newcastle upon Tyne  
NE1 4JE

Date

**NEWCASTLE DIOCESAN BOARD OF FINANCE**  
**STATEMENT OF FINANCIAL ACTIVITIES FOR YEAR ENDED 31 DECEMBER 2009**

	Note	Unrestricted Funds £	Restricted Funds £	Endowment Funds £	Total Funds 2009 £	Total Funds 2008 £
<b>Incoming resources</b>						
<b>Incoming resources from generating funds:</b>						
Voluntary income						
Parish contributions	2	3,829,436	-	-	3,829,436	3,775,802
Archbishops' Council	3	1,581,901	-	-	1,581,901	1,568,768
Other	4	182,446	38,802	-	221,248	276,265
Activities for generating funds	5	38,627	-	-	38,627	3,725
Investment income	6	229,881	27,579	15,256	272,716	446,762
<b>Incoming resources from charitable activities</b>						
Statutory fees and other income	7	363,133	-	-	363,133	355,793
<b>Total incoming resources</b>		<b>6,225,424</b>	<b>66,381</b>	<b>15,256</b>	<b>6,307,061</b>	<b>6,427,115</b>
<b>Resources expended</b>						
<b>Costs of generating funds:</b>						
Costs of generating voluntary income	8	-	-	-	-	(37,844)
Investment management costs	9	(35,031)	-	-	(35,031)	(39,959)
<b>Charitable activities</b>						
Contributions to Archbishops' Council	10	(338,678)	-	-	(338,678)	(288,375)
Resourcing ministry and mission	11	(6,013,185)	(89,077)	-	(6,102,262)	(6,125,136)
Education	12	(125,023)	-	-	(125,023)	(128,937)
<b>Governance costs</b>	13	<b>(23,632)</b>	<b>-</b>	<b>-</b>	<b>(23,632)</b>	<b>(22,670)</b>
<b>Total resources expended</b>		<b>(6,535,549)</b>	<b>(89,077)</b>	<b>-</b>	<b>(6,624,626)</b>	<b>(6,642,921)</b>
<b>Net (outgoing)/incoming resources before transfers</b>						
Gross transfer between funds	15	112,000	(112,000)	-	-	(215,806)
<b>Net (outgoing)/incoming resources before other recognised gains and losses</b>		<b>(198,125)</b>	<b>(134,696)</b>	<b>15,256</b>	<b>(317,565)</b>	<b>(215,806)</b>
<b>Other recognised gains (losses)</b>						
Realised gain on investment assets		-	-	32,115	32,115	21,000
Unrealised gain on investment assets	21	96,312	-	65,780	162,092	(357,822)
<b>Net movement in funds</b>		<b>(101,813)</b>	<b>(134,696)</b>	<b>113,151</b>	<b>(123,358)</b>	<b>(552,628)</b>
<b>Reconciliation of funds</b>						
Total funds brought forward	17	4,933,044	1,922,807	15,641,050	22,496,901	23,049,529
<b>Total funds at 31 December 2009</b>	17	<b>4,831,231</b>	<b>1,788,111</b>	<b>15,754,201</b>	<b>22,373,543</b>	<b>22,496,901</b>

All incoming resources and resources expended relate to continuing activities

**NEWCASTLE DIOCESAN BOARD OF FINANCE**  
**INCOME AND EXPENDITURE ACCOUNT FOR YEAR ENDED 31 DECEMBER 2009**

	2009	2008
	£	£
<b>Total income</b>	<b>6,034,345</b>	6,088,210
<b>Total expenditure</b>	<b>(6,624,626)</b>	(6,298,285)
<b>Operating deficiency</b>	<b>(590,281)</b>	(210,075)
<b>Non-operating exceptional items</b>		
Profit on disposal of investments	<u>32,115</u>	<u>21,000</u>
	<b>(558,166)</b>	(189,075)
<b>Other income</b>		
Investment income	<u>104,615</u>	104,157
Interest received	<u>35,753</u>	33,625
Rental and other income	<u>117,092</u>	162,031
	<b>257,460</b>	299,813
<b>Retained deficit for the financial year</b>	<b>(300,706)</b>	<b>110,738</b>

All of the above amounts relate to continuing activities.

**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES**

	2009	2008
	£	£
Deficit for the year	<u>(300,706)</u>	110,738
Unrealised gains on investments	<u>96,312</u>	355,356
Total gains and losses recognised since the last annual report	<b>(204,394)</b>	466,094

NEWCASTLE DIOCESAN BOARD OF FINANCE  
BALANCE SHEET AS AT 31 DECEMBER 2009

	Note	2009 £	2008 £
<b>Fixed assets</b>			
Tangible assets	20	16,499,725	15,781,408
Investments	21	<u>3,189,734</u>	<u>3,024,593</u>
		19,689,459	18,806,001
<b>Current assets</b>			
Debtors	22	592,286	241,252
Investments	23	2,060,207	3,061,340
Cash at bank		<u>637,542</u>	<u>752,300</u>
		3,290,035	4,054,892
<b>Creditors: amounts falling due within one year</b>	24	<u>(281,546)</u>	<u>(311,557)</u>
<b>Net current assets</b>		<u>3,008,489</u>	<u>3,743,335</u>
<b>Total assets less current liabilities</b>		22,697,948	22,549,336
<b>Creditors: amounts falling due after more than one year</b>	24	<u>(324,405)</u>	<u>(52,435)</u>
<b>Net assets</b>		<u>22,373,543</u>	<u>22,496,901</u>
<b>The funds of the charity:</b>			
Endowment funds	25	15,754,202	15,641,051
Restricted income funds		1,788,111	1,922,807
Unrestricted income funds			
General funds		1,720,541	1,942,455
Designated funds		<u>3,110,689</u>	<u>2,990,588</u>
		4,831,230	4,933,043
<b>Total funds</b>	25	<u>22,373,543</u>	<u>22,496,901</u>

These financial statements were approved by the members of the board on the 19<sup>th</sup> April 2010 and are signed on their behalf by:

**Mr S R Harper**  
Chair

**Company number 00650977**

NEWCASTLE DIOCESAN BOARD OF FINANCE  
CASH FLOW STATEMENT FOR YEAR ENDED 31 DECEMBER 2009

	2009	2008
	£	£
Net incoming resources before transfers	(349,680)	(236,806)
Depreciation	20,624	417,449
Net gain on disposal of investments	32,115	21,000
Interest and dividends receivable	(272,716)	(446,762)
Increase in debtors	(351,034)	(14,722)
Decrease in creditors	<u>(30,011)</u>	<u>84,626</u>
<b>Net cash outflow from operating activities</b>	<b><u>(950,702)</u></b>	<b><u>(175,215)</u></b>
<b>Returns on investment and servicing of finance</b>		
Interest and dividends received	<u>272,716</u>	<u>446,762</u>
	<b><u>272,716</u></b>	<b><u>446,762</u></b>
<b>Taxation</b>		
Taxation recovered/(paid)	-	<b>34,208</b>
<b>Capital expenditure and financial investment</b>		
Expenditure on tangible fixed assets	(738,941)	(825,948)
Purchase of investments	(13,049)	-
Receipt from sale of investments	<u>10,000</u>	<u>-</u>
	<b><u>(741,990)</u></b>	<b><u>(825,948)</u></b>
Net cash outflow before financing	<b><u>(1,419,976)</u></b>	<b><u>(520,193)</u></b>
<b>Financing</b>		
Net inflow from other long-term creditors	<u>271,970</u>	<u>1,971</u>
	<b><u>271,970</u></b>	<b><u>1,971</u></b>
<b>Decrease in cash</b>	<b><u>(1,148,006)</u></b>	<b><u>(518,222)</u></b>

## 1. Principal accounting policies

The financial statements comply with applicable accounting standards and the Statement of Recommended Practice "Accounting and Reporting by Charities" published in March 2005, as interpreted by the Diocesan Annual Report and Financial Statements Guide. A summary of the material accounting policies and estimation techniques adopted follows.

### **Basis of preparation**

The Board prepares its annual financial statements on the basis of historical cost adjusted for the revaluation of land and buildings and the carrying of investment assets (including investment properties) at market value. The financial statements are drawn up in accordance with the requirements of the Companies Act 2006.

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

- **General** funds represent funds which are expendable at the discretion of the trustees in the furtherance of the objectives of the charity. Such funds may be held in order to finance both working capital and capital investment.
- **Designated** funds are amounts which have been put aside at the discretion of the trustees and are therefore not available for other purposes. All of the Board's unrestricted funds apart from the General Fund are now regarded as designated.
- **Restricted** funds represent grants, donations, legacies and assets which are allocated by the donor for specific purposes. The largest restricted fund is the Pastoral Account.
- **Endowment** funds are those held on trust to be retained for the benefit of the charity as a capital fund. In the case of the endowment funds administered by the Board (Stipends Capital Fund, and Parsonage Houses Fund), there are discretionary powers to convert capital into income and, as a result, these funds are classified as expendable endowment. Endowment funds where there is no provision for expenditure of capital are classified as permanent endowment

"Special trusts" (as defined by the Charities Act 1993) and any other trusts where the company acts as trustee and controls the management and use of the funds, are included in the company's own financial statements as charity branches, subject to the Charity Commission's determination of their accounting status.

Trusts where the Board acts merely as custodian trustee with no control over the management of the funds are not included in the financial statements but are disclosed in the trustees' annual report.

### **Incoming resources**

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

Grants received which are subject to pre-conditions for entitlement or use specified by the donor which have not been met at the year end are included in creditors to be carried forward to the following year.

The principal source of income of the NDBF is Parish Share. The share monies, being voluntary parochial contributions, are recognised in the SOFA in the period in which they are received. Arrears are not shown as debtors since only constructive pressure can be applied to encourage parishes to pay any outstanding sums. Debts for share are not enforceable.

The Stipends Fund Capital account is governed by the Diocesan Stipends' Fund Measure 1953, as amended, and the use of the income is restricted for clergy stipends. However, the income is fully expended within the year of receipt and the legal restrictions, therefore, are satisfied. It is on this basis that the income and the

(normally much larger) related expenditure are both included in the unrestricted column of the SOFA for the sake of greater clarity and simplicity in financial reporting.

Selective allocations from the Church Commissioners are credited to the Stipends and General Fund on a monthly basis and recognised in the statement of financial activities as incoming resources. Money from the Mission Development Fund has been awarded to the Diocese in two half-yearly grants.

Legacies, contributions and other donations are accounted for when conditions for their receipt have been met.

Investment income is accounted for when receivable. Rental income for glebe and other property is shown separately.

Clergy fees, chaplaincy income and guaranteed annuities are receivable on a monthly basis.

Other sundry income, including gains on disposal of properties, is recognised in the statement of financial activities in the accounting period in which monies are receivable.

### **Resources expended**

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

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

Payments in support of services provided by the Archbishops' Council are regarded as grants and the annual amounts payable are divided into monthly instalments.

Resourcing ministry and mission costs are the costs incurred by the board in maintaining resident clergy in numerous parishes throughout the Diocese. These include stipends, national insurance, housing, relocation, and a range of support costs. The support costs are mainly for staffing. Included here are grants payable and other sundry costs.

### **Pensions**

The NDBF participates in both the Church of England Defined Benefits Scheme, part of the Church Workers Pension Fund, and the Church of England Funded Pensions Scheme. Both are defined benefit schemes. The NDBF is unable to identify its share of the underlying assets and liabilities and therefore accounts for these schemes as if they were defined contribution schemes. Accordingly contributions are charged to the statement of financial activities as they become payable.

### **Investments**

Investments are shown at their market value on the date of the balance sheet. Investments held by the NDBF as custodian trustee are not included in these accounts.

### **Depreciation on other tangible fixed assets**

Depreciation is provided in order to write off the cost (less any residual value) of other fixed assets over their currently expected useful economic lives at the following initial rates:-

Freehold and leasehold property	shorter of 50 years or lease term
Computers	25% per annum straight line

NEWCASTLE DIOCESAN BOARD OF FINANCE  
 NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2009

Furniture and office equipment	10% per annum straight line
Office equipment	25% per annum straight line

**Gains and losses on fixed assets**

Realised gains and losses on non-investment properties are included within net incoming resources for the year. Unrealised gains and losses on investment properties are included as part of other gains and losses.

**2. Parish contributions**

	Unrestricted Funds £	Restricted Funds £	Endowment Funds £	Total Funds 2009 £	Total Funds 2008 £
<b>Parish share</b>					
Current year's allocation	4,228,953	-	-	4,228,953	4,105,780
Shortfall	517,638	-	-	517,638	433,488
Parish contributions	3,711,315	-	-	3,711,315	3,672,292
Arrears for previous years	118,121	-	-	118,121	103,510
	<u>3,829,436</u>	<u>-</u>	<u>-</u>	<u>3,829,436</u>	<u>3,775,802</u>

**3. Voluntary income from Archbishops' Council**

	Unrestricted Funds £	Restricted Funds £	Endowment Funds £	Total Funds 2009 £	Total Funds 2008 £
Selective allocation	1,399,309	-	-	1,399,309	1,351,381
Mission development fund	92,200	-	-	92,200	88,600
Additional ministry support	90,392	-	-	90,392	128,787
	<u>1,581,901</u>	<u>-</u>	<u>-</u>	<u>1,581,901</u>	<u>1,568,768</u>

**4. Other voluntary income**

	Unrestricted Funds £	Restricted Funds £	Endowment Funds £	Total Funds 2009 £	Total Funds 2008 £
Income from trusts	1,803	-	-	1,803	4,379
Contributions towards staffing costs	70,916	-	-	70,916	60,421
Other contributions	310	-	-	310	664
Stipend fund gifts	3,432	-	-	3,432	3,431
Grants and donations	105,985	38,802	-	144,787	207,370
	<u>182,446</u>	<u>38,802</u>	<u>-</u>	<u>221,248</u>	<u>276,265</u>

**5. Income from activities for generating funds**

	Unrestricted Funds £	Restricted Funds £	Endowment Funds £	Total Funds 2009 £	Total Funds 2008 £
Diocesan newspaper	3,332	-	-	3,332	3,050
Funding unit	4,045	-	-	4,045	675
Legacies	31,250	-	-	31,250	-
	<u>38,627</u>	<u>-</u>	<u>-</u>	<u>38,627</u>	<u>3,725</u>

**6. Investment income**

	Unrestricted Funds £	Restricted Funds £	Endowment Funds £	Total Funds 2009 £	Total Funds 2008 £
Income from UK listed investments	103,560	1,055	-	104,615	104,157
Bank Interest receivable	9,229	26,524	15,256	51,009	201,123
Rents from Glebe	34,346	-	-	34,346	33,625
Rent from vacant vicarages	50,520	-	-	50,520	76,709
Other rental income	32,226	-	-	32,226	31,148
	<u>229,881</u>	<u>27,579</u>	<u>15,256</u>	<u>272,716</u>	<u>446,762</u>

**7. Incoming resources from charitable activities**

	Unrestricted Funds £	Restricted Funds £	Endowment Funds £	Total Funds 2009 £	Total Funds 2008 £
Statutory fees	299,202	-	-	299,202	301,730
Chaplaincy income	23,953	-	-	23,953	37,589
Guaranteed annuities	6,745	-	-	6,745	7,081
Other	33,233	-	-	33,233	9,393
	<u>363,133</u>	<u>-</u>	<u>-</u>	<u>363,133</u>	<u>355,793</u>

**8. Costs of generating voluntary income**

	Unrestricted Funds £	Restricted Funds £	Endowment Funds £	Total Funds 2009 £	Total Funds 2008 £
Donations given	-	-	-	-	37,844
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>37,844</u>

NEWCASTLE DIOCESAN BOARD OF FINANCE  
 NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2009

**9. Investment management costs**

	Unrestricted Funds £	Restricted Funds £	Endowment Funds £	Total Funds 2009 £	Total Funds 2008 £
Glebe administration	14,933	-	-	14,933	10,956
Spend on upkeep of leased properties	20,098	-	-	20,098	29,003
	<u>35,031</u>	<u>-</u>	<u>-</u>	<u>35,031</u>	<u>39,959</u>

**10. Contributions to Archbishops' Council**

	Unrestricted Funds £	Restricted Funds £	Endowment Funds £	Total Funds 2009 £	Total Funds 2008 £
Training for ministry	136,658	-	-	136,658	118,690
National church responsibilities	115,244	-	-	115,244	112,137
Grants and provisions	18,945	-	-	18,945	17,794
Mission agency pension contributions	9,085	-	-	9,085	8,818
Retired clergy housing costs (CHARM)	33,570	-	-	33,570	31,432
Pooling of ordinand candidates' costs	25,176	-	-	25,176	(496)
	<u>338,678</u>	<u>-</u>	<u>-</u>	<u>338,678</u>	<u>288,375</u>

**11. Expenditure on resourcing ministry and mission**

	Unrestricted Funds £	Restricted Funds £	Endowment Funds £	Total Funds 2009 £	Total Funds 2008 £
Parish ministry:					
Stipends and national insurance	2,844,447	-	-	2,844,447	2,659,564
Clergy pension	978,836	-	-	978,836	892,555
Housing costs	581,486	-	-	581,486	915,967
Removal, resettlement and other	97,838	-	-	97,838	91,133
Other expenses	169,617	89,077	-	258,694	205,280
	<u>4,672,224</u>	<u>89,077</u>	<u>-</u>	<u>4,761,301</u>	<u>4,764,499</u>
Indirect support for ministry	1,340,961	-	-	1,340,961	1,360,637
	<u>6,013,185</u>	<u>89,077</u>	<u>-</u>	<u>6,102,262</u>	<u>6,125,136</u>

**12. Expenditure on education**

	Unrestricted Funds £	Restricted Funds £	Endowment Funds £	Total Funds 2009 £	Total Funds 2008 £
Expenditure on education	125,023	-	-	125,023	128,937

**13. Governance costs**

	Unrestricted Funds £	Restricted Funds £	Endowment Funds £	Total Funds 2009 £	Total Funds 2008 £
Audit fees	12,719	-	-	12,719	12,651
Financial advice	10,913	-	-	10,913	10,019
	<b>23,632</b>	<b>-</b>	<b>-</b>	<b>23,632</b>	<b>22,670</b>

**14. Analysis of indirect support for ministry costs**

	Activities undertaken directly £	Support costs £	Total Funds 2009 £	Total Funds 2008 £
Communications	25,768	27,880	53,648	57,902
Pastoral Committee & DAC	41,378	4,604	45,982	42,575
Administration	307,092	200,280	507,372	485,761
Supporting Ministries, Task Groups and Advisers	398,473	335,486	733,959	774,399
	<b>746,943</b>	<b>568,250</b>	<b>1,340,961</b>	<b>1,360,637</b>

**15. Analysis of transfers between funds**

	Unrestricted Funds £	Restricted Funds £	Endowment Funds £	Total Funds 2009 £	Total Funds 2008 £
Transfer from PICA to cover administration costs	(12,000)	12,000	-	-	-
Transfer of funds to cover house purchase	(100,000)	100,000	-	-	-
	<b>(112,000)</b>	<b>112,000</b>	<b>-</b>	<b>-</b>	<b>-</b>

**16. Net (outgoing)/incoming resources for the year**

This is stated after charging:

	2009 £	2008 £
Depreciation	20,624	417,449
Auditors' remuneration:	12,719	12,651

NEWCASTLE DIOCESAN BOARD OF FINANCE  
NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2009

During the year the Board has reassessed the residual values of the parsonage houses and as a result the depreciation charge for the period has been reduced.

**17. Summary of fund movements**

	Balance at 1 Jan 2009 £	Incoming resources £	Outgoing resources £	Gains and losses £	Transfers £	Balance at 31 Dec 2009 £
<b>Unrestricted Funds</b>						
General	1,942,455	6,032,268	(6,354,345)	78,163	22,000	1,720,541
<b>Designated Funds:</b>						
Mary Wilkinson Fund	605,872	2,807	(88,422)	-	-	520,257
DBF Houses Fund	1,457,027	-	-	-	100,000	1,557,027
Bishop Billbrough Fund	563,705	-	(3,100)	18,149	-	578,754
Parsonages Leasing Fund	57,626	12,600	(1,071)	-	-	69,155
Mission Development Fund	182,852	92,200	(35,464)	-	(10,000)	229,588
Building Grants and Loans Fund	95,131	2,459	(2,250)	-	-	95,340
EIG Fund	28,375	83,090	(50,897)	-	-	60,568
	<u>4,933,043</u>	<u>6,225,424</u>	<u>(6,535,549)</u>	<u>96,312</u>	<u>112,000</u>	<u>4,831,230</u>
<b>Restricted Funds</b>						
PICA/Second Crop Fund	324,187	37,511	(67,152)	-	(12,000)	282,546
New Church Building Fund	119,508	1,897	-	-	-	121,405
Diocesan Pastoral Fund	1,357,377	18,885	(11,975)	-	(100,000)	1,264,287
Winchester Project Fund	28,601	290	-	-	-	28,891
Archdeacons Fund	65,554	7,608	(9,950)	-	-	63,212
Hodgson Bequest Fund	27,580	190	-	-	-	27,770
	<u>1,922,807</u>	<u>66,381</u>	<u>(89,077)</u>	<u>-</u>	<u>(112,000)</u>	<u>1,788,111</u>
<b>Endowment Funds</b>						
Stipends Capital and Glebe Fund	3,591,748	32,115	-	62,822	-	3,686,685
Parsonages Houses Fund	12,017,507	15,256	-	-	-	12,032,763
St Aidan's Fund	31,796	-	-	2,958	-	34,754
	<u>15,641,051</u>	<u>47,371</u>	<u>-</u>	<u>65,780</u>	<u>-</u>	<u>15,754,202</u>
	<u>22,496,901</u>	<u>6,339,176</u>	<u>(6,624,626)</u>	<u>162,092</u>	<u>-</u>	<u>22,373,543</u>

**18. Directors remuneration and expenses**

No remuneration has been paid to any director in their capacity as a director (2008: £NIL).

During the year the Board made contributions to the Church Commissioners at the standard rate agreed by diocesan Synod towards the stipends, national insurance and pension contributions of the licensed clergy who are directors of the Board and provided houses, including payment of council tax and maintenance costs, as part of normal clergy remuneration. Directors were reimbursed for travel, subsistence and incidental costs incurred in undertaking their ministerial activities totalling £18K (2008: £17K).

**19. Employee details**

The average number of employees during the year, calculated on the basis of full-time equivalents, was as follows:

The average number of employees during the year, calculated on the basis of full-time equivalents, was as follows:

	2009	2008
	No	No
Staff	<u>16.2</u>	<u>16.4</u>

**Staff costs were as follows:**

	2009	2008
	£	£
Gross salaries	424,330	420,492
Social security costs	34,365	32,937
Pension contributions	<u>117,051</u>	<u>90,513</u>
	<u>575,746</u>	<u>543,942</u>

No employee received emoluments of more than £60,000 during the year (2008: £Nil).

Parochial stipendiary clergy are not employees of the NDBF and therefore their stipends, pensions and social security costs are not included in this note.

**20. Tangible assets**

	Unrestricted		Endowment funds		TOTAL
	Property	Office Equipment	Parsonages	Glebe Property	
	£	£	£	£	£
<b>At cost or valuation</b>					
At 1 January 2009	2,612,541	191,331	14,002,436	2,278,074	<b>19,084,382</b>
Additions	<u>679,534</u>	<u>3,706</u>	<u>38,097</u>	<u>17,604</u>	<b>738,941</b>
<b>At 31 December 2009</b>	<u><b>3,292,075</b></u>	<u><b>195,037</b></u>	<u><b>14,040,533</b></u>	<u><b>2,295,678</b></u>	<u><b>19,823,323</b></u>
<b>Accumulated depreciation</b>					
At 1 January 2009	366,685	157,061	2,400,959	378,269	<b>3,302,974</b>
Charge for the year	<u>6,400</u>	<u>14,224</u>	<u>-</u>	<u>-</u>	<b>20,624</b>
<b>At 31 December 2009</b>	<u><b>373,085</b></u>	<u><b>171,285</b></u>	<u><b>2,400,959</b></u>	<u><b>378,269</b></u>	<u><b>3,323,598</b></u>
<b>Net book value at 31 December 2009</b>	<u><b>2,918,990</b></u>	<u><b>23,752</b></u>	<u><b>11,639,574</b></u>	<u><b>1,917,409</b></u>	<u><b>16,499,725</b></u>
Net book value at 31 December 2008	<u>2,245,856</u>	<u>34,270</u>	<u>11,601,477</u>	<u>1,899,805</u>	<b>15,781,408</b>

**Properties**

In 1995 all freehold property, residential and office, was valued at £17.1m by the Trustees, based upon professional advice obtained from Mr. P.D. Hepburn, Chartered Surveyor, of Black Horse Agencies. Mr. Hepburn did not visit or carry out a valuation of the properties. The transitional arrangements of FRS 15 have been adopted in the case of land and buildings and the valuation has not been updated since 1995. The charity is not continuing the revaluation policy relating to these assets.

### NDBF properties

These properties were purchased using either unrestricted reserves, the Pastoral Account or the Stipends Capital and Glebe Fund. Included in this category is £429K (2008:£429K) which is attributable to the Bishop Bilbrough Fund, being part of the cost of the new Church House office accommodation paid for from the proceeds of the former Church House building. The balance of the cost of Church House is held within the Mary Wilkinson Legacy Fund. The other NDBF properties are included in the NDBF Houses Fund, an unrestricted fund.

### Parsonage houses

Rectories and vicarages (other than team vicarages) are vested in individual benefices. However the NDBF is responsible for the maintenance and repair of all parsonage houses and carries substantially all the risks of ownership. Following a scheme for pastoral reorganisation the net proceeds of the sale of a parsonage house may be credited to the Diocesan Pastoral Account, which is recognised as an asset of the NDBF. The NDBF members have been advised that it is necessary to include parsonage houses on the balance sheet at valuation.

### Glebe team vicarages

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

## 21. Investments

	Investment property £	Unlisted investments £	Listed investments £	TOTAL £
<b>Within the United Kingdom</b>				
At 1 January 2009	1,424,000	-	1,600,593	3,024,593
Additions	-	13,049	-	13,049
Disposals	(10,000)	-	-	(10,000)
Revaluation	13,160	-	148,932	162,092
<b>At 31 December 2009</b>	<b>1,427,160</b>	<b>13,049</b>	<b>1,749,525</b>	<b>3,189,734</b>
<b>Cost at 31 December 2009</b>	<b>1,427,160</b>	<b>13,049</b>	<b>1,749,525</b>	<b>3,189,734</b>
Cost at 31 December 2008	1,424,000	-	1,600,593	3,024,593

### Investment Properties

Glebe land and properties held as investments were valued at the end of the year by the Diocesan Property Manager, Mr I Beswick, at £1,414K.

### Listed investments

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

### Unlisted investments

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

**22. Debtors**

	2009	2008
	£	£
<b>Due within one year</b>		
Loan to C of E Pensions Board	-	292
Church Commissioners: sundry debtors	3,569	3,872
Prepayments	16,408	11,167
Loans for parish buildings	10,223	-
Other debtors	486,086	157,421
	<u>516,286</u>	<u>172,752</u>
<b>Due after one year</b>		
Loan to C of E Pensions Board	34,500	34,500
Loan to Retreat House	12,500	-
Loans for parish buildings > 1 year	29,000	34,000
	<u>76,000</u>	<u>68,500</u>
	<u>592,286</u>	<u>241,252</u>

A value linked loan of £34,500 was made to the Church of England Pensions Board in September 2004. This represents part of the cost of a property which the Pensions Board was obliged to purchase. The loan is due for repayment after more than one year.

**23. Short-term investments**

	2009	2008
	£	£
CBF Deposit fund	<u>2,060,207</u>	<u>3,061,340</u>

**24. Creditors**

	£	£
<b>Amounts falling due within one year</b>		
Taxation and social security	17,545	27,581
Other creditors	93,303	55,413
Accruals	170,698	228,563
	<u>281,546</u>	<u>311,557</u>
<b>Amounts falling due after more than one year</b>		
Other long term loans	8,100	8,100
Sundry creditors including trust monies	316,305	44,335
	<u>324,405</u>	<u>52,435</u>

**25. Summary of assets per fund**

	Fixed assets			Long term liabilities	Net assets
	Tangible	Investments	Current assets		
	£	£	£	£	£
<b>Unrestricted Income Funds:</b>					
General Funds	19,451	931,240	816,156	(46,305)	1,720,542
<b>Designated Funds</b>					
Mary Wilkinson Fund	402,407	-	117,850	-	520,257
DBF Houses Fund	2,155,322	-	(328,295)	(270,000)	1,557,027
Bishop Bilbrough Fund	365,562	213,192	-	-	578,754
Parsonages Leasing Fund	-	-	69,155	-	69,155
Mission Development Fund	-	-	229,588	-	229,588
Building Grants and Loans Fund	-	-	95,340	-	95,340
EIG Fund	-	-	60,568	-	60,568
	<u>2,942,742</u>	<u>1,144,432</u>	<u>1,060,362</u>	<u>(316,305)</u>	<u>4,831,231</u>
<b>Restricted Income Funds:</b>					
PICA/Second Crop Fund	-	-	282,546	-	282,546
New Church Building Fund	-	-	121,405	-	121,405
Diocesan Pastoral Fund	-	-	1,272,387	(8,100)	1,264,287
Winchester Project Fund	-	-	28,891	-	28,891
Archdeacons Fund	-	-	63,212	-	63,212
Hodgson Bequest Fund	-	-	27,770	-	27,770
	<u>-</u>	<u>-</u>	<u>1,796,211</u>	<u>(8,100)</u>	<u>1,788,111</u>
<b>Endowment Funds:</b>					
Stipends Capital and Glebe Fund	1,917,409	2,010,548	(241,272)	-	3,686,685
Parsonages Houses Fund	11,639,574	-	393,188	-	12,032,762
St Aidan's Fund	-	34,754	-	-	34,754
	<u>13,556,983</u>	<u>2,045,302</u>	<u>151,916</u>	<u>-</u>	<u>15,754,201</u>
<b>Total Funds</b>	<u>16,499,725</u>	<u>3,189,734</u>	<u>3,008,489</u>	<u>(324,405)</u>	<u>22,373,543</u>

**General Fund**

This fund is available for any purpose within the objects of the Board. It provides the assets and liquidity for the NDBF to carry out its objectives, including statutory compliance, administration of funds and payments for stipends and housing.

**Mary Wilkinson Fund**

This fund represents a bequest which can be used for general purposes. It has been used to provide part of the costs for buying, modifying and fitting out Church house, and more recently, for a capital grant to Shepherds Dene Retreat House.

<b>DBF Houses Fund</b>	This is a designated fund for holding those houses which are neither parsonages nor team vicarages.
<b>Bishop Bilbrough Fund</b>	This fund represents a bequest which can be used for general purposes. It has been used to provide part of the costs for buying, modifying and fitting out Church House.
<b>Parsonages Leasing Fund</b>	This fund holds the leasing surplus accumulated from a house which would normally be occupied by the Assistant bishop. The Church commissioners have made a value-linked loan to help the Diocese to buy this property.
<b>Mission Development Fund</b>	This fund represents monies received from the Archbishops' Council to support planned mission work in the diocese in future years.
<b>Building Grants and Loans Fund</b>	This is a designated fund to make loans and grants to parishes to enable them to carry out work on their existing church buildings.
<b>EIG Fund</b>	This is a designated fund which uses the annual grant from the EIG insurance company to make small payments at the discretion of the Chairman and Diocesan Secretary.
<b>PICA/Second Crop Fund</b>	This is a restricted fund used for making relatively small grants to community-based projects.
<b>New Church Building Fund</b>	This is a restricted fund used for making grants and loans to parishes to enable them to acquire new church buildings.
<b>Diocesan Pastoral Fund</b>	This fund includes the proceeds of redundant churches and parsonages. The purposes for which the account may be used are laid down in Section 78 of the Pastoral Measure 1983.
<b>Winchester Project Fund</b>	This is a restricted fund which holds the balance remaining from grants made to Newcastle Diocese by Winchester Diocese over a number of years. Parishes can apply for funding to carry out project work.
<b>Archdeacons Fund</b>	This is a restricted fund which is spent at the discretion of the Archdeacons to help clergy who experience financial difficulties.
<b>Hodgson Bequest Fund</b>	This fund represents a restricted bequest to be used for training clergy.
<b>Stipends Capital and Glebe Fund</b>	This fund is governed by the Diocesan Stipends Measure 1953. The income of the fund can only be used for clergy stipends but, since 1993, capital can be applied for improvements to parsonage houses.
<b>Parsonage Houses Fund</b>	This fund represents the value of the benefice houses (parsonages) in the Diocese after deducting loans outstanding in respect of such houses.
<b>St Aidan's Fund</b>	The fund is made up of units in the Central Board of Finance Investment Fund. Income is used for ordination training.

**26. Analysis of changes in funds**

	1 Jan 2009	Cash flows	31 Dec 2009
	£	£	£
Cash at bank	3,813,640	(1,753,433)	2,060,207
Debt due after 1 year	(52,435)	(271,970)	(324,405)
	<u>3,761,205</u>	<u>(2,025,403)</u>	<u>1,735,802</u>

**Reconciliation of net cash to movement in net funds**

	2009	2008
	£	£
Decrease in cash in the period	(1,753,433)	(497,248)
Net outflow from other long-term creditors	<u>(271,970)</u>	<u>(1,971)</u>
Change in net funds	(2,025,403)	(499,219)
Net funds at 1 Jan 2009	<u>3,761,205</u>	<u>4,260,424</u>
<b>Net funds at 31 Dec 2009</b>	<u><b>1,735,802</b></u>	<u><b>3,761,205</b></u>

**27. Pensions**

**Lay Employees**

The NDBF participates in the Church of England Defined Benefits Scheme (DBS), part of the Church Workers Pension Fund. During the year to 31 December 2009, the NDBF made contributions of £979K (2008: £893K) and this has been taken as the pension cost shown in these accounts, as explained below.

The NDBF 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 DBS. A valuation of the Fund was carried out as at 31<sup>st</sup> December 2007 and the NDBF's contribution rate was revised with effect from 1<sup>st</sup> January 2009.

At 31<sup>st</sup> December 2009 the NDBF had 8 active members and 10 deferred pensioner members in the Fund.

**Clergy**

The NDBF participates in the Church of England Funded Pensions Scheme and employs 139 members of the Scheme out of a total membership of approximately 10,000 active members.

The Church of England Funded Pensions Scheme is a defined benefit scheme but the NDBF 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 2006. This revealed a shortfall of £141m, with assets of £468m and a funding target of £609m, assessed using the following assumptions:

- An investment strategy of a nil allocation to gilts for the next 10 years, increasing linearly to reach 30% after 20 years, and the balance of the assets in equities;
- Investment returns of 4.25% pa on gilts and 5.75% pa on equities;
- RPI inflation of 3.1% pa (and pension increases consistent with this);
- Increase in pensionable stipends 4.6% pa; and
- Post-retirement mortality in accordance with the PA00 tables, adjusted so that members are assumed to be two years younger than they actually are, with allowance for future improvements

according to the “medium cohort” projections, and subject to a minimum annual improvement in mortality rates of 1% for males and 0.5% for females.

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

Following the results of the valuation, and some agreed changes to benefits, the NDBF contribution rate decreased from 39.8% to 39.7% of pensionable stipends with effect from 1 April 2008. The contribution rate was subsequently increased to 45% of pensionable stipends with effect from 1 January 2010, reflecting unfavourable investment experience and changes in financial market conditions. A new valuation of the Scheme is being carried out as at 31 December 2009.

**28. Related party transactions**

The NDBF makes an annual grant to Shepherds Dene Retreat House (Stirling Newall Trust) of £2,500. During the year the NDBF also paid £6,854 to the Retreat House for the use of its facilities by Diocesan groups (2008: £12,838). Throughout the year there were two individuals who were trustees for both the NDBF and Stirling Newall Trust. A short-term loan was advanced to Stirling Newall Trust, the amount outstanding at the year end was £40,500.

NEWCASTLE DIOCESAN BOARD OF FINANCE  
NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2009

---

In accordance with the Companies Act 2006 and the Statement of Recommended Practice: Accounting and Reporting by Charities issued in March 2005 (SORP 2005), the trustees (for the purposes of charity law) and directors (for the purposes of company law) during the year and as at the date of signing follow:

<b>Ex officio</b>	The Rt Revd J M Wharton ( <i>Bishop of Newcastle</i> ) The Very Revd CC Dalliston ( <i>Dean of Newcastle</i> ) The Ven PJA Robinson ( <i>Archdeacon of Lindisfarne</i> ) The Ven GV Miller ( <i>Archdeacon of Northumberland</i> ) Revd Canon J Sinclair ( <i>Chair of House of Clergy of Diocesan Synod</i> ) Mr M Stoker ( <i>Chair of House of Laity of Diocesan Synod</i> )
<b>Elected</b>	Mr S R Harper ( <i>Chair</i> ) Dr. J W Bull Revd P Cunningham Rev Canon Dr. R P Greenwood Mrs S Hart Mr D Radcliff Miss V L Scurfield Mr. E Tingate Revd. Dr. D Winter Ms C Wolstenholme
<b>Co-opted by the Board</b>	Revd Canon J A Robertson ( <i>Vice Chair</i> )
<b>Secretary</b>	Mr GP Barnard ( <i>appointed 01/10/2009</i> )
<b>Registered Office</b>	Church House St. John's Terrace North Shields NE29 6HS
<b>Telephone</b>	01912 704100
<b>Facsimile</b>	01912 704101
<b>Website</b>	<a href="http://www.newcastle.anglican.org.uk">www.newcastle.anglican.org.uk</a>
<b>e-mail</b>	<a href="mailto:info@newcastle.anglican.org">info@newcastle.anglican.org</a>
<b>Company registration number</b>	650977 (England & Wales)
<b>Charity registration number</b>	247233
<b>Auditors</b>	unw LLP Chartered Accountants & Registered Auditors Citygate St. James' Boulevard Newcastle upon Tyne NE1 4JD

**Bankers**

Barclays Bank plc  
446 Westgate Road  
Newcastle upon Tyne  
NE4 9BN

**Solicitors and Registrars**

Sintons  
The Cube  
Barrack Road  
Newcastle upon Tyne  
NE4 6DB

**Investment Managers:**

**Listed Investments**

CCLA Investment Management Ltd  
80 Cheapside  
London  
EC2V 6DZ