

**DURHAM DIOCESAN BOARD OF FINANCE**

**ANNUAL REPORT**

**YEAR ENDED 31 DECEMBER 2022**

Company Number: 00192018

Charity Number: 248287

# Durham Diocesan Board of Finance

(A company limited by guarantee)

## Contents

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	Page
Reference and administrative details	1 - 2
Trustees' report	3 – 19
Trustees' responsibilities statement	20
Independent auditor's report to the trustees of Durham Diocesan Board of Finance	21 – 23
Statement of financial activities	24
Income and expenditure account	25
Balance sheet	26
Statement of cash flows	27
Notes to the financial statements	28 - 59

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# Durham Diocesan Board of Finance

(A company limited by guarantee)

## Reference and administrative details Year ended 31 December 2022

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### Ex officio members of the board

The Bishop of Durham - Right Reverend PR Butler (Chair)  
The Bishop of Jarrow - Right Reverend SE Clark  
The Dean of Durham - Very Reverend A Tremlett (until 31 August 2022)  
The Archdeacon of Auckland - Venerable RL Simpson  
The Archdeacon of Durham - Venerable EM Wilkinson  
The Archdeacon of Sunderland - Venerable RG Cooper  
The Chair of the House of Laity - Mrs F Stenlake (from 20 January 2022)  
The Chair of the House of Clergy - Canon S Clark  
The Chair of the Finance Group - Ms ML Vaughan

### Elected members of the board

Mrs A Blackburn  
Mr F Drake  
Mr S Gardiner  
Mr J Hall  
Dr JH Harrison  
Mr P Hobbs  
Mrs R Hicks  
Dr AC Price  
Mr FA Rogers  
Mrs F Stenlake (until 20 January 2022)  
Mr J Wilders (from 21 October 2022)  
Reverend P Arnold  
Reverend L Sutherland  
Canon D Tolhurst

# Durham Diocesan Board of Finance

(A company limited by guarantee)

## Reference and administrative details (continued) Year ended 31 December 2022

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<b>Company registered number</b>	00192018
<b>Charity registered number</b>	248287
<b>Registered office</b>	Cuthbert House Stonebridge Durham DH1 3RY
<b>Company secretary</b>	Mr J J Morgan
<b>Independent auditor</b>	UNW LLP Chartered Accountants Citygate St James' Boulevard Newcastle upon Tyne NE1 4JE
<b>Diocesan Chancellor</b>	The Worshipful Adrian Iles 56 North Bondgate Bishop Auckland DL14 7PG
<b>Diocesan Registrar</b>	Mr P Wills Smith Roddam 56 North Bondgate Bishop Auckland DL14 7PG
<b>Glebe property agents</b>	Savills Helix The Lumen St James' Boulevard Newcastle upon Tyne NE4 5BZ

# Durham Diocesan Board of Finance

(A company limited by guarantee)

## Trustees' report Year ended 31 December 2022

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The trustees of the Durham Diocesan Board of Finance ('the DDBF'), who are the members of the company and are directors for the purposes of company law, present their report together with the audited financial statements, for the year ended 31 December 2022.

This report satisfies the legal requirements for the directors' report of a charitable company; a strategic report under the Companies Act 2006; and a trustees' annual report under the Charities Act 2011.

### **Objectives of the DDBF**

The DDBF was formed to manage the financial affairs and hold the legal title to the assets of the Diocese of Durham. It was incorporated on 21 August 1923 as a charitable company limited by membership guarantees (No. 00192018) and is registered with the Charity Commission (No. 248287).

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

The objectives of the DDBF as set out in the Memorandum and Articles of Association are to hold real and personal property for the purposes connected with the Church of England in the Diocese of Durham. The Board is the financial adviser and executive of the Diocesan Synod; it is responsible for the collection, custody, disbursement and account of the Synod's funds, and the employment of all persons in receipt of salaries paid directly from those funds.

The DDBF has delegated responsibility for the day-to-day management of the company to the Diocesan Secretary. It has also appointed a Director of Mission, Discipleship and Ministry and, until May 2022, a Director of Strategic Growth to support the Diocesan Bishop in his work to develop the mission of the Church of England in the Diocese of Durham. These senior managers are supported by heads of department and their staff. No employee of the DDBF is a statutory director or trustee of the Board.

The Diocese of Durham also benefits from the services offered on a voluntary basis by a large number of members and supporters of the Church of England. These volunteers give of their time and expertise in many ways, including membership of the boards and committees needed to provide effective governance and ensure effective operation of the Diocese.

The Board would like to place on record its gratitude and thanks for all the support it has received from both staff and volunteers over the past year. The Board recognises the continuing challenges facing clergy, parishes and other forms of ministry arising from Covid-19 and the cost of living crisis and would like to thank all of those who have supported this work in these difficult circumstances.

### **Strategies, Aims and Objectives**

The Diocese of Durham has adopted a vision to be:

**The Church of England from the Tyne to the Tees and the Dales to the Sea, blessing our communities in Jesus' name for the transformation of us all.**

Following the Waymark conference in late 2019, the Diocese has developed a mission strategy for 2021-2026, approved at Diocesan Synod in January 2021. This focusses on four priorities:

- Engaging with Children, Young People and 18-25s;
- Energising Growth;
- Challenging Poverty; and
- Caring for God's Creation.

# Durham Diocesan Board of Finance

(A company limited by guarantee)

## Trustees' report (continued) Year ended 31 December 2022

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### Strategic report

#### Achievements and performance

##### Operational Review

###### The Christian Presence

Clergy, lay leaders and church members play a central part in the life of churches and carry out important roles in our communities. This involves engaging in a wide variety of community and church projects, and clergy, along with licensed lay ministers, carry out numerous weddings, baptisms and funerals, and provide chaplaincy in a range of different settings.

Leadership in its many forms is essential and we are delighted to have had real success in developing both lay and ordained vocations. Numbers of those in training for ordained ministry continue to remain high. By the end of the year, we had 36 Durham sponsored candidates in training for ordained ministry (2021: 41). The Diocese has now moved from being a diocese that imports candidates for ordination from other regions, to one that exports candidates.

The numbers in training for Reader ministry have also been sustained. At the end of the year there were 14 Readers in training (2021: 15). Numbers of vocations to Lay Pastoral Ministry have increased again after a dip last year, with nine in training (2021: three). There are two people in training for Lay Chaplaincy. A new strand to our vocational offer this year is the Authorised Lay Ministry of the Word pathway, and we have three people in training for that course. All the authorised and licensed lay ministries (Reader, Pastoral Ministry, Chaplaincy, and Ministry of the Word) are being trained through Lindisfarne College of Theology.

###### Engaging with Children, Young People and 18-25s

###### *Diocesan Board of Education*

The Durham Diocesan Board of Education, through the Joint Education Team continued to work with all 57 church schools throughout the year.

A vast online and in-person training programme has been delivered including the annual conference which attracted over 200 delegates both from Church and Community schools. School visits have been undertaken throughout the course of the year and vulnerable schools prioritised.

The Assistant Director for Legal and Governance has continued to deliver a series of online meetings to support wider groups of chairs and ex-officio governors, with up to 100 in attendance at once. Assistant Directors for Standards and Effectiveness have focused this year on supporting all schools with their curriculum offer with a focus on subject leadership.

During the year the Durham and Newcastle Diocesan Learning Trust (DNDLT) increased to 11 schools and the team has worked towards two further schools joining the DNDLT in January 2023. The Diocesan Director of Education (DDE) has continued in the 'Acting CEO Role' for the DNDLT although this will come to an end in September 2023 when the DDE will move to the DNDLT full time, and it was announced in December 2022 that an interim DDE had been appointed.

Many more conversations are taking place with interested schools. School building work continued, and all projects planned were completed although some slightly behind the expected timetable.

###### *Youth ministry*

One of the main themes of 2022 has been encouraging and supporting churches to re-establish youth ministry. Many churches have struggled to retain engagement with young people through the pandemic, and many have lost volunteer helpers. However, many new initiatives and projects have started at the same time.

# Durham Diocesan Board of Finance

(A company limited by guarantee)

## Trustees' report (continued) Year ended 31 December 2022

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In late 2022 a survey was completed by 92% of parishes to ascertain how youth ministry had been affected by Covid. This led to conversations with area deans, deanery chapters and deanery synods to re-focus energy and priorities.

Training has been significant during 2022, with regular teaching and training through the IME programme, Cranmer Hall Theological College and, for the first time, Lindisfarne College of Theology. This is in addition to running the Bishop's Certificate in Youth Ministry, mainly with volunteers.

The DDBF continues to support schools and has assisted schools in running Prayer Spaces and in helping to establish chaplaincy provision and connection with their local parish churches.

The annual Growing Young Leaders course finished in April with a celebration presentation to Bishop Paul from 15 young people aged 14-18, and a new cohort began the course in October. Many church leaders and parents have testified to the impact of this course on young people in terms of discipleship and confidence in taking up leadership challenges with their churches.

The termly Pulse youth event continues to flourish, with events at Durham Cathedral focused on the persecuted church with Open Doors and another featuring a Gospel Choir, and a Youth Pilgrimage to Holy Island took place, walking across the causeway with Bishop Sarah.

A partnership with Scripture Union was launched in March and led to the appointment of a part-time 'Revealing Jesus' pioneer funded by Scripture Union, who works alongside the DDBF children and youth advisers encouraging churches to develop opportunities for growing faith communities among young people.

### *Children's ministry*

2022 has been a restorative year in children's ministry, with many groups returning to regular face to face gatherings and events. Toddler groups and pre-school ministry is flourishing in many areas and is highly valued by the families and communities they serve. Ministry through Messy Church; Muddy Church; Forest Church; Open the Book and Holiday Clubs has seen an increase in participation.

The Growing Faith programme continues both nationally and locally, encompassing our focus on chaplaincy in educational settings from primary to further education. The DDBF has contributed towards the national development of a 12-month pilot of the Growing Faith Strategic Leadership Course as well as creating new pathways for churches, schools and households to work together. Funding was awarded to continue this work throughout 2022 and into 2023 and continues to be a necessary element of our work.

Training continues for those involved in children's ministry, including the Bishop's Certificate course alongside bespoke training as a response to the needs displayed in different contexts. Employed children's workers are supported both individually and as part of a network, meeting regularly to share good practice and support.

Children's Council now has 17 children aged 8-12 years old, who have been involved in our new missional project 'Homegrown' with an event for 35 children based in a local church. More events are planned where the children will be highly involved in all aspects of running the event.

The largest event in 2022 was the Year Six Leavers' Transition Prayer Space and Service, held in Durham Cathedral. With over 2,700 children attending one of six services over three days in June, we marked the transition from the children's primary education to secondary education. Working collaboratively with the Joint Education Team to deliver these services, they were a highlight of the work in 2022.

# Durham Diocesan Board of Finance

(A company limited by guarantee)

## Trustees' report (continued) Year ended 31 December 2022

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### Energising Growth

The Diocese aims to grow in three key dimensions:

- in reach and influence;
- in depth by strengthening discipleship; and
- in breadth and number.

This mission is shared with every parish, chaplaincy, and other expressions of faith in the Diocese, and takes place through many different routes. Some of these projects are outlined below:

Growing Durham Diocese: Our Resourcing Churches have continued their recovery from the effects of the pandemic. All are showing growth and refining their plans for planting and broadening their reach. All of them have undertaken a sustainability review, with the support of the Diocesan Finance and Growth Team, to enable them to consider sustainability issues as the national church funding begins to taper during 2023. Progress continues to be overseen by the quarterly project monitoring board chaired by the Bishop of Durham. The learning community, which provides support for leaders and teams, is going from strength to strength, and is greatly valued by those who attend.

The mixed mode ordinand training programme has been subject to a review evidencing what is needed for mixed mode training to sit alongside the other routes to ordination.

Growing Hope: This project includes several different approaches to church growth, including Communities of Hope (projects centred on bringing people to faith through social enterprise), Resource Churches and Church Plants. The Community of Hope in Pennywell, Hope for All, is now well established in the local community and has been recognised by the local council for their social enterprise work. In Wynyard, the growing church now meets in the local primary school, and Thornley has recently appointed a new plant lead, to take the project on to the next stage and consolidate the growing opportunities that are there. In Seaham, a suitable property on the main shopping street near the church has been acquired and preparations are being made for refurbishment with the team now able to expand the range of activities offered to the local community. After a thorough review, requested by the Monitoring Board, the decision was made to cease funding the Beacon Project and it is hoped that a new project can be developed in or close to North Wearside during 2023.

Support and process: Our national church funded project support team, which includes two project managers and a sustainability manager, has continued to work with parish-based project teams to bring the projects to fruition. Following the departure of the Director for Strategic Growth in May 2022, this team has been led by the Director of Mission, Discipleship and Ministry and a Deputy Director has been appointed to support leadership capacity in this area.

Cultivate: The Cultivate training program has been developed to grow church planting from local churches with lay and ordained leads as a key part of our strategy for growth. Benefact Trust has committed £200,000 towards this programme. As this programme expands and more parishes join the programme, we have appointed a part-time coach to work with parishes undertaking the Cultivate programme as it expands.

### Challenging Poverty

2022 has been a challenging year for the people of the Diocese. Research from Loughborough University found that the North East region now has the highest child poverty rates in the country, with over 50% of children growing up in poverty in some communities. Child Poverty rates in the region have risen by almost half, from 26% to 38%, in the space of six years compared to a drop of two percentage points nationally, with in-work poverty rising sharply from its pre-pandemic levels.

The work of the Bridge Project and our involvement with Communities Together Durham continued, supporting parishes and individuals to engage with our key areas of focus:

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# Durham Diocesan Board of Finance

(A company limited by guarantee)

## Trustees' report (continued) Year ended 31 December 2022

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- *working together to address child and youth poverty*; over 40% of parishes provided some support to low-income families during the school holidays, and some new school uniform exchanges were started. A partnership with Children North East has supported more schools to 'poverty proof' the school day. More projects are shifting the emphasis from food banks to food hubs and social supermarkets providing more sustainable responses to food poverty. Support for a successful Living Wage campaign saw the region's first Living Wage City in Sunderland. Alongside this the number of volunteers engaged in debt advice services has grown, and fuel poverty is an increasing concern. The Ten10 bus in Washington has offered a range of activities to build confidence among young people and support community engagement, with sessions taking place across the Diocese.
- *responding to isolation, particularly among the elderly*; our growing Places of Welcome and Drop-in network was particularly valuable as churches were encouraged to open as Warm Spaces, using funding from the national church, to support those struggling with fuel poverty. We have also moved forward with plans to appoint parish nurses, focusing on mental health, in Teesdale and Weardale with prayerful and practical support from churches in Barnard Castle, Middleton in Teesdale, and Upper Weardale. Community nurses are soon to be recruited, and will embed themselves in these small and often isolated communities.
- *reaching out and responding to the needs and gifts of asylum seekers and refugees*: two members of staff were appointed in September to develop a coordinated approach across the diocese, working in partnership with local authorities and other providers. Support for Ukrainian refugees and their hosts dominated much of this work in 2022 and weekly drop-ins have been held to provide hosts with support and fellowship.

The work continued to be supported by Lord Crewe's Charity and we are very grateful for the funding awarded in support of the diocesan priority of challenging poverty to transform lives and communities, and for the generous additional funding for five specific projects as part of their tercentenary programme.

More details of activities and their impact can be found on the Communities Together Durham website at <https://communitiestogetherdurham.org.uk/>

### Caring for God's Creation

In this the second year since our adoption of the Caring for God's Creation diocesan priority, we have continued to encourage churches to register with A Rocha as Eco Churches. The Diocese of Durham currently has 47 churches registered. 17 of these have achieved bronze award, four have achieved silver and one church – Hart St Mary – has achieved the gold award and is one of only 23 in the country to do so. It is hoped that we will be able to share some of their journey and encourage others to make further progress over the coming months. Our Environmental Champions have promoted the take-up of Eco Church and are encouraging positive environmental action in parishes.

Diocesan Synod welcomed the national Routemap to Net Zero Carbon by 2030, as proposed at General Synod, and committed to producing our own Diocesan Routemap to work towards that goal. This has demonstrated the need for increased capacity, and will be one of the key tasks for a full-time Diocesan Environmental Officer for which we hope to obtain national church funding to recruit in early 2023.

### Safeguarding

The safeguarding team was strengthened by the recruitment of two members of staff, a Safeguarding Support Officer and a Safeguarding Learning and Development Officer.

The Safeguarding Support Officer works primarily with parishes to assist them in achieving compliance with the safeguarding requirements specified by the National Safeguarding Team and commended by the House of Bishops. To this end, and to assist the DBF in fulfilling its own safeguarding obligations, the Parish Dashboard system was launched across the Diocese in November. This IT tool was designed with the needs of parish

# Durham Diocesan Board of Finance

(A company limited by guarantee)

## Trustees' report (continued) Year ended 31 December 2022

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users in mind, with both Parish Safeguarding Officers and clergy involved in its development and is used by over 5,000 parishes across the Church of England. It enables PCCs to maintain a clear picture of their compliance with safeguarding requirements: green lights give assurance that there is compliance with safeguarding requirements and amber and red lights highlight actions which need to be completed. The dashboard also produces an action plan for discussion and approval by the PCC to ensure each parish is up to date with its safeguarding responsibilities and to enable the Diocese to offer support to those who may need help. The DBF is providing full support for its implementation by the Safeguarding Support Officer and it is being received positively by parishes.

The Safeguarding Learning and Development Officer leads on the delivery of Safeguarding Training across the Diocese, supported by a small team of sessional workers. The core modules of safeguarding training (Basic, Foundation and Leadership) have received positive feedback. It is taking longer to embed the e-learning modules of Safer Recruitment and People Management, and Raising Awareness of Domestic Abuse than had been hoped; however, targeted work in 2023 will ensure compliance with these requirements.

During the year a Survivor Engagement Strategy was written and good progress is being made with implementation. We have engaged with an organisation in our region which supports survivors of sexual abuse and are working towards a service level agreement with them. In addition, two survivors of church-based abuse have offered to work with the Diocese to assist in our commitment to hearing the survivor voice in all our work and services. This strategy coupled with a commitment to implement recommendations from our Past Cases Review 2 forms the basis of our Diocesan Safeguarding Strategic Plan.

Steps were taken to look at ways of providing quality assurance around our safeguarding services and this will continue throughout 2023 as we move towards independent Diocesan audits nationally in 2024. Draft quality assurance standards have been produced by the National Safeguarding Team and this gives the Diocese a good indication of the focus of future audits.

Case-work throughout the year was managed by the Diocesan Safeguarding Advisor, in collaboration with colleagues throughout the Diocese and in line with good practice guidance, as we continued to do all within our power to make our churches safe for all.

### Joint Working Practices and DDBF staff

In the interests of delivering the best support services possible for our Diocese, we have continued to develop opportunities to work in collaboration with other regional Church of England bodies. These include the well-established Joint Education Team, aspects of ministerial training and retreat house. The joint Newcastle and Durham diocesan communications team has now developed a regional voice to promote Church of England news and views aligned geographically to regional media organisations. In January the new Diocesan website was launched, and development of material continues. Along with our growing presence on social media, this provides a platform for the Diocese to disseminate support and guidance and to celebrate achievements.

In collaboration with Durham Cathedral, a shared Human Resources team has served both the Cathedral and the DDBF.

The number of staff employed by the DDBF was the full-time equivalent of 40 (2021: 43) posts. This includes three (2021: three) chaplains who are employed by the DDBF on behalf of the organisations in which they serve. This also includes 19 (2021: 15) posts which are grant funded, and most of which are fixed term with renewal subject to further funding being available. This approach enables the DDBF to fulfil a wider range of provision than would be possible through its core staff, whilst allowing unrestricted funds to be focussed on ministry.

# Durham Diocesan Board of Finance

(A company limited by guarantee)

## Trustees' report (continued) Year ended 31 December 2022

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The DDBF has continued to build on the consultation process which resulted in the creation of the role of Equality, Diversity & Inclusion Enabler currently filled by Revd. Canon Remi Omole. The role helps to coordinate a team of advisers and advocates to help drive the Diocese forward in key areas including:

- Disability;
- UKME (previously BAME);
- Gypsy, Traveller and Roma;
- Women's advocacy;
- LGBT+ advocacy; and
- Deaf ministry.

Improvements have been made to several operating systems and processes to drive efficiencies and to improve the accessibility and reach of services provided. This has included providing hybrid working amongst staff and reviewing the IT infrastructure of the DBF.

### Looking ahead

Our work on parish development continues, and the Mission, Discipleship & Ministry (MDM) Team works across the Diocese to support parishes, clergy and lay people in the important work that they do.

In response to Bishop Paul's presidential address to Diocesan Synod at the close of 2021, which addressed the challenges currently faced by the Diocese, Bishop's Council appointed a working group (comprising of Archdeacons, Diocesan Secretary, the Vice Chair of the DBF and Strategic Transformation lead) to steer the development of a scheme for Diocesan Transformation and make an application for Strategic Transformation Funding from the national church. After extensive consultation with stakeholders the resulting report and plan ('Called to Fruitfulness') builds on the Waymark process from 2019-2020 and more recent work to develop our Missional Priorities (2021-2026). It focusses on creatively addressing the challenge of missional growth and financial sustainability over the period 2023-2032 through cultural change, structural innovation and investing in mission.

Following adoption by Synod in November 2022, a first iteration of the six thread scheme was presented to the national church for advice and feedback and to test the rigour of the vision and concepts and its suitability for national funding. Initial feedback from the board has been overwhelmingly positive, with affirmation of the cohesion, ambition and focus of the programme and encouragement to submit a pilot in early 2023 and a fuller version for formal consideration and funding shortly after.

The six interrelated elements of the Called to Fruitfulness transformation strategy are:

- Missional Discipleship, Transforming Prayer;
- Church Planting and Revitalisation;
- Piloting Missional Hubs;
- Developing Missional Youth Chaplaincy;
- Resources for Local Change; and
- Support for Culture Change.

Together they are intended to catalyse a more collaborative and missionally focussed approach, to resource outreach to and the discipleship of young people (in line with the national vision of becoming younger & more diverse), to support a mixed ecology of approaches and to contribute to the national vision of planting 10,000 new worshipping communities by 2030.

# Durham Diocesan Board of Finance

(A company limited by guarantee)

## Trustees' report (continued) Year ended 31 December 2022

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Locally, success in securing funding would enable us to plant or revitalise 100 churches, establish and resource church based missional chaplaincy teams in every College of Further Education (connecting us to 130,000 local young adults), support clergy to focus more fully on mission, align appointments more explicitly to the Diocesan vision and support new collaborative initiatives in places where developing mission in isolation would be otherwise impossible.

### Financial review

Financial conditions in 2022 remained challenging for parishes and for the DDBF due to the lasting effects of Covid-19 and increasing inflationary pressure. Despite many parishes using reserves to fund parish share, the cash value of the DDBF's parish share receipts remained at £4.33m (2021: £4.37m), being 96% of the amount originally pledged by parishes. This remains £1.5m below the amount required to meet the full cost of diocesan ministry assuming no vacant posts.

The DDBF agreed a budget operating deficit of £0.9m for 2022, of which £0.4m was to be drawn from restricted reserves. This including £150k to deliver clergy housing improvements, and commitments towards growth projects and towards the costs of closed churches from the pastoral fund.

The net movement in funds was a deficit of £3.1m (2021: surplus of £5.8m), which included a £3.7m unrealised loss on investments (2021: £4.1m gain), a gain of £0.3m (2021: £1.3m) on disposal of property and a decrease of £0.2m (2021: £0.4m) in pension deficit reduction liabilities. Grant funding of £0.2m (2021: £0.1m) was received during the year and is yet to be disbursed and in the prior year, sustainability funding of £0.3m was received from the Archbishops' Council in response to the pandemic. Excluding these adjustments which are outside of the DDBF's operational budget, there was an underlying operating deficit of £0.2m (2021: £0.4m).

- Income (excluding income received on the sale of property) was £12.3m (2021: £11.5m), including:
  - Contributions from parishes – "Parish Share" – of £4.3m (2021: £4.4m), £0.2m less than budget. The Diocese is grateful to parishes for their contributions to parish share during a challenging year;
  - £2.1m (2021: £2.2m) of Lower Income Communities Funding, £1.6m (2021: £1.3m) of Strategic Development Funding grants, £0.5m (2021: £nil) of Energy Costs and Ministry Hardship Grants for onward disbursement, £nil (2021: £0.5m) of Sustainability Funding and other funding streams from the Archbishops' Council;
  - £0.5m (2021: £0.4m) of Property Income;
  - £0.3m (2021: £0.4m) from Lord Crewe's Charity to fund poverty alleviation, counselling and other projects.
  - Contributions were received from donors such as Benefact Trust, Hild Bede Trust, Marshalls Charity and Mercers Trust.
- The largest area of expenditure was on supporting parish ministry, comprising the stipends, pension and housing costs of clergy:
  - Stipend and salary related costs were £6.8m (2021: £6.6m).
  - Costs of providing clergy housing were £1.5m (2021: £1.3m).
- Net assets at the balance sheet date were £72.0m (2021: £75.2m). The DDBF's investments are held across several funds managed by CCLA. The DDBF administers several restricted and endowment funds which together comprise 92% (2021: 92%) of the assets.

# Durham Diocesan Board of Finance

(A company limited by guarantee)

## Trustees' report (continued) Year ended 31 December 2022

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### Investment performance

The total value of investments (excluding short-term cash deposits) at the balance sheet date was £34.2m (2021: £35.6m). During the year, the net movement in value was a loss of £4.0m (2021: gain of £3.6m).

The glebe land held by the DDBF has been revalued upwards by £0.2m (2021: £0.4m) to reflect the market value at the balance sheet date.

The Board is custodian trustee for trust investment assets with a market value of £12.8m (2021: £14.3m). Detailed certificates of holdings are provided to parishes and other managing trustees of the respective charities annually. The Board also acts as custodian trustee for certain Parochial Church Council (PCC) property. Each PCC is an independent charity and these assets are not recognised on the balance sheet of the DDBF.

### 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 the cost of training for ministry. The total paid to the National Church was £0.5m (2021: £0.7m).

Grants are paid to charities and to other charitable projects which appeal to the Board to support the furtherance of DDBF's objectives. These are set out in note 17.

### Investment policies

The Memorandum and Articles of Association of the charity permit wide powers of investment. DDBF'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 directors are aware of their long-term responsibilities in respect of endowed funds and as a result follow a prudent approach to investment decisions.

These policies are currently achieved by holding all funds with CCLA Investments Limited in London, which invests in line with the Church of England's Ethical Investment Advisory Group's investment policies and in accordance with the motion passed by Diocesan Synod regarding divestment from fossil fuels.

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

Funds which may be needed for working capital in the short term are held as deposits with CCLA Investments.

# Durham Diocesan Board of Finance

(A company limited by guarantee)

## Trustees' report (continued) Year ended 31 December 2022

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### Reserves policy

The DDBF has agreed a reserves policy to maintain available free reserves within a range of one to three months' average expenditure in the form of unrestricted (including designated) net current assets. The Board estimated that for 2022 this would equate to a range between £1.0m and £3.1m. At the balance sheet date, the DDBF's unrestricted (including designated) available free reserves were £1.7m (2021: £2.1m), which is within this range.

### Future prospects

The trustees and diocesan synod have approved a budget for 2023, which after allowing for further planned investment from restricted reserves, and the adoption of a total return accounting policy for investments held in the Stipends Capital Fund, leaves a net operating deficit of £0.7m.

Parish share pledges for 2023 of £4.4m (2022: £4.5m) have been received, a 2% fall in cash terms despite CPI inflation of 10.5%. This increases financial pressures and has required a recognition that not all posts identified in deanery plans can be filled whilst maintaining a balanced budget. However, posts continue to be advertised notwithstanding challenges in recruiting.

Against this challenging financial background, the DDBF continues to deliver and develop the mission and ministry of the church, and during 2023 will continue to fund ministry at parish level across the Diocese with the intention of meeting the levels identified by deaneries in their deanery plans. The lack of recovery in parish finances plus the inability of pledge income to keep pace with inflation means that prospects of a medium to long term recovery to pre-Covid levels remain uncertain.

The Diocese continues to try to address the decline in the value of parish income and the consequent effect upon share, supporting parishes in vacancy through the vacancy audit process, and offering support with stewardship through the generous giving team. A further tranche of direct grants from the national church will assist parishes with energy costs. Communication with parishes is ongoing, to ascertain the likely future levels of parish reserves and parish share.

The national church has made transitional funding available to help Dioceses restructure their operations and finances as part of the Renewal and Reform agenda. This has funded the introduction of the Parish Giving Scheme, along with the work of the Head of Finance and Finance Resources Co-ordinator in supporting and streamlining both DDBF and parish finances. Further developments around contactless giving are anticipated in 2023. The Diocese benefits from Lower Income Communities Funding which is used to support the cost of ministry in parishes which have the lowest rankings under the Index of Multiple Deprivation (IMD). Only those which fall within the lowest 20% are provided with such funding.

The Diocese will continue to benefit from the national church's Strategic Development Fund through the Growing Durham Diocese and Growing Hope projects. Following its award in 2022, the Diocese will see the initial stages of the Transforming Growth Strategic Development Fund project comprising a Resource Church in Darlington and the Cultivate Church Planting programme. Having received the encouragement of the outgoing Strategic Investment Board in late 2022, the DDBF intends to apply to the new Strategic Mission and Ministry Investment Board for funding for the 'Called to Fruitfulness' Transformation programme during 2023, alongside other newly available funding streams.

The DDBF intends to increase support for clergy and lay leaders developing their ministry and discipleship and to encourage and nurture those exploring a vocation for public ministry in the Church of England with new training pathways under development in conjunction with our local Theological Educational Institutions. Further curacies and posts of first responsibility are anticipated for through the Strategic Ministry Fund and Posts of First Responsibility Fund operated by the national church.

# Durham Diocesan Board of Finance

(A company limited by guarantee)

## Trustees' report (continued) Year ended 31 December 2022

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In November 2022, Diocesan Synod adopted a 'Total Return' accounting policy, to be applied to the Stipends Capital Fund from 2023. This approach allows the DDBF flexibility regarding the allocation of return on investments from this fund between capital growth and income. Synod agreed that, for 2023, income taken would be 5% of the average value of the fund over the past three years with the remainder treated as capital growth.

During 2023 the DDBF will continue to promote the mission and ministry of the church within the Diocese; whilst the funding streams described will continue to support this work, and provide an increasing proportion of staff support, concerns remain over the level of share and should a recovery continue to fail to materialise, the sustainability of the current deanery plans and core services at their current levels will need to be reviewed.

### Going concern

The trustees have considered the availability of reserves and cash upon the going concern basis of preparation of these financial statements. Although uncertainty remains, particularly over the recovery in parish income from the effects of Covid-19 restrictions and the real-terms reduction in the value of parish share. It is anticipated that reserves will remain within the level set out in the reserves policy.

Having reviewed forecasts for the forthcoming twelve months that are subject to a range of reasonably possible downside scenarios, the trustees are comfortable that with the current levels of cash and short-term deposits are sufficient to allow the DDBF to continue to operate as a going concern for the foreseeable future.

Although there are several challenges ahead, the DDBF is confident that these can be managed and is hopeful that change can be achieved with the assistance of funding from the new National Church Diocesan Investment Programme.

### Risk management

The trustees confirm that the major risks to which DDBF is exposed have been reviewed and that mitigating actions have been put in place to manage those risks.

The Board maintains a risk register which is reviewed regularly by the Audit and Risk Committee, and this register has been updated during the year, with input from all DBF functions.

During 2022 the most significant risks related to the operations of the DDBF were:

- Church attendance and long-term financial sustainability; and
- Safeguarding.

#### Church attendance and long-term financial sustainability

These two risks are intrinsically linked and relate to the ability of Parochial Church Councils to maintain their own operations. In the face of national trends around declining congregation numbers and pandemic related challenges is a significant risk to the DDBF. It is increasingly difficult for parishes to maintain share offers and payments to the Diocese, which are financed through giving and fund-raising by church members, when PCCs are also facing increases in costs.

Alongside inflation, this has exacerbated the extent to which the level of contribution from parishes ("Parish Share") is insufficient to maintain the current cost base of the DDBF. The parish share system introduced during 2020 continued to be applied to provide a 'Guided Pledge' to each parish, to give an indication of the level of pledge which would be required to ensure the DDBF could break even.

This system was designed to mitigate the decline in parish share that has been seen in real terms over the preceding decade. Parish share pledges have remained constant at approximately £4.5m from 2021 to 2023, however this is £0.5m lower than pre-pandemic levels, and does not keep pace with rising levels of inflation.

# Durham Diocesan Board of Finance

(A company limited by guarantee)

## Trustees' report (continued) Year ended 31 December 2022

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Certain external factors affect the Board's ability to meet its financial obligations, including:

- The level of inflation, in particular through stipends and salaries, and also in building maintenance costs;
- The cost of pension provision.

During the year, despite some stipendiary and staff posts remaining vacant, there was a continuing operational deficit although financial restraint led to this being within the budgeted deficit. Recruitment has taken place, subject to the limitations of the budget. However, the trustees are aware that holding vacancies can place strain on clergy and staff, and efforts are being made to increase the rate of recruitment. Whilst the difficulty of recruitment is not limited to our Diocese, it is a challenge faced across most of the country we are taking steps to support the welfare of our clergy who are having to operate in these difficult circumstances by providing advice and counselling as and when necessary.

### Safeguarding

It is of key importance to the DDBF to ensure appropriate mitigation of safeguarding risks arising from potential abusers targeting church settings within the Diocese. There is a risk that strain on parish and/or diocesan resources may lead to vulnerability, and potential non-compliance with House of Bishop's Safeguarding Policy. Appointment processes are documented to ensure compliance with the requirements of Safer Recruitment and People Management.

The Board continued to be aware of the potential for safeguarding matters to be raised due to increased reporting and awareness of safeguarding issues (both current and historical). The Diocesan Safeguarding Advisory Panel meets regularly to ensure that the DDBF maintains appropriate controls to prevent, as well as identify and resolve, any issues that arise.

### Other risks

The schools agenda, managed through the Durham Diocesan Board of Education (DDBE), also poses potential risk to the DDBF, both in terms of the challenges of maintaining high standards of education in Church of England schools during a period of significant change across the schools sector, and resolving a legacy issue resulting from the DDBF continuing to underwrite the capital build of a phase 1 Academy. The DDBE effectively manages school standards through the Joint Education Team and is continuing to work towards the resolution of the legacy buildings issue.

All of these factors are included in the Board's Risk Register.

## **Structure, governance and management**

The Diocese of Durham is one of the 41 English Dioceses that, along with the Diocese in Europe, make up the Church of England.

There are thus 42 Diocesan bishops who share episcopal leadership with 76 Suffragan and Area Bishops. The General Synod is the legislative body for the Church of England. It consists of three houses, one of which comprises diocesan bishops and elected representatives from suffragan and area bishops, and two of which are elected from the laity and clergy of each diocese. It meets in London or York at least twice annually to consider legislation for the good of the Church.

Further details on the structure and governance of the Church of England can be found on its website: [www.churchofengland.org](http://www.churchofengland.org). The financial transactions of the national church do not form part of these financial statements.

The Diocese of Durham stretches from the Tyne to the Tees and the Dales to the Sea covering an area of 2,530 square kilometres. There are 257 Anglican churches across 209 parishes and these are grouped into 14 deaneries and three archdeaonries. The mission of the Church of England is mainly carried out at parish level

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# Durham Diocesan Board of Finance

(A company limited by guarantee)

## Trustees' report (continued) Year ended 31 December 2022

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and the DDBF provides pastoral and financial support to the parishes. Each parish is governed by a Parochial Church Council (PCC), which is a corporate charity. Therefore, except where indicated otherwise, the transactions of PCCs do not form part of these financial statements.

Durham Cathedral is the mother church of the Diocese of Durham and legally is constituted as a separate entity with its own governance structures. Its financial transactions do not form part of these financial statements.

### Governance

The Diocese elects a Diocesan Synod, with representation from each deanery in accordance with the church representation rules, and is governed by the Bishop in synod. The Diocesan Synod normally meets twice a year. Many of the Diocesan Synod's responsibilities have been delegated to the Bishop's Council, which acts as the Diocesan Synod's Standing Committee. The day to day running of operations is delegated to the staff team lead by the diocesan secretary and other key management personnel as set out in note 17. All key management personnel report to the diocesan bishop.

### Committee structure

The Diocese is governed by the Bishop's Council, which co-ordinates the life and work of the Diocese in support of the mission of the Church, in accordance with the priorities set by the Bishop and the Diocesan Synod.

In the Diocese of Durham, the membership of the Bishop's Council is coterminous with that of the DDBF and also the Diocesan Mission and Pastoral Committee.

The Diocesan Mission and Pastoral Committee is responsible for the task of approving pastoral reorganisation in the Diocese, taking account of available clergy numbers and making use of new patterns of ministry.

This arrangement means that the trustees of the DDBF have responsibility and oversight of all aspects of diocesan life and are therefore able to co-ordinate strategic, financial and operational decisions.

The Bishop's Council is supported by committees that can influence the operations of the Board.

- *Finance Group*

The DDBF delegates certain duties and responsibilities to the Finance Group including:

- o Assisting the Board to deal with financial strategy and management;
- o Authorising legal property or investment strategy conducted on behalf of the Board;
- o Conducting urgent business of the Board between Board meetings;
- o Overseeing the preparation of the annual DDBF budget and financial statements for submission to the Board;
- o Receiving regular management accounting information; and
- o Acting as the DDBF's HR Committee, overseeing the terms and conditions of the DDBF employees.

- *Audit and Risk Committee*

The DDBF Audit and Risk Committee maintains an oversight of the Diocese's governance and risk management including:

- o Adopting a risk-based approach and undertaking a planned programme of work examining areas of diocesan activity;
- o Overseeing the external audit of the DDBF's trustees' report and financial statements;
- o Considering internal control and stewardship of the DDBF's resources; and
- o Reporting its findings annually to the Bishop's Council as a critical element of the Bishop's Council's annual reporting requirements.

# Durham Diocesan Board of Finance

(A company limited by guarantee)

## Trustees' report (continued) Year ended 31 December 2022

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- Investment Committee

DDBF has responsibility for the management of glebe property and investments which generate income to support the cost of stipends. It is also the diocesan authority for parochial and other trusts and incorporates the functions and responsibilities of the Diocesan Parsonages Board. With the exception of major transactions, the DDBF delegates these responsibilities to the Investment Committee.

- Church Buildings Panel

The Church Buildings Panel is a non-statutory group, which offers grants and loans to Parochial Church Councils for works to church buildings.

- Closed Churches Uses Panel

The Closed Churches Uses Committee is a non-statutory group, which was created to act on behalf of the Diocesan Mission and Pastoral Committee. It seeks appropriate alternative uses for churches in the Diocese which have been declared closed for regular public worship.

In addition, there are three statutory Committees and Boards that are not directly answerable to the Bishop's Council, but influence its operation:

- Diocesan Advisory Committee

The Diocesan Advisory Committee advises on matters affecting churches and places of worship in the Diocese, 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.

- Diocesan Board of Patronage

The Diocesan Board of Patronage, which is constituted under the provisions of the Patronage (Benefices) Measure 1986, is sole patron of one benefice in the Diocese.

- Board of Education

The Diocesan Board of Education has responsibility for 58 church schools across the Diocese (14 of which are Voluntary Aided, 22 are Voluntary Controlled, 21 are Academies, and one is an Independent School). It 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. The Board of Education is not incorporated and therefore financial accountability for the education agenda rests with the DDBF. During 2022 actions were taken pursuant to the Diocesan Boards of Education Measure 2021 leading to the establishment of the Board of Education as a statutory committee of the DDBF.

### Public benefit statement

The directors and 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 DDBF. The directors believe that, by promoting the work of the Church of England in the Diocese of Durham, 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.

The trustees are custodian trustees in relation to certain PCC property.

# Durham Diocesan Board of Finance

(A company limited by guarantee)

## Trustees' report (continued) Year ended 31 December 2022

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### Trustee recruitment, selection and induction

Trustees are also members of the Bishop's Council and are elected or appointed by the members of the Diocesan Synod in accordance with the rules for election. All trustees receive induction at the start of their term of office and receive additional induction where appropriate. Trustees are registered as directors at Companies House and are required to complete a declaration that they are eligible to serve as a director as well as an annual declaration of interest.

### Remuneration of key management personnel

As the DDBF has delegated responsibility for human resource issues to the Finance Group, this group is responsible for agreeing the salary scales for all DDBF employees and for setting the remuneration for senior employees.

### Related parties

The DDBF has one wholly owned subsidiary, the Diocese of Durham Educational Trust. It did not trade during the year.

### Organisations with which the DDBF co-operates in furthering its aims

The DDBF works with a range of organisations which are either part of or associated with the Church of England, or other Christian denominations to achieve its objectives. Some of those are set out below, and in some cases, there are a non-controlling number of shared trustees between these organisations and the DDBF. The DDBF ensures that such common trusteeships are appropriately declared and conflicts of interest are mitigated when making decisions relating to such organisations.

- General Synod, Church Commissioners and Archbishops' Council

The DDBF 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 DDBF is a recipient of funding from several different grant funding streams operated by the Archbishops' Council. The stipends and certain other costs of the Diocesan and Suffragan Bishops are borne by the Church Commissioners.

- Parochial Church Councils (PCCs)

The DDBF is required by Measure to be custodian trustee in relation to PCC property, but 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 DDBF and at Diocesan Synod level through representations to those bodies and through the input of their Deanery Synods.

- Multi Academy Trusts (MATs)

The DDBF is a member of several MATs, including the Durham and Newcastle Diocesan Learning Trust. The Diocesan Director of Education and members of his team are directors of the Durham and Newcastle Diocesan Learning Trust.

- Newcastle Diocesan Education Board Limited

The Newcastle Diocesan Education Board Limited (NDEB) has responsibility for 49 church schools (plus 2 affiliated schools with an Anglican foundation) across the Diocese of Newcastle. Unlike its counterpart in Durham, NDEB is an incorporated charitable company and registered charity. The two dioceses operate a joint education team to manage the delivery of their objectives across the two dioceses, and at 31 December 2022 this team comprised 8 employees working jointly for NDEB and the DDBF.

# Durham Diocesan Board of Finance

(A company limited by guarantee)

## Trustees' report (continued) Year ended 31 December 2022

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- *Stirling Newall Trust*

A registered charity whose objective is the advancement of the Christian religion by the provision of a house of retreat (Shepherds Dene Retreat House at Riding Mill, Northumberland) 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.

- *Lindisfarne College of Theology and Cranmer Hall. St John's College*

The region's two theological educational institutions, both are registered charities whose objects included the promotion and delivery of education for both lay and ordained members of participating Christian churches and the provision of other theological and ministerial training to both lay and ordained people.

- *Northumbrian Industrial Mission*

A registered charity which organises the activities of around 40 associate chaplains who engage with people in their places of work. It also works with ministries in other sectors, in local churches and with other agencies.

- *Hospital of God at Greatham*

A registered charity which provides residential care and alms-houses for older people and makes grants to other charities within the area of benefit.

- *Lord Crewe's Charity*

A registered charity, one of whose principal aims is to assist necessitous clergy and their dependents in the dioceses of Durham and Newcastle, particularly for the education of their children, and to assist them in other demonstrable financial need, and which provides grant funding used by the Diocese to fund its Challenging Poverty priority and to provide a clergy counselling service.

- *St Hild and St Bede Trust*

A charitable trust whose objectives include the advancement of further and higher education in the dioceses of Durham and Newcastle, with a focus on the advancement of education in accordance with the doctrines of the Church of England.

- *Communities Together Durham*

A charity which works with churches and communities to challenge social injustice and to enable communities to flourish.

- *Durham Lesotho Diocesan Link*

A registered charity which aims to develop educational, AIDS awareness and income generating projects in Lesotho. It also develops educational projects for schools and to raise awareness and support for initiatives in the Diocese of Durham which foster closer spiritual links between the Anglican Church in Lesotho and Durham.

- *North East Churches Action Together*

A charity which works ecumenically to serve the churches of the North East through improving communication and developing partnerships and connections between churches of different denominations.

- *North East Religious Learning Resource Centre*

A registered charity which aims to support religious education, literacy and learning in schools and churches across the North East of England through the provision of resources, training and networking opportunities.

- *Durham Cathedral*

Durham Cathedral is the seat of the Bishop of Durham and the mother church of the Diocese. It is a focus of pilgrimage and spirituality, the home of the Shrine of St Cuthbert, and is a UNESCO recognised World Heritage Site.

# Durham Diocesan Board of Finance

(A company limited by guarantee)

## Trustees' report (continued) Year ended 31 December 2022

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### Political contributions

No political contributions have been made during the year (2021: none).

### Disclosure of information to auditor

Each of the persons who are trustees at the time when this trustees' report is approved has confirmed that:

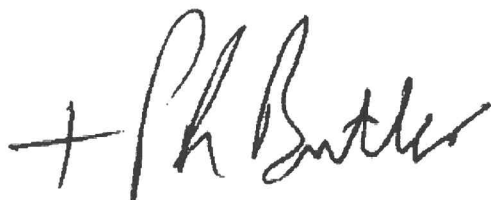
- so far as that trustee is aware, there is no relevant audit information of which the charity's auditor is unaware, and
- that trustee has taken all the steps that ought to have been taken as a trustee in order to be aware of any relevant audit information and to establish that the charity's auditor is aware of that information.

### Auditor

The auditor, UNW LLP, has indicated his willingness to continue in office. A resolution to reappoint UNW LLP as auditor for 2023 will be proposed at the Board's Annual General Meeting.

In approving the directors and trustees report the directors of the company are also approving the strategic report as required under the Companies Act 2006.

Approved by order of the members of the board of trustees and signed on their behalf by:



**Rt. Revd. Paul Butler**

Chair

Date: 27 April 2023

# Durham Diocesan Board of Finance

(A company limited by guarantee)

## Statement of trustees' responsibilities Year ended 31 December 2022

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The trustees (who are also the directors of the company for the purposes of company law) are responsible for preparing the trustees' report including the strategic report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Company law requires the trustees to prepare financial statements for each financial. Under company law, the trustees must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of its incoming resources and application of resources, including its income and expenditure, for that period. In preparing these financial statements, the trustees are required to:

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles of the Charities SORP (FRS 102);
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards (FRS 102) have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The trustees 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 order of the members of the board of trustees on 27 April 2023 and signed on its behalf by:



**Rt. Revd. Paul Butler**  
Chair



## Independent auditor's report to the members of Durham Diocesan Board of Finance

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### Opinion

We have audited the financial statements of Durham Diocesan Board of Finance (the 'charitable company') for the year ended 31 December 2022 which comprise the Statement of financial activities, the Income and expenditure account, the balance sheet, the statement of cash flows and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the charitable company's affairs as at 31 December 2022 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.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ('ISAs (UK)') and applicable law. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the charitable company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the Financial Reporting Council's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Conclusions relating to going concern

In auditing the financial statements, we have concluded that the trustees' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the charitable company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the trustees with respect to going concern are described in the relevant sections of this report.

### Other information

The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The trustee are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.



## **Independent auditor's report to the members of Durham Diocesan Board of Finance (continued)**

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We have nothing to report in this regard.

### **Opinion on other matters prescribed by the Companies Act 2006**

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

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

### **Matters on which we are required to report by exception**

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

We have nothing to report in respect of the following matters in relation to which 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.

### **Responsibilities of trustees**

As explained more fully in the trustees' responsibilities statement, the trustees (who are also the directors of the charitable company for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the trustees are responsible for assessing the charitable company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the trustees either intend to liquidate the charitable company or to cease operations, or have no realistic alternative but to do so.

### **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:





## **Independent auditor's report to the members of Durham Diocesan Board of Finance (continued)**

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We identified areas of law and regulations that could reasonably be expected to have a material effect on the financial statements from our general and sector experience and through discussions with the trustees and other management (as required by Auditing Standards) and from inspection of the charitable company's legal correspondence, and we discussed with the trustees and other management the policies and procedures regarding compliance with laws and regulations. We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

Firstly, the charitable company is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies and charities legislation) and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the charitable company is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect; data protection, safe guarding and certain aspects of company legislation, recognising the nature of the charitable company's activities. Auditing Standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the trustees and other management and inspection of regulatory and legal correspondence, if any. Through these procedures, we did not become aware of any actual or suspected non-compliance material to the financial statements.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statement or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

### **Use of our report**

This report is made solely to the charitable company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the charitable company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charitable company and its members, as a body, for our audit work, for this report, or for the opinions we have formed.

*Anne Hallowell*

**Anne Hallowell BSc FCA DChA (Senior Statutory Auditor)  
for and on behalf of UNW LLP, Statutory Auditor**  
Chartered Accountants  
Newcastle upon Tyne

27 April 2023

# Durham Diocesan Board of Finance

(A company limited by guarantee)

## Statement of financial activities Year ended 31 December 2022

		Unrestricted funds 2022	Restricted funds 2022	Endowment funds 2022	Total funds 2022	Total funds 2021
	Note	£000	£000	£000	£000	£000
<b>Income and endowments from:</b>						
Donations:						
Parish Contributions	4	4,333	-	-	4,333	4,373
Archbishops' Council	5	2,618	2,327	-	4,945	4,416
Other	6	320	519	-	839	657
Charitable activities	7	628	-	-	628	667
Other trading activities	8	588	2	-	590	562
Investments	9	793	170	-	963	780
Other income	10	-	-	336	336	1,307
<b>Total income and endowments</b>		<b>9,280</b>	<b>3,018</b>	<b>336</b>	<b>12,634</b>	<b>12,762</b>
<b>Expenditure on:</b>						
Raising funds	11	10	-	14	24	24
Charitable activities:						
Contributions to Archbishops' Council	13	728	-	-	728	702
Resourcing ministry and mission	14	7,932	2,916	177	11,025	10,036
Resourcing education	15	250	15	-	265	304
<b>Total expenditure</b>		<b>8,920</b>	<b>2,931</b>	<b>191</b>	<b>12,042</b>	<b>11,066</b>
<b>Net income before net (losses)/gains on investments</b>		<b>360</b>	<b>87</b>	<b>145</b>	<b>592</b>	<b>1,696</b>
Net (losses)/gains on investments		(267)	(676)	(2,797)	(3,740)	4,100
<b>Net (expenditure)/ income</b>		<b>93</b>	<b>(589)</b>	<b>(2,652)</b>	<b>(3,148)</b>	<b>5,796</b>
Transfers between funds	27	(102)	858	(756)	-	-
<b>Net movement in funds</b>		<b>(9)</b>	<b>269</b>	<b>(3,408)</b>	<b>(3,148)</b>	<b>5,796</b>
<b>Reconciliation of funds:</b>						
Total funds brought forward		5,873	10,994	58,290	75,157	69,361
Net movement in funds		(9)	269	(3,408)	(3,148)	5,796
<b>Total funds carried forward</b>	27	<b>5,864</b>	<b>11,263</b>	<b>54,882</b>	<b>72,009</b>	<b>75,157</b>

The notes on pages 28 to 59 form part of these financial statements.

# Durham Diocesan Board of Finance

(A company limited by guarantee)

## Summary income and expenditure account Year ended 31 December 2022

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	<b>Total funds</b>	<b>Total funds</b>
	<b>2022</b>	<b>2021</b>
<b>Note</b>	<b>£000</b>	<b>£000</b>
Income	<b>12,298</b>	11,988
(Losses)/gains on investments	<b>(943)</b>	495
<b>Gross income in the reporting period</b>	<b>11,355</b>	12,483
Less: Total expenditure	<b>(11,851)</b>	(10,910)
<b>Net (expenditure)/income for the reporting period</b>	<b>(496)</b>	1,573
<b>Other comprehensive income</b>		
Net assets transferred from endowments	29 <b>756</b>	1,807
<b>Net comprehensive income for the year</b>	<b>260</b>	3,380

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

The notes on pages 28 to 59 form part of these financial statements.

# Durham Diocesan Board of Finance

(A company limited by guarantee)

## Balance sheet Year ended 31 December 2022

	Note	2022 £000	2021 £000
<b>Fixed assets</b>			
Tangible assets	20	33,580	33,540
Investments	21	34,169	35,635
		<u>67,749</u>	<u>69,175</u>
<b>Current assets</b>			
Debtors	22	1,080	1,045
Cash on deposit	23	1,003	1,837
Cash at bank and in hand		2,683	3,763
		<u>4,766</u>	<u>6,645</u>
Creditors: amounts falling due within one year	24	<u>(405)</u>	<u>(562)</u>
<b>Net current assets</b>		<b>4,361</b>	<b>6,083</b>
<b>Total assets less current liabilities</b>		<b>72,110</b>	<b>75,258</b>
Creditors: amounts falling due after more than one year	25	(101)	(101)
<b>Total net assets</b>		<b>72,009</b>	<b>75,157</b>
<b>Charity funds</b>			
Endowment funds	27	54,882	58,290
Including revaluation reserve £2,581,616 (2021: £2,368,832)			
Including fair value reserve £2,727,205 (2021: £6,670,849)			
Restricted funds	27	11,263	10,994
Including fair value reserve £732,851 (2021: £1,282,159)			
<b>Unrestricted funds</b>			
Designated funds	27	25	25
General funds	27	5,839	5,848
Including revaluation reserve £286,584 (2021: £479,644)			
Total unrestricted funds	27	<u>5,864</u>	<u>5,873</u>
<b>Total funds</b>		<b>72,009</b>	<b>75,157</b>

The trustees acknowledge their responsibilities for complying with the requirements of the Act with respect to accounting records and preparation of financial statements.

The financial statements were approved and authorised for issue by the trustees on 27 April 2023 and signed on their behalf by:

Rt. Revd. Paul Butler



Chair

Company registered number: 00192018 The notes on pages 28 to 59 form part of these financial statements.

# Durham Diocesan Board of Finance

(A company limited by guarantee)

## Statement of cash flows Year ended 31 December 2022

	Note	2022 £000	2021 £000
<b>Cash flows from operating activities</b>			
Net cash used in operating activities	30	<b>(802)</b>	(639)
<b>Cash flows from investing activities</b>			
Dividends, interests and rents from investments		911	725
Proceeds from the sale of tangible fixed assets		1,088	3,901
Purchase of tangible fixed assets		(837)	(1,504)
Proceeds from sale of investments		-	1,229
Purchase of investments		(2,474)	(5,229)
Interest payable		-	1
<b>Net cash used in investing activities</b>		<b>(1,312)</b>	<b>(877)</b>
<b>Cash flows from financing activities</b>			
New loans advanced		-	(115)
Repayment of loans advanced		200	200
<b>Net cash provided by financing activities</b>		<b>200</b>	<b>85</b>
<b>Change in cash and cash equivalents in the year</b>		<b>(1,914)</b>	<b>(1,431)</b>
Cash and cash equivalents at the beginning of the year		5,600	7,031
<b>Cash and cash equivalents at the end of the year</b>	31	<b>3,686</b>	5,600

The notes on pages 28 to 59 form part of these financial statements

# Durham Diocesan Board of Finance

(A company limited by guarantee)

## Notes to the financial statements Year ended 31 December 2022

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### 1. General information

Durham Diocesan Board of Finance is a charitable company limited by membership guarantee and incorporated and domiciled in England. The registered office address is Cuthbert House, Stonebridge, Durham, DH1 3RY.

### 2. Accounting policies

#### 2.1 Basis of preparation of financial statements

The financial statements have been prepared in accordance with the Charities SORP (FRS 102) - Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (effective 1 January 2019), the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) and the Companies Act 2006.

Durham Diocesan Board of Finance meets the definition of a public benefit entity under FRS 102. Assets and Liabilities are initially recognised at historical cost or transaction value unless otherwise stated in the relevant accounting policy.

The financial statements are presented in pounds sterling which is the functional currency of the company and are rounded to the nearest £1,000.

#### 2.2 Exemption from preparing group accounts

The charitable company is the controlling party of Diocese of Durham Educational Trust, a dormant subsidiary undertaking. In the opinion of the directors/trustees, the size and assets of the subsidiary undertaking mean that the presentation of the combined results and financial position in consolidated financial statements is not material for the purpose of giving a true and fair view. These financial statements present the results and the position of the charitable company as a single entity and not as a group.

#### 2.3 Going concern

The trustees have considered the availability of reserves and cash upon the going concern basis of preparation of these financial statements. Whilst there remains some uncertainty over the rate of recovery in parish finances from Covid-19 and the continuing impact of the cost of living crisis, the financial position and liquidity of the DDBF is such that currently anticipated future deficits can be absorbed using available reserves. Work continues with parishes and other stakeholders to improve the long-term financial prospects of the Diocese. The trustees are comfortable that the measures taken to date, and the managed budget deficit for 2023, along with the current levels of cash and short-term deficits, are sufficient to allow the Diocese to continue to operate as a going concern for the foreseeable future.

# Durham Diocesan Board of Finance

(A company limited by guarantee)

## Notes to the financial statements Year ended 31 December 2022

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### 2. Accounting policies (continued)

#### 2.4 Income

All income is recognised once the company has entitlement to the income, it is probable that the income will be received and the amount of income receivable can be measured reliably.

Grants are included in the statement of financial activities on a receivable basis. The balance of income received for specific purposes but not expended during the period is shown in the relevant funds on the balance sheet. Where income is received in advance of entitlement of receipt, its recognition is deferred and included in creditors as deferred income. Where entitlement occurs before income is received, the income is accrued.

The principal source of income of the DDBF is parish share. The share monies are recognised in the statement of financial activities in the period in which they are receivable, although arrears are not shown as debtors since only constructive pressure can be applied to encourage parishes to pay any outstanding sums. Debts for parish 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 SOFA as incoming resources.

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. Incoming resources from charitable activities including 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 SOFA in the accounting period in which monies are receivable.

#### 2.5 Expenditure

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

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

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.

# Durham Diocesan Board of Finance

(A company limited by guarantee)

## Notes to the financial statements Year ended 31 December 2022

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### 2. Accounting policies (continued)

#### 2.5 Expenditure (continued)

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.

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

#### 2.6 Pension contributions

The DDBF's staff are members of the Church Workers Pension Fund and Clergy are members of the Church of England Funded Pension Scheme. The pension costs charged as resources expended represent the DDBF's contributions payable in respect of the accounting period, in accordance with FRS102. Deficit funding for the pension schemes to which the DDBF participates is accrued at current value in creditors distinguished between contributions falling due within one year and after more than one year.

The DDBF also operates a stakeholder scheme and contributes to personal pension schemes for which contributions are charged to the SOFA as they fall due.

#### 2.7 Tangible fixed assets and depreciation

Tangible fixed assets are initially recognised at cost.

##### *Freehold and leasehold buildings*

It is the DDBF's policy that in respect of many of its buildings, no depreciation is charged as any provision would not be material due to the very long expected remaining useful economic life in each case, and because their expected residual value is not materially less than their carrying value.

The DDBF has a policy of regular structural inspection, repair and maintenance, which in the case of residual properties is in accordance with the Repair of Benefices Building Measure 1972 and properties are therefore unlikely to deteriorate or suffer from obsolescence. In addition, disposals of properties occur well before the end of their economic lives and disposal proceeds are usually not less than their carrying value.

Annual impairment reviews are performed in accordance with the requirements of FRS102 to ensure that the carrying value is not more than the recoverable amount. Where the recoverable amount is estimated to be less than the carrying amount, depreciation is charged in the financial statements.



# Durham Diocesan Board of Finance

(A company limited by guarantee)

## Notes to the financial statements Year ended 31 December 2022

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### 2. Accounting policies (continued)

#### 2.7 Tangible fixed assets and depreciation (continued)

##### *School buildings*

School buildings are occupied and, in the case of Voluntary Aided schools, improved, extended and repaired by the school governors. The nature of the occupation of these buildings by these exempt and excepted charities means that DDBF trustees do not have the power to dispose of the buildings until the school ceases its occupation, which in turn would require the approval of the Secretary of State. Any proceeds of sale would be subject to claw-back, by the Secretary of State, of related grant aid provided. The trustees consider the Board's ownership to be in the nature of custodianship of the assets and these are therefore not capitalised in the financial statements. Details of the Voluntary Aided schools can be obtained from the Joint Education Team.

##### *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
Furniture and office equipment	-	33% per annum straight line

#### 2.8 Investments

Investments in agricultural holdings, commercial properties and investment securities are shown at their market value on the date of the balance sheet. All gains and losses on investments are recognised in the SOFA. Investments held by the DDBF as custodian trustee are not included in these accounts. Investments in unlisted investments and the subsidiary are stated at cost less provision for impairment. Investments also include long term loans made by the DDBF under concessionary terms.

#### 2.9 Financial instruments

##### *Loans*

Loans made by the DDBF to further its charitable purposes at rates below prevailing market rates are classified as concessionary loans and accounted for in accordance with Section 34 of FRS 102. Such loans are initially recognised and measured at the amount received and subsequently adjusted to reflect any repayments, accrued interest and any subsequent impairment.

##### *Debtors*

Debtors are recognised at the settlement amount due.

##### *Cash and cash equivalents*

Cash on deposit includes cash held in short term highly liquid investments with a short maturity of three months or less from the date of acquisition or opening of the deposit or similar account.

##### *Creditors and provisions*

Creditors and provisions are recognised where the DDBF has a present obligation resulting from a past event that will probably result in the transfer of funds to a third party and the amount due to settle the obligation can be measured or estimated reliably. Creditors and provisions are normally recognised at their settlement amount after allowing for any trade discounts due.

# Durham Diocesan Board of Finance

(A company limited by guarantee)

## Notes to the financial statements Year ended 31 December 2022

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### 2. Accounting policies (continued)

#### 2.9 Financial instruments (continued)

##### *Equity share loan*

The DDBF has one loan for which the settlement proceeds are based on the value of the equity in a property. As this constitutes a non-basic financial instrument under FRS 102 this loan has been recognised at fair value and is revalued at each reporting date. Any gains and losses arising at each year-end are recognised in the SOFA.

#### 2.10 Operating leases

Rentals paid under operating leases are charged to the statement of financial activities on a straight line basis over the lease term.

#### 2.11 Fund accounting

- **General** funds represent funds which are expendable at the discretion of the directors' 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 directors and are therefore not available for other purposes. All of the unrestricted funds apart from the General Fund are now regarded as designated. These are included with the unrestricted funds column in the SOFA.

- **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.

Trusts where the DDBF acts merely as custodian trustee with no control over the management of the funds are not included in the financial statements but are summarised in the notes to the financial statements.

### 3. Critical accounting estimates and areas of judgment

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Key areas subject to estimation are as follows:

##### *Fair value on investment property*

The DDBF holds investment property comprising agricultural land at fair value. The DDBF uses an independent external qualified surveyor to assess the value of this land based on a site by site consideration of the assets and the market conditions existing at the balance sheet date.

# Durham Diocesan Board of Finance

(A company limited by guarantee)

## Notes to the financial statements Year ended 31 December 2022

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### 3. Critical accounting estimates and areas of judgment (continued)

#### *Fair values estimated for equity share loan*

The DDBF has one loan for which the settlement proceeds are based on the value of the equity in a property. As required by FRS102 this loan has been stated in accordance with an estimate of fair value. The DDBF makes use of internal experts in arriving at this fair value. This loan is repayable on the earlier of the death of the borrower or the sale of the related property and therefore the timing of its repayment is uncertain. Therefore this loan is measured as a proportion of the fair value at each reporting date and has not been discounted.

#### *Valuation of defined benefit pension scheme deficit recovery liabilities*

The present values of the deficit recovery liabilities in respect of the Church Workers Pension Fund and the Church of England Funded Pensions Scheme defined benefit pension schemes depend on a number of factors that are determined on an actuarial basis using a variety of assumptions. These include the discount rate, inflation rate and the increase to the total pensionable payroll, and the DDBF has adopted the values determined by the Church of England Pensions Board. Any changes in these assumptions, which are disclosed in note 34, will impact the carrying amount of the pension deficit recovery liabilities. Furthermore a roll forward approach which projects results from the latest full actuarial valuations performed has been used by the actuary in valuing the pension deficit recovery liabilities at 31 December 2022. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would affect the carrying amount of the pension deficit recovery liabilities.

Other estimates included within these financial statements include depreciation charges. None of the estimates made are considered to carry significant estimation uncertainty, nor to bear significant risk of causing a material adjustment to carrying amounts of assets and liabilities within the next financial year.

In preparing these financial statements the trustees do not consider there were any significant areas of judgement that were required in applying the charity's accounting policies as set out above.

### 4. Parish contributions

	<b>Total funds 2022 £000</b>	<b>Total funds 2021 £000</b>
<b>Unrestricted general fund - parish share</b>		
Contributions pledged and paid	4,321	4,336
Contributions from previous years	12	37
	<u>4,333</u>	<u>4,373</u>
Current year parish share receipts (excluding contributions from prior years) as a proportion of total amounts pledged	<u>96.1%</u>	<u>94.3%</u>

# Durham Diocesan Board of Finance

(A company limited by guarantee)

## Notes to the financial statements Year ended 31 December 2022

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### 5. Archbishops' Council

	Unrestricted funds 2022 £000	Restricted funds 2022 £000	Total funds 2022 £000
Lower income communities fund	2,115	-	2,115
Strategic development fund	-	1,597	1,597
Energy and cost of living grants	503	-	503
Strategic ministry funding	-	188	188
Ordinands training grant	-	542	542
	<b>2,618</b>	<b>2,327</b>	<b>4,945</b>

	Unrestricted funds 2021 £000	Restricted funds 2021 £000	Total funds 2021 £000
Lower income communities fund	2,180	-	2,180
Strategic development fund	-	1,257	1,257
Renewal & reform fund	-	158	158
Sustainability fund	250	-	250
Ordinands training grant	-	475	475
Strategic ministry funding	96	-	96
	<b>2,526</b>	<b>1,890</b>	<b>4,416</b>

# Durham Diocesan Board of Finance

(A company limited by guarantee)

## Notes to the financial statements Year ended 31 December 2022

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### 6. Other donations

	Unrestricted funds 2022 £000	Restricted funds 2022 £000	Total funds 2022 £000
Benefact Trust	179	113	292
Lord Crewe	-	340	340
St Hild and St Bede Trust	-	11	11
Other grants and donations	141	55	196
	<hr/>	<hr/>	<hr/>
	320	519	839

	Unrestricted funds 2021 £000	Restricted funds 2021 £000	Total funds 2021 £000
Benefact Trust	178	-	178
Lord Crewe	-	359	359
St Hild and St Bede Trust	9	-	9
Other grants and donations	29	82	111
	<hr/>	<hr/>	<hr/>
	216	441	657

### 7. Income from charitable activities

	Total funds 2022 £000	Total funds 2021 £000
Statutory fees	494	548
Chaplaincy	50	41
St Hild and St Bede Trust (for Chaplaincy)	8	8
Miscellaneous income	76	70
	<hr/>	<hr/>
	628	667

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# Durham Diocesan Board of Finance

(A company limited by guarantee)

## Notes to the financial statements Year ended 31 December 2022

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### 8. Income from other activities

	<b>Unrestricted funds 2022 £000</b>	<b>Restricted funds 2022 £000</b>	<b>Total funds 2022 £000</b>
Rental income from parsonages	449	-	<b>449</b>
Education service level agreements	138	2	<b>140</b>
Miscellaneous income	1	-	<b>1</b>
	<b>588</b>	<b>2</b>	<b>590</b>

	<b>Unrestricted funds 2021 £000</b>	<b>Restricted funds 2021 £000</b>	<b>Total funds 2021 £000</b>
Rental income from parsonages	367	-	367
Education service level agreements	155	33	188
Miscellaneous income	7	-	7
	<b>529</b>	<b>33</b>	<b>562</b>

### 9. Income from investments

	<b>Unrestricted funds 2022 £000</b>	<b>Restricted funds 2022 £000</b>	<b>Total funds 2022 £000</b>
Income from UK listed investments	650	169	<b>819</b>
Interest receivable	91	1	<b>92</b>
Rents receivable	52	-	<b>52</b>
	<b>793</b>	<b>170</b>	<b>963</b>

	<b>Unrestricted funds 2021 £000</b>	<b>Restricted funds 2021 £000</b>	<b>Total funds 2021 £000</b>
Income from UK listed investments	572	63	635
Interest receivable	81	9	90
Rents receivable	55	-	55
	<b>708</b>	<b>72</b>	<b>780</b>

# Durham Diocesan Board of Finance

(A company limited by guarantee)

## Notes to the financial statements Year ended 31 December 2022

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### 10. Other income

		<b>Endowment funds 2022 £000</b>	<b>Total funds 2022 £000</b>
Gain on disposal of properties		336	<b>336</b>

	Unrestricted funds 2021 £000	Restricted funds 2021 £000	Endowment funds 2021 £000	Total funds 2021 £000
Gain on disposal of properties	396	137	774	<b>1,307</b>

### 11. Fundraising costs

	<b>Unrestricted funds 2022 £000</b>	<b>Endowment funds 2022 £000</b>	<b>Total funds 2022 £000</b>
Glebe agents fees	7	-	<b>7</b>
Glebe investment costs	3	14	<b>17</b>
	<b>10</b>	<b>14</b>	<b>24</b>

	Unrestricted funds 2021 £000	Endowment funds 2021 £000	Total funds 2021 £000
Glebe agents fees	7	-	7
Glebe investment costs	11	6	17
	<b>18</b>	<b>6</b>	<b>24</b>

# Durham Diocesan Board of Finance

(A company limited by guarantee)

## Notes to the financial statements Year ended 31 December 2022

### 12. Analysis of expenditure by activities

	Activities undertaken directly 2022 £000	Grant funding of activities 2022 £000	Support costs 2022 £000	Total funds 2022 £000
Contributions to Archbishops' Council (note 13)	-	728	-	728
Resourcing ministry and mission (note 14)	8,574	1,180	1,271	11,025
Resourcing Education (note 15)	265	-	-	265
	<b>8,839</b>	<b>1,908</b>	<b>1,271</b>	<b>12,018</b>

	Activities undertaken directly 2021 £000	Grant funding of activities 2021 £000	Support costs 2021 £000	Total funds 2021 £000
Contributions to Archbishops' Council (note 13)	-	702	-	702
Resourcing ministry and mission (note 14)	8,185	667	1,184	10,036
Resourcing Education (note 15)	304	-	-	304
	<b>8,489</b>	<b>1,369</b>	<b>1,184</b>	<b>11,042</b>

### 13. Contributions to Archbishops' Council

	Total funds 2022 £000	Total funds 2021 £000
Training for ministry	224	224
National Church responsibilities	250	268
Grants and provisions	269	205
Pooling of ordinand candidates	(15)	5
	<b>728</b>	<b>702</b>



# Durham Diocesan Board of Finance

(A company limited by guarantee)

## Notes to the financial statements Year ended 31 December 2022

### 14. Expenditure on resourcing ministry and mission

	Unrestricted funds 2022 £000	Restricted funds 2022 £000	Endowment funds 2022 £000	Total funds 2022 £000
Stipends and national insurance	3,376	437	-	3,813
Clergy pension	976	80	-	1,056
Pension deficit creditor movement (note 34)	(99)	-	-	(99)
Housing costs	1,416	-	162	1,578
Removal, resettlement and other grants	102	8	-	110
Mission: stipendiary, staff and activity costs	411	1,440	-	1,851
Lindisfarne Regional Training Partnership grant	42	478	-	520
Strategic development costs	-	-	-	-
Other expenses and grants	786	139	-	925
Support for parish ministry (see note 16)	922	334	15	1,271
	<b>7,932</b>	<b>2,916</b>	<b>177</b>	<b>11,025</b>

	Unrestricted funds 2021 £000	Restricted funds 2021 £000	Endowment funds 2021 £000	Total funds 2021 £000
Stipends and national insurance	3,659	168	-	3,827
Clergy pension	1,027	58	-	1,085
Pension deficit creditor movement (note 34)	5	-	-	5
Housing costs	1,169	-	135	1,304
Removal, resettlement and other grants	125	-	-	125
Mission: stipendiary, staff and activity costs	379	1,200	-	1,579
Lindisfarne Regional Training Partnership grant	50	442	-	492
Strategic development costs	-	19	-	19
Other expenses and grants	386	30	-	416
Support for parish ministry (see note 16)	804	365	15	1,184
	<b>7,604</b>	<b>2,282</b>	<b>150</b>	<b>10,036</b>

# Durham Diocesan Board of Finance

(A company limited by guarantee)

## Notes to the financial statements Year ended 31 December 2022

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### 15. Resourcing education

	<b>Unrestricted funds 2022 £000</b>	<b>Restricted funds 2022 £000</b>	<b>Total funds 2022 £000</b>
Administration	250	-	<b>250</b>
Closed schools	-	15	<b>15</b>
	<b>250</b>	<b>15</b>	<b>265</b>

	<b>Unrestricted funds 2021 £000</b>	<b>Restricted funds 2021 £000</b>	<b>Total funds 2021 £000</b>
Administration	281	-	281
Closed schools	-	23	23
	<b>281</b>	<b>23</b>	<b>304</b>

### 16. Analysis of support costs

	<b>Total funds 2022 £000</b>	<b>Total funds 2021 £000</b>
Central staff costs	<b>640</b>	651
Movement on CWPF deficit creditor	-	(123)
Central office and premises	<b>87</b>	74
Technology and communication	<b>155</b>	172
Depreciation	<b>45</b>	49
Legal and registry costs	<b>136</b>	131
Synod, Board and Committee expenses	<b>30</b>	29
External audit	<b>22</b>	20
Other support costs	<b>59</b>	71
Other costs	<b>97</b>	110
	<b>1,271</b>	<b>1,184</b>

# Durham Diocesan Board of Finance

(A company limited by guarantee)

## Notes to the financial statements Year ended 31 December 2022

### 17. Analysis of grants made

	Number	Individuals £000	Institutions £000	Total 2022 £000
<b>From unrestricted funds for</b>				
<b>National Church responsibilities:</b>				
Contributions to Archbishops' Council	1	-	474	474
<b>Other grants made:</b>				
NECAT	1	-	8	8
Northumbrian Industrial Mission	1	-	2	2
Lesotho	1	-	25	25
Training for Ministry Grants	73	77	443	520
Resettlement and First Appointment Grants	27	102	-	102
Ordinands' Grants	26	269	-	269
Basic Clergy Development Grants	64	14	-	14
Special CMD & Sabbatical Grants	17	7	-	7
Mission Fund Grants	20	14	-	14
Church building committee grants	14	-	42	42
Ministry Hardship Grant	32	-	48	48
Energy Support Grant funding	157	383	-	383
	434	866	1,042	1,908

	Number	Individuals £000	Institutions £000	Total 2021 £000
<b>From unrestricted funds for</b>				
<b>National Church responsibilities:</b>				
Contributions to Archbishops' Council	1	-	497	497
<b>Other grants made:</b>				
NECAT	1	-	8	8
Northumbrian Industrial Mission	1	-	2	2
Lesotho	1	-	25	25
Training for Ministry Grants	68	61	411	472
Resettlement and First Appointment Grants	22	88	-	88
Ordinands' Grants	28	205	-	205
Basic Clergy Development Grants	41	6	-	6
Special CMD & Sabbatical Grants	17	11	-	11
Mission Fund Grants	9	23	-	23
Church building committee grants	15	32	-	32
	204	426	943	1,369

# Durham Diocesan Board of Finance

(A company limited by guarantee)

## Notes to the financial statements Year ended 31 December 2022

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### 18. Auditor's remuneration

	2022 £000	2021 £000
Fees payable to the charitable company's auditor for the audit of the charitable company's annual accounts	20	18
Fees payable to the charitable company's auditor in respect of: All non-audit services not included above	2	2

### 19. Staff costs

	2022 £000	2021 £000
<b>Employee costs during the year were as follows:</b>		
Wages and salaries	1,485	1,414
National insurance contributions	157	136
Pension costs - current year contributions	211	203
Movement on pension deficit creditor (see note 33)	-	(123)
	<b>1,853</b>	<b>1,630</b>

	2022 £000	2021 £000
<b>The average monthly number of employees during the year were as follows:</b>		
Staff	40	43

	2022 No.	2021 No.
The number of higher paid employees was:		
In the band £60,001 - £70,000		1
In the band £70,001 - £80,000	1	-

# Durham Diocesan Board of Finance

(A company limited by guarantee)

## Notes to the financial statements Year ended 31 December 2022

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### Remuneration of key management personnel

Key management personnel are deemed to be those having authority and responsibility, delegated to them by the trustees, for planning, directing and controlling the activities of the Diocese. During 2022 they were:

Diocesan Secretary	Mr J James G Morgan
Director of Mission, Discipleship & Ministry	The Venerable Elizabeth M Wilkinson
Director of Strategic Growth	The Reverend Canon David R Tomlinson (resigned May 2022)

Remuneration, pensions and employer's national insurance contributions for the above employees amounted to £177,029 (2021: £209,448).

### Trustees' emoluments

No trustee received any remuneration for services as trustee (2021: £nil). During the year, 5 trustees (2021: 6) received travelling, subsistence and incidental costs, totalling £12,000 (2021: £9,000) in respect of General Synod duties, duties as archdeacon or area/rural dean, and other duties as trustees.

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.

The following table gives details of the trustees who were in receipt of a stipend and/or housing provided by the DDBF during the year:

	Stipend	Housing
Right Revd S Clark	no	yes
Venerable RL Simpson	yes	yes
Venerable RG Cooper	yes	yes
Venerable EM Wilkinson	yes	yes
Revd P Arnold	yes	yes
Canon S Clark	yes	yes
Revd L Sutherland	yes	yes
Canon D Tolhurst	yes	yes

The DDBF is responsible for funding via the Church Commissioners the stipends of licensed stipendiary clergy in the diocese, other than bishops and cathedral staff. The DDBF is also responsible for the provision of housing for stipendiary clergy in the Diocese including the Suffragan Bishop.

# Durham Diocesan Board of Finance

(A company limited by guarantee)

## Notes to the financial statements Year ended 31 December 2022

The DDBF paid an average of 139 (2021: 142) stipendiary clergy and lay ministers as office-holders holding parochial or diocesan appointments in the Diocese, and the costs were as follows:

	2022 £000	2021 £000
Stipends	3,491	3,501
National insurance contributions	308	298
Pension costs - current year contributions	1,243	1,392
Movement on pension scheme deficit creditor (see note 34)	(99)	5
	4,943	5,196

### 20. Tangible fixed assets

	Property £000	Office equipment £000	Parsonages £000	Glebe Property £000	Total £000
<b>Cost or valuation</b>					
At 1 January 2022	3,538	95	20,787	10,003	34,423
Additions	86	6	-	745	837
Disposals	-	-	(772)	-	(772)
Transfers between classes	-	-	78	(78)	-
At 31 December 2022	3,624	101	20,093	10,670	34,488
<b>Depreciation</b>					
At 1 January 2022	121	94	434	234	883
Charge for the year	30	2	5	8	45
On disposals	-	-	(20)	-	(20)
Transfers between classes	-	-	2	(2)	-
At 31 December 2022	151	96	421	240	908
<b>Net book value</b>					
At 31 December 2022	3,473	5	19,672	10,430	33,580
At 31 December 2021	3,417	1	20,353	9,769	33,540

# Durham Diocesan Board of Finance

(A company limited by guarantee)

## Notes to the financial statements Year ended 31 December 2022

### 21. Fixed asset investments

	Listed investments £000	Loans to associates £000	Agricultural land £000	Total £000
<b>Cost or valuation</b>				
At 1 January 2022	32,645	215	2,775	35,635
Additions	2,470	4	-	2,474
Disposals	-	(200)	-	(200)
Revaluations	(3,953)	-	213	(3,740)
At 31 December 2022	31,162	19	2,988	34,169
<b>Net book value</b>				
At 31 December 2022	31,162	19	2,988	34,169
At 31 December 2021	32,645	215	2,775	35,635
Historic cost at 31 December 2022	27,414	19	407	27,840

#### Agricultural land held as investment properties

The estimate of the value of Glebe land and properties held as investments at the end of the year has been prepared by Savills on a desktop valuation basis as at 31 December 2022.

#### Long term loans

The DDBF loaned £1,000,000 to the Chapter of Durham (Durham Cathedral) in 2012 in support of its Open Treasure project. The interest charged on the loan is that applicable to loans from the CBF CoE Deposit Fund under the Diocesan Loan Scheme. The loan is repayable over 10 years and the first repayments commenced from 31 March 2018 and will continue in equal tranches of £200,000. This loan is fully repaid at the year end.

This loan has been classified as a concessionary loan in accordance with Section 34 of FRS 102 as it has been received for furthering the DDBF's charitable objectives at interest rates below the prevailing market rates for equivalent unsecured loan arrangements.

#### Subsidiary undertakings

Unlisted investments are held at cost and relate to DDBF's wholly owned subsidiary undertaking, The Diocese of Durham Educational Trust, a company limited by guarantee (company registration number 08816527).

The Diocese of Durham Educational Trust was incorporated in 2013 to provide the Diocese with a vehicle to manage its education responsibilities. It is a dormant company which acts as a corporate member for a number of multi academy trusts.

#### Joint venture

During the year DDBF established a joint venture limited liability partnership with Newcastle Diocesan Education Board (NDEB). The new entity, JET LLP, did not trade in 2022.

# Durham Diocesan Board of Finance

(A company limited by guarantee)

## Notes to the financial statements Year ended 31 December 2022

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### 22. Debtors

	2022 £000	2021 £000
<b>Due after more than one year</b>		
Church Buildings loan	103	108
Equity share loan	134	134
	<u>237</u>	<u>242</u>
<b>Due within one year</b>		
Parish share debtors	11	12
Church Buildings loans	2	2
Other debtors	737	302
Prepayments and accrued income	93	487
	<u>1,080</u>	<u>1,045</u>

The historic cost of the equity share loan included in loans receivable is £16,000 (2021: £16,000).

### 23. Current asset investments

	2022 £000	2021 £000
CBF Deposit fund	<u>1,003</u>	<u>1,837</u>

### 24. Creditors: amounts falling due within one year

	2022 £000	2021 £000
Trade creditors	276	231
Pension deficit payments creditor (note 34)	-	240
Other creditors	2	11
Accruals and deferred income	127	80
	<u>405</u>	<u>562</u>

### 25. Creditors: amounts falling due after more than one year

	2022 £000	2021 £000
Loans	<u>101</u>	<u>101</u>

Loans included in creditors due in more than one year comprise £101,000 (2021: £101,000) owing to Church Commissioners relating to property purchased to house clergy spouses, which become repayable on sale of the property once it falls vacant.



# Durham Diocesan Board of Finance

(A company limited by guarantee)

## Notes to the financial statements Year ended 31 December 2022

### 26. Summary of funds

#### Summary of funds - current year

	Balance at 1 January 2022 £000	Income £000	Expenditure £000	Transfers in/out £000	Gains/ (Losses) £000	Balance at 31 December 2022 £000
Designated funds	25	-	-	-	-	25
General funds	5,848	9,280	(8,920)	(102)	(267)	5,839
Endowment funds	58,290	336	(191)	(756)	(2,797)	54,882
Restricted funds	10,994	3,018	(2,931)	858	(676)	11,263
	<b>75,157</b>	<b>12,634</b>	<b>(12,042)</b>	<b>-</b>	<b>(3,740)</b>	<b>72,009</b>

#### Summary of funds - prior year

	Balance at 1 January 2021 £000	Income £000	Expenditure £000	Transfers in/out £000	Gains/ (Losses) £000	Balance at 31 December 2021 £000
Designated funds	25	-	-	-	-	25
General funds	4,467	9,415	(8,605)	537	34	5,848
Endowment funds	55,874	774	(156)	(1,807)	3,605	58,290
Restricted funds	8,995	2,573	(2,305)	1,270	461	10,994
	<b>69,361</b>	<b>12,762</b>	<b>(11,066)</b>	<b>-</b>	<b>4,100</b>	<b>75,157</b>

# Durham Diocesan Board of Finance

(A company limited by guarantee)

## Notes to the financial statements Year ended 31 December 2022

### 27. Statement of funds

#### Statement of funds - current year

	Balance at 1 January 2022 £000	Income £000	Expenditure £000	Transfers in/(out) £000	Gains/ (Losses) £000	Balance at 31 December 2022 £000
<b>Designated funds</b>						
Bequests Fund	25	-	-	-	-	25
<b>Unrestricted funds</b>						
General	5,848	9,280	(8,920)	(102)	(267)	5,839
<b>Restricted funds</b>						
Parsonages Building Fund	2,151	46	-	-	(155)	2,042
Durham Closed Schools Fund	580	13	(15)	10	-	588
Pastoral Fund	6,504	98	(159)	996	(387)	7,052
Ministry and Preordination Training Fund	169	542	(479)	(128)	-	104
Faith in the Community	3	-	(3)	-	-	-
Lord Crewe's Charity	118	340	(286)	-	-	172
Strategic Development Fund - Resourcing Churches	28	675	(674)	-	-	29
Restructuring Fund - Renewal & Reform	208	-	(145)	-	-	63
Strategic Development Fund II - Communities for Hope	-	698	(693)	-	-	5
Misc Restricted Fund (Misc Income for projects)	52	50	(33)	-	-	69
Durham Capacity Fund (Restricted)	-	175	(176)	-	-	(1)
Strategic Capacity Grant fund	-	49	(49)	-	-	-
Strategic Ministry Fund	-	188	(188)	-	-	-
Benefact Trust- Cultivate funding	-	100	-	-	-	100
Benefact Trust - Giving Adviser funding	-	13	(13)	-	-	-
Other	1,181	31	(18)	(20)	(134)	1,040
	<b>10,994</b>	<b>3,018</b>	<b>(2,931)</b>	<b>858</b>	<b>(676)</b>	<b>11,263</b>
<b>Endowment funds</b>						
Parsonages Houses Fund	20,263	336	(5)	(920)	-	19,674
Stipends Capital Fund	38,027	-	(186)	164	(2,797)	35,208
	<b>58,290</b>	<b>336</b>	<b>(191)</b>	<b>(756)</b>	<b>(2,797)</b>	<b>54,882</b>
<b>Total of funds</b>	<b>75,157</b>	<b>12,634</b>	<b>(12,042)</b>	<b>-</b>	<b>(3,740)</b>	<b>72,009</b>

# Durham Diocesan Board of Finance

(A company limited by guarantee)

## Notes to the financial statements Year ended 31 December 2022

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### *General fund*

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

### *Bequests Fund*

This fund represents the balance from an anonymous donor during 2019 which the Board decided should be held within a separate designated fund to support the diocesan priority of 'Challenging Poverty'.

### *Parsonages Buildings fund*

The Parsonages Buildings fund is held by the DDBF to pay for repairs and maintenance of parsonage houses. This fund also holds the net proceeds from the sale of any previous parsonages which have been ring fenced for the provision of a replacement parsonage as and when necessary.

### *Durham Closed Schools Fund*

The Closed Schools Improvements Fund represents the pooled sale proceeds of closed church schools in the Diocese in accordance with Section 287 (2) of the Education Act 1993. The capital and income can be used for the building, extension and maintenance of church schools. The income alone can be spent on the management and administration of church schools.

### *Pastoral Fund*

The pastoral account includes the proceeds of redundant churches and parsonages and was set up under the provisions of the Pastoral Measure 1983. The restricted purposes for which the account may be used are:

- to defray costs incurred for the purposes of the Measure or any scheme or order made under the Measure except for salaries of regular diocesan employees
- to make loans or grants for the provision, restoration, improvement or repair of churches and parsonage houses in the Diocese
- other purposes of the Diocese or any benefice or parish in the Diocese
- to make grants or loans to any other diocese
- to transfer funds to the diocesan stipends fund income or capital accounts.

### *Ministry and Preordination Training Fund*

This is a restricted fund set up to provide assistance for ministry and training.

### *Faith in the Community*

This fund is to support the partnership project which funds salaries of support workers, office costs, training, events and projects.

### *Lord Crewe's Charity Restricted Fund*

This fund provides support for necessitous clergy and gives resources for the mission and ministry of parishes in the most deprived parts of the Diocese

### *Strategic Development Fund*

This restricted fund relates to grants received from the Church Commissioners to develop and deliver the strategic plans of the DDBF.

### *Restructuring Fund*

The Church Commissioners awarded the Diocese a one-off allocation to allow the Diocese to adapt to a reduction in funding resulting from the replacement of Selective Allocation by Lower Income Communities Funding. This funding is restricted as it must be used in line with an agreed plan.

# Durham Diocesan Board of Finance

(A company limited by guarantee)

## Notes to the financial statements Year ended 31 December 2022

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### *Strategic Development Fund – Growing Hope*

This national church funded project is to develop Communities of Hope, which are Christian small scale social enterprise projects in areas with high levels of social deprivation, alongside two further Resourcing Churches and ministry experience volunteers.

### *Miscellaneous Restricted Income Fund*

This restricted fund relates to grants received for one off smaller activities which have been made available for specific restricted activities within the Diocese.

### *Strategic Development Fund – Growing Durham Diocese*

This project, funded by the national church in partnership with the DDBF and parishes, provides the opportunity for four of our churches to become Resourcing Churches, growing their reach and capacity, particularly supporting ministry to children and young people. This project also funds a trial of the mixed-mode ordination course and ministry experience volunteer scheme.

### *Strategic Capacity Fund - Church planting*

Provides capacity for the administration and management of church planting within the diocese.

### *Strategic Ministry Fund*

Provides support to assist with funding the curacies.

### *Strategic Capacity Fund - Other*

National church funding to assist with the development a transformational strategy and to trial and develop diocesan support for parishes in areas including evangelism and discipleship, and church building maintenance.

### *Giving Adviser Fund*

National church funding to provide diocesan support for parishes around generous giving and stewardship.

### *Benefact Trust - Cultivate*

Funding to support the diocese's 'Cultivate' church planting strategy.

### *Other grants*

This restricted fund relates to grants which support a wide range of projects related to the four Diocesan priorities.

### *Parsonage Houses Fund*

The Parsonage Houses Fund represents the value of the benefice houses (parsonages) in the Diocese after deducting loans outstanding in respect of such houses.

### *Stipends Capital Fund*

The Stipends Capital 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.

## **Transfers between funds**

Transfers from endowment funds represent transfers from the Parsonage property fund to unrestricted and restricted funds following the sale of certain properties, according to the terms imposed on the endowed asset.

Transfers from general funds to the Stipend capital fund represented the reduction in the clergy pension scheme deficit creditor.

# Durham Diocesan Board of Finance

(A company limited by guarantee)

## Notes to the financial statements Year ended 31 December 2022

### 27. Statement of funds (continued)

#### Statement of funds - prior year

	Balance at 1 January 2021 £000	Income £000	Expenditure £000	Transfers in/out £000	Gains/ (Losses) £000	Balance at 31 December 2021 £000
<b>Designated funds</b>						
Bequests Fund	25	-	-	-	-	25
<b>General funds</b>						
General	4,467	9,415	(8,605)	537	34	5,848
<b>Restricted funds</b>						
Board of Education						
Training Fund	11	-	-	(11)	-	-
Parsonages Building Fund	1,685	33	-	266	167	2,151
Durham Closed Schools Fund	412	42	(22)	11	137	580
Pastoral Fund	5,496	48	(192)	995	157	6,504
Ministry & Preordination Training Fund	136	475	(442)	-	-	169
Faith in the Community	3	-	-	-	-	3
Lord Crewe	4	356	(242)	-	-	118
Strategic Development Fund - Resourcing Churches	28	640	(640)	-	-	28
Restructuring Fund	181	158	(140)	9	-	208
Strategic Development Fund II - Communities for Hope	1,039	302	(108)	-	-	1,233
Strategic Development Fund	-	500	(500)	-	-	-
Strategic Development Fund - MLG	-	19	(19)	-	-	-
	8,995	2,573	(2,305)	1,270	461	10,994
<b>Endowment funds</b>						
Parsonages Houses Fund	21,696	-	(7)	(1,892)	466	20,263
Stipends Capital Fund	34,178	774	(149)	85	3,139	38,027
	55,874	774	(156)	(1,807)	3,605	58,290
<b>Total of funds</b>	<b>69,361</b>	<b>12,762</b>	<b>(11,066)</b>	<b>-</b>	<b>4,100</b>	<b>75,157</b>

# Durham Diocesan Board of Finance

(A company limited by guarantee)

## Notes to the financial statements Year ended 31 December 2022

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### 28. Analysis of net assets between funds

#### Analysis of net assets between funds - current year

	Unrestricted funds 2022 £000	Restricted funds 2022 £000	Endowment funds 2022 £000	Total funds 2022 £000
Tangible fixed assets	1,823	1,656	30,101	33,580
Fixed asset investments	2,385	6,888	24,896	34,169
Debtors due after more than one year	237	-	-	237
Current assets	1,810	2,719	-	4,529
Creditors due within one year	(391)	-	(14)	(405)
Creditors due in more than one year	-	-	(101)	(101)
<b>Total</b>	<b>5,864</b>	<b>11,263</b>	<b>54,882</b>	<b>72,009</b>

#### Analysis of net assets between funds - prior year

	Unrestricted funds 2021 £000	Restricted funds 2021 £000	Endowment funds 2021 £000	Total funds 2021 £000
Tangible fixed assets	1,738	1,680	30,122	33,540
Fixed asset investments	2,033	4,950	28,652	35,635
Debtors due after more than one year	242	-	-	242
Current assets	2,039	4,364	-	6,403
Creditors due within one year	(78)	-	(484)	(562)
Creditors due in more than one year	(101)	-	-	(101)
<b>Total</b>	<b>5,873</b>	<b>10,994</b>	<b>58,290</b>	<b>75,157</b>

# Durham Diocesan Board of Finance

(A company limited by guarantee)

## Notes to the financial statements Year ended 31 December 2022

### 29. Analysis of significant transfers between funds

#### Analysis of significant transfers between funds – current year

	Unrestricted funds 2022 £000	Restricted funds 2022 £000	Endowment funds 2022 £000	Total funds 2022 £000
Transfer of Parsonage Property to Pastoral	-	996	(996)	-
Transfer from general funds to Stipend Capital fund in respect of reduction in clergy pension scheme deficits payment creditor	(240)	-	240	-
Transfer of balance of Ministry and Pre ordination fund To Board of Finance CBF Deposit Fund	10	(10)	-	-
Released cash from Pastoral to Stipend Capital	-	(774)	774	-
Release of investment shares from Stipend Capital to Pastoral	-	774	(774)	-
<b>Total</b>	<b>(102)</b>	<b>858</b>	<b>(756)</b>	<b>-</b>

#### Analysis of significant transfers between funds – prior year

	Unrestricted funds 2021 £000	Restricted funds 2021 £000	Endowment funds 2021 £000	Total funds 2021 £000
Transfer of Parsonage Property to Pastoral Fund	-	995	(995)	-
Transfer of Parsonage Property to Parsonage Building Fund	-	267	(267)	-
Transfer of Glebe cost to Transitional fund	-	8	(8)	-
Transfer of Parsonage Property to Unrestricted Funds	758	-	(758)	-
Transfer from general funds to Stipend Capital Fund in respect of reduction in clergy pension scheme deficits payment creditor	(243)	-	243	-
Reallocation of housing costs	22	-	(22)	-
<b>Total</b>	<b>537</b>	<b>1270</b>	<b>(1,807)</b>	<b>-</b>

# Durham Diocesan Board of Finance

(A company limited by guarantee)

## Notes to the financial statements Year ended 31 December 2022

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### 30. Reconciliation of net movement in funds to net cash flow from operating activities

	2022	2021
	£000	£000
Net income/expenditure for the year (as per Statement of Financial Activities)	(3,148)	5,796
<b>Adjustments for:</b>		
Depreciation charges	45	48
Gains on investments	3,740	(4,100)
Dividends, interests and rents from investments	(911)	(725)
Increase in debtors	(35)	(50)
Increase in creditors	83	82
Profit on sale of fixed assets	(336)	(1,307)
Pension revaluation	(99)	(119)
Contributions to pension scheme	(141)	(264)
<b>Net cash used in operating activities</b>	<b>(802)</b>	<b>(639)</b>

### 31. Analysis of cash and cash equivalents

	2022	2021
	£000	£000
Cash in hand	2,683	3,763
Notice deposits (less than 3 months)	1,003	1,837
<b>Total cash and cash equivalents</b>	<b>3,686</b>	<b>5,600</b>

### 32. Analysis of changes in net debt

	At 1 January 2022 £000	Cash flows £000	At 31 December 2022 £000
Cash at bank and in hand	3,763	(1,080)	2,683
Debt due within 1 year	(240)	240	-
Debt due after 1 year	(101)	-	(101)
Liquid investments	1,837	(834)	1,003
	<b>5,259</b>	<b>(1,674)</b>	<b>3,585</b>



# Durham Diocesan Board of Finance

(A company limited by guarantee)

## Notes to the financial statements Year ended 31 December 2022

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### 33. Operating lease commitments

At 31 December 2022 the charitable company had commitments to make future minimum lease payments under non-cancellable operating leases as follows:

	2022 £000	2021 £000
Not later than 1 year	10	10
Later than 1 year and not later than 5 years	2	2
	<u>12</u>	<u>12</u>

### 34. Pensions

The DBF participates in two pension schemes administered by the Church of England Pensions Board, which holds the assets of the schemes separately from those of the DBF and the other participating employers. One of these is the **Church of England Funded Pensions Scheme** for stipendiary clergy. The other is the **Church Workers Pension Fund** for lay staff.

These schemes are multi-employer defined benefit pension schemes (referred to as "last man standing" schemes) for which the DBF 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 scheme. For multi-employer schemes where this is the case, paragraph 28.11 of FRS102 requires the DBF to account for pension costs on the basis of contributions actually payable to the scheme in the year and, where contributions are affected by a surplus or deficit in the scheme, to disclose information about the surplus or deficit and the implications of the surplus or deficit for the DBF. A valuation of each scheme is carried out once every three years.

#### Church of England Funded Pension Scheme

Durham DBF participates in the Church of England Funded Pensions Scheme for stipendiary clergy. This scheme is administered by the Church of England Pensions Board, which holds the assets of the schemes separately from those separately from those of the Responsible Bodies. Each participating Responsible Body in the scheme pays contributions at a common contribution rate applied to pensionable stipends.

The scheme is considered to be a multi-employer scheme as described in Section 28 of FRS102. This means it is not possible to attribute the Scheme's assets and liabilities to each specific Responsible Body, and this means contributions are accounted for as if the Scheme were a defined contribution scheme. The pension costs charged to the SOFA in the year are contributions payable towards benefits and expenses accrued in that year (2022: £1,243,000 (2021: £1,392,000), plus the figures highlighted in the table below as being recognised in the SOFA, giving a total charge of £1,144,000 for 2022 (2021: £1,397,000). The scheme is accounted for within the Stipends Capital Fund.

A valuation of the Scheme is carried out once every three years. The most recent Scheme valuation completed was carried out at as 31 December 2021. The 2021 valuation revealed a surplus of £560m, based on assets of £2,720m and a funding target of £2,160m, assessed using the following assumptions:

- An average discount rate of 2.7% p.a;
- RPI inflation of 3.6% p.a. (and pension increases consistent with this);
- CPIH inflation in line with RPI less 0.8% pre 2030 moving to RPI with no adjustment from 2030 onwards;

# Durham Diocesan Board of Finance

(A company limited by guarantee)

## Notes to the financial statements Year ended 31 December 2022

Increase in pensionable stipends in line with CPIH;

- Mortality in accordance with 90% of the S3NA tables, with allowance for improvements in mortality rates in line with the CMI2020 extended model with a long term annual rate of improvement of 1.5%, a smoothing parameter of 7, an initial addition to mortality improvements of 0.5% pa and an allowance for 2020 data of 0% (i.e. w2020 = 0%).

Following the 31 December 2018 valuation, a deficit recovery plan was put in place until 31 December 2022 and the deficit recovery contributions (as a percentage of pensionable stipends) were as set at 11.9% for the period from January 2018 to December 2020, and 7.1% from January 2021 to December 2022.

An interim reduction to deficit contributions to 3.2% of pensionable stipends was made with effect from 1 April 2022. Following finalisation of the 31 December 2021 valuation, deficit contributions ceased with effect from 1 January 2023, since the Scheme was in surplus.

For senior office holders, pensionable stipends are adjusted in the calculations by a multiple, as set out in the Scheme's rules.

Section 28.11A of FRS 102 requires agreed deficit recovery payments to be recognised as a liability. However, as there are no agreed deficit recovery payments from 1 January 2023 onwards, the balance sheet liability as at 31 December 2022 is nil. The movement in the balance sheet liability over 2021 and over 2022 is set out in the table below.

	2022 £000	2021 £000
Balance sheet liability as at 1 January	240	483
Contributions paid	(141)	(248)
Interest cost (recognised in SOFA)	-	1
Re-measurement of the balance sheet liability (recognised in SOFA) *	(99)	4
<b>Balance sheet liability as at 31 December</b>	<b>-</b>	<b>240</b>

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

This liability represents the present value of the deficit contributions agreed as at the accounting date and has been valued using the following assumptions. No assumptions are needed for December 2022 as there are no agreed deficit recovery payments going forward. No price inflation assumption was needed for December 2021 since pensionable stipends for the remainder of the recovery plan were already known.

	2022	2021	2020
Discount rate	n/a	0.0% pa	0.2% pa
Price inflation	n/a	n/a	3.1% pa
Increase to total pensionable payroll	n/a	-1.5% pa	1.6% pa

The legal structure of the scheme is such that if another employer fails, the employer could become responsible for paying a share of that employer's pension liabilities.

### Church Workers Pension Fund

Durham DBF (DBS) participates in the Defined Benefits Scheme section of CWPF for lay staff. The Scheme is administered by the Church of England Pensions Board, which holds the assets of the schemes separately from those of the Employer and the other participating employers.

# Durham Diocesan Board of Finance

(A company limited by guarantee)

## Notes to the financial statements Year ended 31 December 2022

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The Church Workers Pension Fund has a section known as the Defined Benefits Scheme, a deferred annuity section known as Pension Builder Classic and a cash balance section known as Pension Builder 2014.

### Defined Benefits Scheme

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

For funding purposes, DBS is divided into sub-pools in respect of each participating employer as well as a further sub-pool, known as the Life Risk Pool. The Life Risk Pool exists to share certain risks between employers, including those relating to mortality and post-retirement investment returns.

The division of the DBS into sub-pools is notional and is for the purpose of calculating ongoing contributions. They do not alter the fact that the assets of the DBS are held as a single trust fund out of which all the benefits are to be provided. From time to time, a notional premium is transferred from employers' sub-pools to the Life Risk Pool and all pensions and death benefits are paid from the Life Risk Pool.

The scheme is a multi-employer scheme as described in Section 28 of FRS 102. It is not possible to attribute DBS assets and liabilities to specific employers, since each employer, through the Life Risk Section, is exposed to actuarial risks associated with the current and former employees of other entities participating in DBS. This means that contributions are accounted for as if DBS were a defined contribution scheme. The pension costs charged to the SOFA during the year are contributions payable towards benefits and expenses accrued in the year 2022: £211,000 (2021: £203,000) plus the figures in relation to the DBS deficit highlighted in the table below as being recognised in the SOFA, giving a total charge of £211,000 for 2022 (2021: £80,000). The scheme is accounted for within the general unrestricted fund.

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

A valuation of DBS is carried out once every three years. The most recently finalised was carried out as at 31 December 2019. In this valuation, the Life Risk Section was shown to be in deficit by £7.7m and £7.7m was notionally transferred from the employers' sub-pools to the Life Risk Section. This increased the Employer contributions that would otherwise have been payable. The overall deficit in DBS was £11.3m.

The next actuarial valuation is due at 31 December 2022.

Following the valuation, the Employer has entered into an agreement with the Church Workers Pension Fund to pay a contribution of 33.8% of pensionable salary and expenses of £7,800 per year.

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

	2022	2021
	£000	£000
Balance sheet liability as at 1 January	-	139
Contributions paid	-	(16)
Interest cost (recognised as SOFA)	-	-
Re-measurement of the balance sheet liability (recognised in SOFA)*	-	(123)
Balance sheet liability as at 31 December	-	-

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# Durham Diocesan Board of Finance

(A company limited by guarantee)

## Notes to the financial statements Year ended 31 December 2022

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

	2022	2021	2020
Discount rate	0.00% pa	0.00% pa	0.30% pa

The legal structure of the scheme is such that if another employer fails, the employer could become responsible for paying a share of that employer's pension liabilities. The next valuation of the scheme is currently being carried out as at 31 December 2022.

### Pension Builder Scheme

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

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

Pension Builder 2014 is a cash balance scheme that provides a lump sum which members use to provide benefits at retirement. Pension contributions are recorded in an account for each member. Discretionary bonuses may be added before retirement, depending on investment returns and other factors. The account, plus any bonuses declared is payable, unreduced, from age 65.

There is no sub-division of assets between employers in each section of the Pension Builder Scheme.

The scheme is considered to be a multi-employer scheme as described in Section 28 of FRS 102. This is because it is not possible to attribute the Pension Builder Scheme's assets and liabilities to specific employers and means that contributions are accounted for as if the Scheme were a defined contribution scheme.

A valuation of the Pension Builder Scheme is carried out once every three years. The most recent valuation was carried out as at 31 December 2019. The next valuation is due at 31 December 2022.

For the Pension Builder Classic section, the valuation revealed a deficit of £4.8m on the ongoing assumptions used. At the most recent annual review, the Board chose to grant a discretionary bonus of 3% following improvements in the funding position over 2021. There is no requirement for deficit payments at the current time.

For the Pension Builder 2014 section, the valuation revealed a surplus of £5.5m on the ongoing assumptions used. There is no requirement for deficit payments at the current time.

The legal structure of the scheme is such that if another employer fails, DDBF could become responsible for paying a share of the failed employer's pension liabilities.

# Durham Diocesan Board of Finance

(A company limited by guarantee)

## Notes to the financial statements Year ended 31 December 2022

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### 35. Custodian funds

The Board act as custodian trustee responsible for trust funds held on behalf of others. The movement on these funds during the year is set out below:

	<b>2022</b>	2021
	<b>£000</b>	£000
Balance at 1 January	<b>14,275</b>	12,945
Funds received	<b>430</b>	374
Payments made	<b>(491)</b>	(568)
Revaluation of investments held	<b>(1,451)</b>	1,524
<b>Balance at 31 December</b>	<b>12,763</b>	<b>14,275</b>

The funds held by the DDBF as custodian trustees comprise deposits and investments. The funds are held on behalf of the PCCs within the Diocese, in separate bank and investment funds.