

# Manchester Diocesan Board of Finance

## Consolidated Financial Statements

*for the year ended 31 December 2018*

*Company No 149999 – Registered Charity No 249424*



MANCHESTER DIOCESAN BOARD OF FINANCE YEAR ENDED 31 DECEMBER 2018

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## Reference and administrative details

In accordance with the Companies Act 2006, FRS102 and the Charities Statement of Recommended Practice issued in January 2015 (SORP 2015), the Trustees (for the purposes of charity law) and Directors (for the purposes of company law) during the year and as at the date of signing follow.

### *Ex-Officio*

The Bishop of Manchester, Rt Revd D Walker  
 The Bishop of Middleton, Rt Revd M Davies  
 The Bishop of Bolton, Rt Revd M Ashcroft  
 The Archdeacon of Bolton Ven J Burgess (appointed 25 March 2018)  
 The Archdeacon of Manchester, Ven K Lund  
 The Archdeacon of Salford, Ven D Sharples  
 The Archdeacon of Rochdale, Ven C Vann  
 The Chairman of the Board of Finance, Canon P Blinkhorn  
 The Dean of Manchester – Very Revd R M Govender  
 The Chair of the House of Laity – R Lewis  
 The Chair of the House of Clergy - Revd Canon C Bracegirdle (resigned 6 October 2018)  
 The Chair of the House of Clergy - Revd J Farnworth (appointed 6 October 2018)  
 The Archdeacon of Bolton and Vice Chairman, Ven D Bailey (resigned 8 January 2018)

### *Elected by Diocesan Synod (1 clergy and 1 laity from each Archdeaconry)*

#### *Manchester Archdeaconry*

Clergy	Lay
Revd Canon L Battye (Appointed 16 March 2018 Resigned 31 December 2018)	Y Mackereth (Resigned 31 December 2018) P Geldard (Appointed 1 January 2019)
Revd Canon M Wall (Appointed 1 January 2019)	

#### *Bolton Archdeaconry*

Clergy	Lay
Revd Canon C Bracegirdle (Resigned 31 December 2018)	Canon B Taylor (Resigned 31 December 2018) K Lewis (Appointed 1 January 2019)

#### *Rochdale Archdeaconry*

Clergy	Lay
Revd D Penny	G Dent

#### *Salford Archdeaconry:*

Clergy	Lay
Revd Canon A Edwards	J Jones

### *Co-opted*

Mr K Lewis (Resigned 31 December 2018)  
 Ms H Lightbourne  
 Mrs B Hodgson  
 Mr J Robinson (Resigned 25 April 2018)  
 Mr P Billson  
 Ms Y Mackereth (Appointed 23 March 2019)  
 Canon C Hilton (Appointed 23 March 2019)  
 Ms J Pilling (Appointed 23 March 2019)

### *Company Secretary*

Canon M Miller (Resigned 26 September 2018)  
 D Weldon (Appointed 26 September 2018)

Reference and administrative details of the Diocese of Manchester (continued)

Church House  
90 Deansgate  
Manchester  
M3 2GH

Registered Office

0161 828 1400

Telephone

[www.manchester.anglican.org](http://www.manchester.anglican.org)

Website

149999 (England & Wales)

Company number

Limited by Guarantee

Legal form

249424

Charity number

BDO LLP  
3 Hardman Street  
Spinningfields  
Manchester  
M3 3AT

Auditors

Royal Bank of Scotland plc  
St Ann Street  
Manchester  
M60 2SS

Bankers

J Monks LLB  
HLF Berry LLP  
Church House  
90 Deansgate  
Manchester  
M3 2GH

Legal Secretary  
Diocesan Registrar

CCLA Investment Management Ltd  
Senator House  
85 Queen Victoria Street  
London  
EC4V 4ET

Investment Managers  
Unlisted Investments

Graham Smith  
Rapeleys LLP  
55 Spring Gardens  
Manchester  
M2 2BY

Glebe Estates,  
Surveyor & Valuer

### Our Vision

We live in rapidly changing world. Greater Manchester, as a thriving city region, is an integral part of that changing world. In recent years there has been substantial regeneration of significant parts of the Greater Manchester conurbation – the development of Media City at Salford Quays and the prospect of the Northern Powerhouse exemplify this. The cultural context is also changing – many faith groups are represented with an increasing number of people identifying as having no faith. Young people in the 18-24 age range are least represented in our churches along with those from areas of high deprivation. The church faces challenges too with many historic buildings coming to the end of their life and congregations becoming older and smaller.

The Diocese of Manchester has set about these challenges with the desire to be a Church for a Different World, both reacting to these changing circumstances and being an agent of transformation in the world today. Manchester is a vibrant diocese of opportunity and creativity. Its rich mixture of church traditions makes it a wonderful place to engage in Gospel ministry.

Our overall vision is for a worshipping, growing and transforming Christian presence to be at the heart of every community.

We have set ourselves three Mission Goals to help us achieve this vision – to be a church which is:

- Growing new disciples who are young, diverse, active and spiritually engaged.
- Nurturing existing disciples, affirming them as Christians in their daily work and lives.
- Serving and present for all, especially the vulnerable, deprived and excluded.

We want to reach out to individuals and communities across our diocese so that our message of God's love is heard amidst the noise of the modern world.

### About the Diocese

The Diocese of Manchester is one of 42 areas of the Church of England, each of which is led by a Bishop.

The diocese which covers an area of 416 square miles, was created in 1847. The overall population is 2.1 million. 115 (45%) of the parishes in the Diocese fall within the 10% most deprived areas nationally.

The diocese is divided into four archdeaconries and 20 deaneries. There are more than 300 places of worship and chaplaincies which are organised into 256 parishes and 179 benefices, including Manchester Cathedral.

Geographically the diocese takes in the two cities of Salford and Manchester and the metropolitan boroughs of Oldham, Rochdale, Bury and Bolton. Parts of the metropolitan boroughs of Wigan, Trafford, Stockport and Tameside, and most of the borough of Rossendale in Lancashire, are also within the diocese. While predominantly urban, a significant part of the diocese is rural, although less than 3% of the population of the diocese lives in these areas.

The diocese has 309 churches, ranging from historic listed buildings to brand new, purpose-built places of worship. Over 320 licensed clergy serve in the diocese along with 100 licensed Readers who help with leading services and pastoral work. Our 250 Authorised Lay Ministers also play a hugely important role in the life of the Church. The diocese has a regular average weekly adult attendance of around 14,500 and total weekly attendance for all ages of 25,000.

Parishes and chaplaincies across the diocese are supported by a dedicated team, based at Church House on Deansgate in central Manchester. This team supports churches and congregations across the diocese with our three Mission Goals of Growing, Nurturing and Serving. It also provides support with governance, clergy housing and stipends, management of the property portfolio and safeguarding.

## MANCHESTER DIOCESAN BOARD OF FINANCE YEAR ENDED 31 DECEMBER 2018

Across the diocese there are nearly 200 Church of England primary and secondary schools, educating 57,000 pupils every day. These schools are mostly funded by local authorities, with the diocese providing support with religious education and Christian ethos, as well as governance, the recruitment of head-teachers, admissions and building projects. The team which supports these schools is also based at Church House under the authority of the Diocesan Board of Education.

### Strategic Report: Activities and Key Achievements in the year

Much activity in the diocese is already contributing to a culture of hope and an expectation of growth. This includes many inherited forms and fresh expressions of church including Messy Church and Café Church.

However, we face significant challenges. The number of people attending our churches continues to decline. Average adult weekly attendance was 14,587 in 2018, compared with 15,321 in 2017, a decrease of 4.8%. Average adult weekly attendance has fallen by 14.1% in the seven years from 2011 when it was 16,979. Total weekly attendance for all ages was 24,999 in 2018, compared with 26,660 in 2017, a decrease of 6.2%.

Manchester Diocese continues to learn from St Philip's Salford which as a recently-established resource church is a base from which to grow and revitalise other churches. We are also investing in Mission Support Priests and Chaplains who are engaged in various strands of mission work including with young adults, students and the business community.

In addition, the diocese was successful in its bid for £2 million from the Church Commissioners' Strategic Development Fund for projects that will help grow a younger and more diverse church, particularly in areas of high deprivation. The money is being invested in two areas of work.

With the Small to Small Community Church Plants projects, small churches are being planted by the Antioch Network through a diocese-wide Bishop's Mission Order, with two new pioneer minister appointments being made at the end of 2018. With this initiative, we are building on the model of the plant of Trinity Community Church in Rusholme which has evidenced growth and the ability to plant in areas of multi-ethnic and multi-faith communities.

The Children Changing Places project is engaging children, their families and schools in the Bolton area, particularly when children reach key points of moving into primary education or from primary to secondary education. A number of new appointments have been made that begin in January 2019. This recognises the tremendous mission opportunities provided by our Church Schools which include a significant number of secondary schools of outstanding quality, many of which have Chaplains.

The diocese has also recruited to a new three-year communications post to help churches grow by equipping them to engage confidently with their communities through digital and social media.

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Ministry is no longer the preserve of ordained ministers. Across the diocese, ministers of all types - paid and self-supporting, lay and ordained, licensed and authorised – are working together in the ministry and mission of local churches, in new and exciting ways.

A full-time Director of Vocations has been appointed whose responsibility is to nurture and support vocations to both lay and ordained ministries. The creation of this post has given new energy to vocations work in the diocese. Nationally there has been a campaign to increase ordained vocations by 50% and over the last two years the diocese has seen a substantial increase in ordained vocations and from a more diverse background and younger than previously.

In 2018 there were 38 ordinands in training, including 25 stipendiary ministers, 8 ordained local Ministers, 4 self supporting ministers and 1 Distinctive Deacon. Clergy are supported through their ministries, particularly as curates, in their first incumbencies, when they change posts and as they approach retirement from stipendiary ministry.

Mission Goal 1:  
Growing

Mission Goal 2:  
Nurturing

## MANCHESTER DIOCESAN BOARD OF FINANCE YEAR ENDED 31 DECEMBER 2018

### Trustees' Annual Report (including the Strategic Report)

47 Authorised Lay Ministers (ALMs) were commissioned in 2018 across eight electives. By the end of 2018, the diocese had 257 serving ALMs.

There are over 100 licensed readers active in the diocese, who are involved in many ways – leading worship and preaching on Sundays, supporting groups, taking funerals. Many retired clergy continue to offer ministry and pastoral help.

During 2018, Continuing Ministerial Development Days were organised on the themes of Hope and the Environment. These were open to all clergy, along with Readers and Authorised Lay Ministers.

Alongside this support, the diocese recognises the need to address a wider lack of confidence amongst congregations in communicating the gospel and their faith and during 2018 started discussions at Bishop's Council about how best to address this.

An analysis of our Statistics for Mission showed that there were 872 social action projects either run, hosted or supported by churches in the diocese; the number of churches involved is above the national average. Key projects include food banks, parent and toddler groups and supporting night shelters for the homeless.

The Transforming Communities team works with parishes, clergy and lay people across the diocese to deliver training and support for local mission and diocesan initiatives. The team's work is organised around three broad themes: anti-poverty, welcome and belonging, and sustainable world including heritage buildings. In 2018 the team has:

#### **Anti-Poverty:**

- Continued to support the work of Greater Together Manchester, including the Greater Manchester Winter Night Shelter doubling the number of beds provided compared with 2017.
- Supported over 80 parishes with community projects.

#### **Welcome and Belonging:**

- Organised training for parishes on how their buildings can better serve their communities, some in partnership with National Churches Trust or Ecclesiastical Insurance Group.
- Supported the Near Neighbours work, Places of Welcome, and projects around Disability and Dementia.
- Offered professional input to major church re-builds and proposed re-builds with an eye to greater community use.

#### **Sustainable World**

- Provided information and training for clergy and encouraged churches to register to become Eco Churches. The target of 32 churches to register by Easter 2019 was reached early, and the focus is now on encouraging churches to achieve bronze award status. The diocese was also supported in registering its intent to work towards becoming an Eco Diocese and for Church House to gain Carbon Literate status.
- The diocese welcomed cycling and created an interactive map to help churches see where they fit on the proposed Transport for Greater Manchester beelines network.

Underpinning all of these developments is the diocese's Fit for Mission programme, which is designed to ensure that the changes necessary to achieve our vision are effectively implemented across the diocese. Preliminary reviews of deployment, local organisation and buildings have been carried out and a Strategic Programme Manager, has now been appointed, with oversight of the Fit for Mission programme. This has the following components:

Mission Goal 3:  
Serving

Fit for Mission



# MANCHESTER DIOCESAN BOARD OF FINANCE YEAR ENDED 31 DECEMBER 2018

Trustees' Annual Report (including the Strategic Report)

## Mission Action Planning

Mission Action Planning is a key priority for the diocese. Parishes and deaneries have been encouraged to develop plans to enable them to think creatively about the future and put in place plans and take action to achieve their vision. Parishes were required to submit a Mission Action Plan by the end of November 2018, with 88% of parishes meeting the deadline.

### Pilot Deaneries

Four pilot deaneries were supported with developing a shared vision and plans for the future. The first phase of this work came to an end in December 2018 and is currently being evaluated so that the lessons learned can be shared across the diocese.

### Deployment

A review of clergy deployment was completed in 2018. The findings from the review are being used to inform future plans and ensure the most effective use of resources across the diocese.

### Fit for Mission Independent Evaluation

An independent evaluation of the Fit for Mission programme was carried out at the end of 2018 which has been used to shape the programme going forward. Key messages from the evaluation included the need for clearer communication about the ultimate goals of Fit for Mission and need to focus on actions that make a tangible difference on the ground, rather than process.

### Property Database and Stock Condition Survey

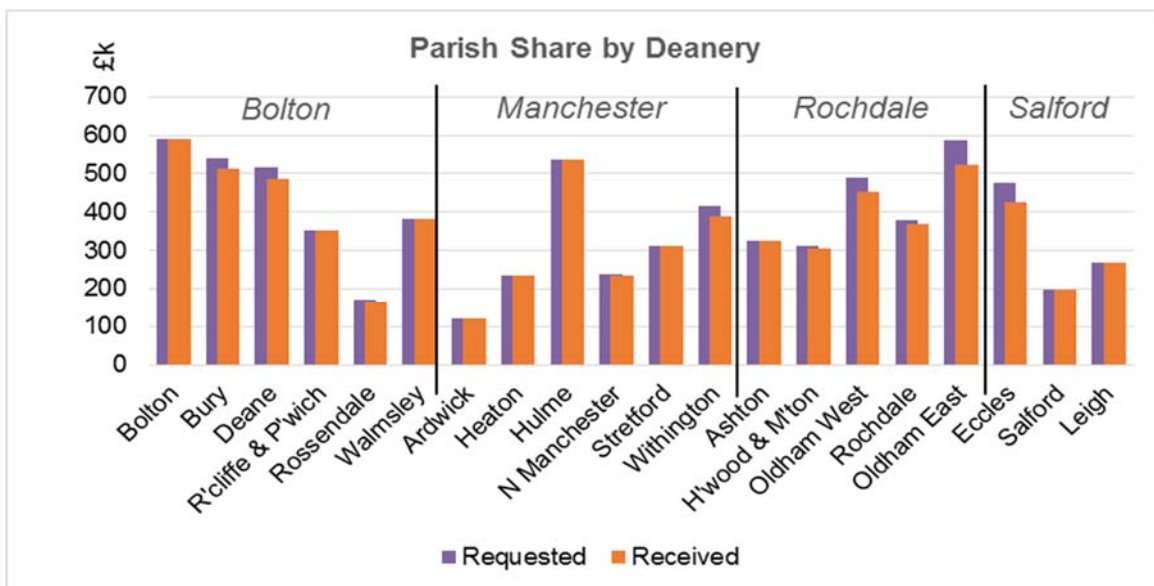
The Diocese has 258 residential properties for the housing of priests. To ensure more efficient management of the housing stock, we have acquired and implemented a property database and undertaken a stock condition survey. This will allow for better planned maintenance, control of costs, reduced costs from the procurement of bulk maintenance deals, and strategic consideration of the disposal of a significant portion of excess stock.

## Parish Share and Stewardship

### Parish Share

During 2018 the overall amount of Parish Share contributed by parishes towards the cost of ministry and mission support was £7.090m, a decrease of 2.5% compared to £7.268m in 2017.

The individual parish share requests by Deanery, together with contribution by Deanery, are set out in the graph below. (These figures include encouragement scheme credits and exclude prior year receipts):



## MANCHESTER DIOCESAN BOARD OF FINANCE YEAR ENDED 31 DECEMBER 2018

Trustees' Annual Report (including the Strategic Report)

### Share change outcomes

Following a review of Parish Share in 2015, the diocese started a three-year round of Discussion and Agreement meetings with parishes, with a view to setting up three-year agreements with every parish. With the completion of phases 1, 2 and 3 by the end of 2018, meetings are well underway in 2019 for Phase 1 parishes who have completed their three year agreement along with any remaining parishes who have not yet had a Discussion and Agreement meeting.

### Gift Aid Lite

As part of the upgrade to the Gift Aid software system, significant developments have been undertaken during 2018 for the Gift Aid Lite scheme operated by the diocese. The new system incorporates new ways of giving including by Direct Debit and card payments via contactless technology. 79 parishes had been trained on the new system by the end of 2018.

### Stewardship

Stewardship is an important activity within parishes with support being provided to individual parishes by the Diocesan Stewardship Officer.

## Strategic Report - Future Developments

Work is currently underway on a ten-year strategy for the diocese, building on the existing agreed priorities as well as responding to the challenges and opportunities in the years to come.

In particular, we will be taking the opportunity to learn from the two new SDF projects – the small to small community church plants, and the Children Changing Places project – with a view to replicating the approaches taken across the diocese.

We are also developing proposals for further SDF funding to support church growth, focusing on projects the town centres of Rochdale and Manchester City Centre itself from 2020, with a view to following up with town centre strategies for Bolton, Bury, Oldham and Ashton in future years. We are also exploring options for creating new resource churches, building on the success of St Philip's Salford.

With regard to the 'Nurturing' mission goal, work is starting in 2019 on the future of Reader and other Lay Minister roles given that Reader numbers have not increased in recent years. Discussions are also underway on developing resources for parishes for their wider work in supporting discipleship, as part of the culture change called for in the recent 'Setting God's People Free' report from Archbishops' Council.

We will continue to work with key partners such as Greater Together Manchester and Greater Manchester Poverty Action in speaking and acting prophetically for justice, especially for the vulnerable, deprived and excluded.

With the Fit for Mission programme, we will encourage deaneries to complete their Mission Action Plans during 2019. We will ensure these are reviewed by the Diocesan Mission and Pastoral Committee, amongst other things to build a picture at diocesan level of the challenges and opportunities being identified at deanery level. Support will also continue to be provided to parishes to help with the implementation and development of their Mission Action Plans.

Following on from a review in 2018 of clergy deployment, work is underway on how we might organise ourselves at parish and deanery levels to ensure we make effective use of our resources and deploy clergy and laity to best effect. The future role of Area Deans is also being considered as part of these deliberations. Proposals are being developed for consideration by Synod in autumn 2019. These will also be informed by the diocese's medium-term financial strategy and its strategy on church buildings.

In 2019 we will continue to deliver the Gift Aid Lite project which involves training parishes to use the upgraded Gift Aid software programme. We will also see the roll out of contactless devices in parishes

## MANCHESTER DIOCESAN BOARD OF FINANCE YEAR ENDED 31 DECEMBER 2018

Trustees' Annual Report (including the Strategic Report)

and a pilot scheme for the introduction of direct debit collections which will replace standing orders to support incremental increases in giving.

### Strategic Report- Structure and Governance

The Church of England is organised as two provinces each led by an archbishop - Canterbury for the Southern Province and York for the Northern Province. Each province comprises of dioceses, of which there are 41 in England.

Each diocese in England is divided into parishes. Each parish is overseen by a parish priest (usually called a vicar or rector). From ancient times through to today, they and their bishop are responsible for the 'cure of souls' in their parish.

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

The Church of England is episcopally led - there are over 100 bishops, including diocesan bishops and assistant and suffragan bishops. It is governed by General Synod as its legislative and deliberative body at national level, making decisions on matters of doctrine, the holding of church services and relations with other churches. General Synod passes measures which, if accepted by Parliament, have the effect of Acts of Parliament. It is made up of three groups or houses of members: the Houses of Bishops, of Clergy and of Laity, and meets in London or York at least twice annually to consider legislation for the broader good of the Church.

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

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

The Church Commissioners manage the historic assets of the Church of England, spending most of their income on pensions for the clergy. Financial and other support is also provided for the strategic development of dioceses. The costs of episcopal administration through the diocesan and suffragan bishops are met by the Church Commissioners, except for the provision of housing for suffragan bishops which is met by the Diocese.

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

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

Manchester Cathedral is the mother church of the diocese and legally is constituted as a separate ecclesiastical corporation for charitable purposes, governed by common law. Copies of the cathedral's annual report and financial statements may be obtained from the Cathedral Office, the Cathedral, Victoria Street, Manchester, M3 1SX.

Summary information  
about the structure of the  
Church of England

The three National Church  
Institutions

The Cathedral

## MANCHESTER DIOCESAN BOARD OF FINANCE YEAR ENDED 31 DECEMBER 2018

### Trustees' Annual Report (including the Strategic Report)

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

The Parochial Church Council (PCC) is the elected governing body of an individual parish which broadly is the smallest pastoral area in the Church of England. Typically each parish has one parish church. The PCC is made up of the incumbent as chair, the churchwardens and a number of elected and ex officio members. Each PCC is a charity, and those with gross income under £100,000 are currently exempted from registration with the Charity Commission, subject to the Charities Act 2006. Except where shown, the transactions of PCCs do not form part of these financial statements. Financial statements of an individual PCC can be obtained from the relevant PCC treasurer.

Parochial Church Council (PCC)

A benefice is a parish or group of parishes served by an incumbent who typically receives a stipend and the benefit of free occupation and use of a parsonage house from the diocese for carrying out spiritual duties.

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

The diocese is the principal pastoral and, in turn, financial and administrative resource of the Church of England, encompassing the various archdeaconries under the spiritual leadership of the diocesan bishop.

Parishes, Benefices and Deaneries

### *Diocesan Synod*

The diocese is governed by standing orders approved on 18 June 1994 and subsequent amendments. Its statutory governing body is the Diocesan Synod, which is an elected body with representation from all parts of the Diocese. Membership consists of ex officio members, including the bishops and archdeacons, clergy members elected by the houses of clergy in deanery synods, lay persons elected by the houses of laity in deanery synods, up to five persons who may be co-opted by the house of clergy or the house of laity and a maximum of ten members nominated by the diocesan bishop. The Diocesan Synod normally meets three times a year. The bishop of the diocese shall be the president of the diocesan synod.

Its role is to:

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

Many of Diocesan Synod's responsibilities have been delegated to the Bishop's Council, a Standing Committee of the Diocesan Synod.

### *Deanery Synod*

Each deanery synod has two houses, laity and clergy, and its role is to:

- respond to requests from General Synod;
- give effect to the decisions made by the Diocesan Synod;

Diocesan Governance

## MANCHESTER DIOCESAN BOARD OF FINANCE YEAR ENDED 31 DECEMBER 2018

### Trustees' Annual Report (including the Strategic Report)

- consider matters affecting the Church of England by drawing together the views of the parishes within the deanery;
- act as a channel of communication to express the views of parishes to Diocesan Synod and from there to General Synod;
- raise with Diocesan Synod such matters as it considers appropriate; and
- elect members of the deanery to the Diocesan Synod and of the diocese to General Synod.

### *Bishop's Council*

Following the governance review in 2016, the members of Bishop's Council are also trustees of the Manchester Diocesan Board of Finance (MDBF). As well as the delegated functions set out in the Decision Making Structure section below, under the constitution of the Diocesan Synod, Bishop's Council also has the following functions:

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

The Charity Governance Code was published to help charities and their trustees develop high standards of governance. The code sets out seven principles and recommended practice. Below are the seven principles with an explanation of how MDBF operates against these principles:

- ***Organisational Purpose***

The company's vision and mission goals which were agreed by Bishop's Council in 2015 are set out above along with activities and key achievements against these goals during the year. The company produces an annual three year medium term financial plan which is considered by the Finance and General Purposes Committee prior to being approved by Bishop's Council and Diocesan Synod.

- ***Leadership***

The Board of trustees comprises of elected clergy and lay representatives from the Diocesan Synod along with ex officio trustees including the Diocesan Bishop and senior clergy. The trustees may co-opt members on to Bishop's Council to bring skills and knowledge in certain areas. The company has a Staffing Committee which considers matters around pay, grading and restructures.

- ***Board Effectiveness***

A skills audit is undertaken to identify any skills gaps and trustee recruitment targeted accordingly. The company operates through a committee structure and the details of these committees (including a brief summary of the remit of each committee) are set out in the section below.

- ***Diversity***

The Board of Trustees is made up of individuals who reflect the diversity of the Anglican Church in Manchester. Participation by all members is encouraged through supporting new members through initial induction and ongoing development of Trustees. Meetings are timed to maximise attendance of trustees with work or personal commitments.

## MANCHESTER DIOCESAN BOARD OF FINANCE YEAR ENDED 31 DECEMBER 2018

Trustees' Annual Report (including the Strategic Report)

- *Integrity*

Induction training for trustees at the start of each three-year cycle covers the importance of collective decision making, acting in an informed and questioning way, and the responsibilities of being a Trustee. At the start of meeting members are asked to disclose any conflicts of interests they any have regarding any agenda items; where there is an interest they would be asked to leave the meeting for that item.

- *Decision-Making, Risk and Control*

Formal reports which may be for decision or information are presented to Bishop's Council. For items requiring decision votes are taken and decisions are recorded in the minutes. There is an Audit Committee which responsible for assisting the trustees in the discharge of their responsibilities for accounting policies, risk management, internal control and financial reporting, including liaison with the auditors.

- *Openness and Accountability*

The company prepares a medium term financial plan each year in line with the priorities of the diocese and details are available on the company website. Performance against budget is monitored throughout the year by the Finance and General Purposes Committee and Bishop's Council.

The company, Manchester Diocesan Board of Finance (MDBF), was formed to manage the financial affairs and hold the assets of the Diocese. It was incorporated on 26 March 1918 as a charitable company limited by membership guarantees (No. 149999) and its governing documents are the Memorandum and Articles of Association. MDBF is registered with the Charity Commission (No. 249424).

At an Extraordinary General meeting in November 2006 the Articles were amended so that with effect from January 2008 every member of Diocesan Synod is also a member of MDBF for company law purposes.

Every member has a personal liability limited to £1 under their guarantee as company members in the event of it being wound up. The members of the Bishop's Council comprise the Board of Trustees of MDBF – they are its Directors under company law.

The legal objects of the company as set out in the Memorandum of Association are as follows:

'To promote, aid and further, primarily but not exclusively in the Diocese of Manchester (the 'Diocese') the spiritual teaching of the Church of England (the "Church") and maintain the spirit of the doctrines and observances on which it rests and in which it finds expression and to that end.

- a) To be the Diocesan Authority within the meaning of the Parochial Church Councils (Powers) Measure, 1921 and the Diocesan Board of Finance within the meaning of the Diocesan Boards of Finance Measure, 1925 for the Diocese whatever may be for the time being the area thereof.
- b) To act as a Committee of the Diocesan Conference of the Diocese (the "Conference")
- c) To act as the Dilapidations Board for the Diocese if so constituted under any scheme of the Conference.
- d) To act as the Diocesan Committee of the Diocese for the purpose of any Act of Parliament or Measure passed by the National Assembly of the Church of England or of any scheme of the Church Commissioners.'

Company Status and Legal Objects

## MANCHESTER DIOCESAN BOARD OF FINANCE YEAR ENDED 31 DECEMBER 2018

Trustees' Annual Report (including the Strategic Report)

Please note that some of the structures mentioned in these Objects have been superseded by structures established under the Synodical Government Measure, 1969.

MDBF has delegated the following functions to the Board of Trustees:

- management of the funds and property of the diocese;
- advising on action needed to raise the income necessary to finance expenditure;
- advising Diocesan Synod, Bishop's Council and other diocesan bodies, of the financial aspects of its policy and on any other matters referred to it;
- preparation of an annual draft diocesan budget;
- budgetary control within the approved diocesan budget;
- allocation of contingency and general reserve provisions;
- custodian trustee business;
- sealings;
- investment powers over MDBF's own assets and those assets of which MDBF is sole (or managing) trustee;
- the keeping of internal audit systems; and
- to consider and grant or withhold approval for borrowing by any board or committee of the diocese.

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

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

The statutory committees are:

*Diocesan Mission and Pastoral Committee (DMPC)*, which is responsible for recommending pastoral reorganisations, taking account of available clergy numbers and making use of new patterns of ministry.

*Closed Churches Committee*, which is responsible for finding appropriate alternative uses for closed churches which have been declared redundant and will report its outcomes to the DMPC.

*Diocesan Advisory Committee*, which advises on matters affecting churches and places of worship 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.

*Manchester Diocesan Board of Patronage*, which is constituted under the provisions of the Patronage (Benefices) Measure 1986, is sole patron or joint patron of a number of benefices.

Bishop's Council has the following committees, each of which has written terms of reference:

*Property Committee*, which is responsible for exercising the functions of the Diocesan Parsonages Board, as set out in the Repair of Benefices Buildings Measure 1972 together with the exercise of responsibility of the Diocesan Board of Finance as set out in the Endowments and Glebe Measure 1976.

*Grants Committee*, which is responsible for administering various grants funds.

*Investments Committee*, which is responsible for directing and monitoring the investment of the assets of the charity in line with the Board's charitable objectives to promote the mission and ministry of the diocese.

Decision-making Structure

Committee Structure



## MANCHESTER DIOCESAN BOARD OF FINANCE YEAR ENDED 31 DECEMBER 2018

Trustees' Annual Report (including the Strategic Report)

*Finance and General Purposes Committee*, which is responsible for reviewing the financial position in line with income and expenditure, and assessing opportunities and threats to the budget in advance of budget preparation and future financial decision making.

*Audit Committee*, which is responsible for assisting the trustees in the discharge of their responsibilities for accounting policies, risk management, internal control and financial reporting, including liaison with the auditors.

*Staffing Committee*, which acts on behalf of the trustees on employment practice and the development of human resources. The committee reviews salaries in the MDBF, and approves recommendations for salaries in relation to new posts or regrading of posts. The MDBF has a grading structure with eight pay bands; within each pay band there are three increment points. Posts are allocated a grade with increments or a spot grade; some posts span two grades. The MDBF tracks market rates and occasionally takes part in national benchmarking data collection with other dioceses.

An induction programme for MDBF trustees has been developed as part of a governance review. Further to this, Trustees can also attend training courses and briefings commensurate with their development and in order to fulfil their legal and statutory responsibilities. See above for details of the appointment process.

Some Senior Management Team (SMT) members have 'director' in their job titles but are not directors of the MDBF for the purposes of company law, nor are they Trustees of the charity. The SMT comprises:

Martin Miller	Diocesan Secretary (left 21 September 2018) and Company Secretary (resigned 26 September 2018)
David Weldon	Director of Finance and IT (and appointed Company Secretary 26 September 2018)
Alan Brown	Director of Support Services
Peter Reiss	Director of Mission and Ministry
Maurice Smith	Director of Education

### Appointment of Trustees

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

MDBF 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.

### *Parochial Church Councils (PCCs)*

MDBF is required by Parochial Church Councils (Powers) Measure 1956 to be custodian trustee in relation to PCC property, miscellaneous funds and investments, but the company has no control over PCCs, which are independent charities. The accounts of PCCs and deaneries do not form part of these financial statements.

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

### Related Parties

The trustees consider the following to be connected charities:

*Manchester Diocesan Board of Education* - a company limited by guarantee and a registered charity, which has responsibility for 191 church schools across the diocese, provides pastoral and professional support to all its schools and has a particular commitment to enhancing the quality of provision for religious education, collective worship and the spiritual, moral, social, and cultural development of all pupils.

### Connected Charities



## MANCHESTER DIOCESAN BOARD OF FINANCE YEAR ENDED 31 DECEMBER 2018

### Trustees' Annual Report (including the Strategic Report)

The investments, income and expenditure of a separate charity, *JB Stelfox Trust*, have been included in these financial statements, as the Board of Finance is the sole trustee.

The Church of England Pensions Board is responsible for the Clergy Pension Fund and the Church Workers Pension Fund and it is to this body that MDBF pays retirement benefit contributions for stipendiary clergy, licensed lay workers and employees (see note 26).

#### Pension Scheme

The trustees confirm that the major risks, to which MDBF is exposed, as identified by the trustees and staff, have been reviewed and that systems and procedures have been established to manage those risks. The trustees delegate to the Audit Committee the task of ensuring that risks are reviewed as part of the risk management strategy. The Audit Committee encourage the Heads of Department to define the risks in their areas, report on the measures in place to manage and monitor these risks and implement procedures and controls designed to minimise any potential impact on MDBF should any of the risks materialise. The key risks are summarised on page 18 below.

#### Risk Management

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

#### Statutory Functions

MDBF is the Diocesan Authority for parochial and other trusts and incorporates the functions and responsibilities of the Diocesan Parsonages Board.

The trustees are custodian trustees in relation to PCC property.

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

#### Public Benefit

The Board believes that, by promoting the work of the Church of England in the Diocese of Manchester, 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.

Information on these benefits is provided throughout this report.

### Strategic Report: Financial Review

Group incoming resources were £13.67m (2017: £15.12m).

#### Incoming Resources

Donations to the MDBF through Parish Share decreased from £7.27m to £7.09m. The Trustees are very grateful to all the donors.

Around 52% of the income of the MDBF comes from the Parish Share and 20% from National Church Selective Allocations.

## MANCHESTER DIOCESAN BOARD OF FINANCE YEAR ENDED 31 DECEMBER 2018

### Trustees' Annual Report (including the Strategic Report)

Group Resources expended were £14.64m (2017: £12.44m), which includes the property depreciation charge under FRS102 and Pension Operating Costs. The largest share of MDBF-only expenditure relates to resourcing ministry and mission expenditure, including parish clergy stipends, support staff costs and related costs such as property and related expenditure.

#### Expenditure

Overall, the value of the consolidated balance sheet has decreased during the year by around £0.75m. Key movements in the year included: the introduction of the Lay Staff future pension deficit contribution of £0.48m; the actuarial loss and deficit repayment on the Clergy Pension Scheme of £0.40m together with unrealised gains on investments of £0.05m which includes the revaluation of Church House £0.13m (2017: £0.64m); and a decrease in tangible fixed assets which includes disposals of parsonages in the year £0.40m. Other movements on the balance sheet include a decrease in cash of £2.36m; an increase in debtors of £0.30m; and a decrease in creditors falling due after more than one year of £3.69m in relation to the pension deficit.

#### Balance Sheet

The Diocese recorded a deficit on General Unrestricted Funds (including unrealised gains, actuarial loss on the pension scheme, pension interest cost and corporation tax) of £0.583m (consolidated figures). This compares with a surplus of £2.40m in 2017. With the opening General Unrestricted Funds balance of £5.73m and the in-year deficit of £0.58m, the closing reserves now stand at £5.15m.

Looking at Total Funds (Unrestricted Funds, Designated, Restricted and Endowment Funds together), an aggregate deficit including unrealised gains, actuarial loss on the pension scheme, pension interest cost and corporation tax) across all funds of £0.745m was recorded during the year (2017: surplus £3.88m). With the opening Total Funds balance of £60.94m and the in-year deficit of £0.75m, the closing reserves now stand at £60.19m.

### Overall performance

Looking at the company-only figures, the total value of investments (excluding short-term cash deposits) at 31 December 2018 was £24.67m (2017: £22.72m) and the return on investments was 4.4% (2017: 4.68%).

### Glebe investments

Glebe property investments were valued at 31 December 2018 at £10.39m (2017: £10.32m). Rents receivable amounted to £665k (2017: £670k) – an income yield of 6.4% (2017: 5.99%).

### General investments

Investments in equity, property and fixed interest funds were valued at £14.20m at 31 December 2018 (2017: £12.40m). Dividends receivable amounted to £526k (2017: £448k) – a yield of 3.7%. The total return on investment securities (dividends plus unrealised losses) was 2.68%.

Financial investments are split between investments in equities 83.84% (2017: 87.97%) through investment funds, a property fund 15.45% (2017: 11.2%), and fixed interest securities 0.71% (2017: 0.84%).

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

#### Investments

Equity loans are made by the Church Commissioners to the diocese and parishes for curates' housing, as well as retired clergy and clergy spouses to enable them to purchase property on a shared equity basis. The total Value Linked Loans advanced at 31 December 2018 amounted to £276k.

#### Equity Loans

## MANCHESTER DIOCESAN BOARD OF FINANCE YEAR ENDED 31 DECEMBER 2018

### Trustees' Annual Report (including the Strategic Report)

MDBF has a subsidiary undertaking, the Manchester Diocesan Church House Company Limited, whose principal activity is the provision of a Church House for Investment Property and Diocesan purposes. The profit for 2018 after tax was £453k (see note 18).

Subsidiary  
Undertakings

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

Going Concern

### Investment policies

MDBF's investment policies are based on two key policies:

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

**Long-term responsibilities** - the trustees are aware of their long-term responsibilities in respect of endowed funds and as a result follow a correspondingly prudent approach to investment decisions. The MDBF's 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 fund clergy stipends on an ongoing basis. Unrestricted and restricted fund investments are invested to balance income, liquidity and the maintenance of capital.

Policies and Other Matters

### Reserves policy

The target free reserves is currently set at an amount equivalent to a minimum of three months' and a maximum of six months' gross expenditure from unrestricted funds. At 31 December 2018, MDBF's unrestricted general reserves (excluding FRS102 pension liability) were £3.121m (see note 13 to the financial statements), which equates to just over 3 months' gross unrestricted expenditure.

The unrestricted reserves are now at the minimum benchmark of three months. In establishing and maintaining a target level of free reserves, this mitigates the risk of uncertainty over future income or unexpected calls on the charity's funds. As at 31 December 2018, the pension deficit on the Church Worker Defined Benefit Scheme and Clergy Pension Scheme was £3.853m (2017: £4.257m).

In 2018, the company paid £561k (2017: £680k) as a contribution to reduce the pension deficit. Further contributions will be paid to continue to reduce the deficit. As at 31 December 2018, the pension deficit on the Church Worker Defined Benefit Scheme (Lay Staff) was £0.488m (2017: £nil). In 2018, the company paid £63k (2017: £nil) as a contribution to reduce the pension deficit. Further contributions will be paid to continue to reduce the deficit. The company holds tangible fixed assets and fixed assets investment across Restricted and Endowment Funds. The tangible fixed assets include parsonage housing and fixed asset investments include investment properties and unlisted investments which provide investment income. These are not included within the General Unrestricted Funds.

### Funds held as a Custodian Trustee on behalf of others

Under the Parochial Church Councils (Powers) Measure 1956, the Board holds as custodian trustee, for a considerable number of parochial and miscellaneous funds, investments with an aggregate market value of £12.38m (2017: £10.80m) which are not included in the balance sheet. These investments are held on behalf of parishes whose charitable purposes are similar to those of the

Board of Finance. The assets are held securely and separately from those of the Board which is responsible for their safe custody. Under the same Measure the Board acts as custodian trustee for property belonging to Parishes.

Strategic Report: Principal Risks and Uncertainties

Principal Risks and Uncertainties

As with other organisations, MDBF faces risks to its operations, finances and reputation. The officers regularly review, evaluate and record major areas of risk to which MDBF is exposed, assessing the likelihood and impact of risks occurring. The MDBF Audit Committee review these risks at their meetings during the year. The outcome of this review is recorded in the MDBF Risk Register. The work undertaken by the Audit Committee is reported to the Finance and General Purposes Committee.

The main risk to MDBF's income is that parishes will not be able to pay parish share. The general economic environment, along with declining church attendance, makes this more likely than was the case a number of years ago. On expenditure, there are risks that additional pension contributions may be required in the future to fund pension deficits. Overall there is a risk that reserves could become depleted. Work is therefore underway on a medium-term financial strategy from 2020 to ensure that a break-even position can be achieved each year on unrestricted funds. The Trustees also closely monitor the budget set each year to ensure that budget targets are met.

Set out below are the key risks identified which are regularly reviewed by the Charity together with the appropriate control measures:

Key Risks	Control Measure
Current or historic breach of Safeguarding Regulations within the Diocese	Appointment of Safeguarding Officer and Safeguarding Support Officer Appointment of CCPAS Development and implementation of policies and procedures in line with Church of England national safeguarding requirements.
Income targets from Parish Share not met	Monthly reports to Parishes & MDBF Implementation of Discussion and Agreement meetings
Insufficient stipendiary clergy to meet perceived demand	Development of alternative forms of ministry and development of lay workers including the Vocations Strategy Clergy wellbeing review by HR and Archdeacons Communication and planning changes in level of stipendiary clergy Appointment of Director of Vocations
Loss of key staff within diocesan administration	Development of diocesan vision and strategy to ensure buy-in Ongoing work to train and develop staff
Fallout on contentious issues e.g. human sexuality	Continuous monitoring and review of the situation

In addition to the key risks identified above and those contained within the risk register, the company acknowledges the uncertainty around the departure of the United Kingdom from the European Union (Brexit). Interest rate rises could indirectly affect the pension schemes affecting the discounting of future pension deficit contributions. Any adverse economic impact affecting employment levels could impact on disposable income and charitable giving. The company continues to monitor the current position on Brexit and the impact this may have.

Approval

The Trustees approve the Trustees' Report, which incorporates the Strategic Report.

By Order of the Board



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Canon Phillip Blinkhorn, Chairman

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Helen Platts, Chief Operating Officer

Date: 14<sup>th</sup> May 2019

## MANCHESTER DIOCESAN BOARD OF FINANCE YEAR ENDED 31 DECEMBER 2018

### Trustees' responsibilities

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

Company law requires the Trustees to prepare financial statements for each financial year in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law, the Trustees must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and charity and of the incoming resources and application of resources, including the income and expenditure, of the group and charity for that period.

In preparing these financial statements, the Trustees are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charity will continue in business.

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

Financial statements are published on the charity's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the charity's website is the responsibility of the trustees. The trustees' responsibility also extends to the ongoing integrity of the financial statements contained therein.

## MANCHESTER DIOCESAN BOARD OF FINANCE YEAR ENDED 31 DECEMBER 2018

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

#### Opinion

We have audited the financial statements of Manchester Diocesan Board of Finance ("the Parent Charitable Company") and its subsidiaries ("the Group") for the year ended 31 December 2018 which comprise the consolidated and company statement of financial activities, the consolidated and company balance sheet, the consolidated cash flow statement and notes to the financial statements, 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 Group's and of the Parent Charitable Company's affairs as at 31 December 2018 and of the Group's incoming resources and application of resources and the Parent Charitable Company's incoming resources and application of resources 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 Group and the Parent Charitable Company in accordance with the ethical requirements relevant to our audit of the financial statements in the UK, including the FRC'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 related to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Trustees' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Trustees have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group or the Parent Charitable Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

#### 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 Trustees are responsible for the other information.

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.

In connection with our audit of the financial statements, 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 audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. 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.

We have nothing to report in this regard.

#### Opinions on other matters prescribed by the Companies Act 2006

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

## MANCHESTER DIOCESAN BOARD OF FINANCE YEAR ENDED 31 DECEMBER 2018

- the information given in the Trustees' Report, which includes the Directors' Report and the Strategic report prepared for the purposes of Company Law, for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic report and the Directors' Report, which are included in the Trustees' report, have been prepared in accordance with applicable legal requirements.

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

In the light of the knowledge and understanding of the Group and the Parent Charitable Company and its environment obtained in the course of the audit, we have not identified material misstatement in the Strategic report or the Directors' Report which are included in the Trustees' Report.

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

- adequate accounting records have not been kept by the Parent Charitable Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Charitable Company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' 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' responsibility 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 determines 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 Group's and the Parent 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 Group or the Parent 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

We have been appointed as auditor under the Companies Act 2006 and report in accordance with the Act and relevant regulations made or having effect thereunder.

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.

A further description of our responsibilities for the audit of the financial statements is located at the Financial Reporting Council's ("FRC's") website at:

<https://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 the Charitable Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Hamid Ghafoor (Senior Statutory Auditor)  
For and on behalf of BDO LLP, Statutory Auditor  
Manchester, UK

Date:

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).



MANCHESTER DIOCESAN BOARD OF FINANCE YEAR ENDED 31 DECEMBER 2018

COMPANY NUMBER: 149999

CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES

For the year ended 31 December 2018

	Note	Unrestricted General 2018 £'000	Designated 2018 £'000	Restricted Funds 2018 £'000	Endowment Funds 2018 £'000	Total Funds 2018 £'000	Total Funds 2017 £'000
<b>Income and endowments from:</b>							
Donations	2						
Parish contributions		7,090	-	-	-	7,090	7,268
Archbishops' Council		-	-	2,714	-	2,714	2,760
Other donations		248	12	591	-	851	386
Other trading activities	3	821	-	-	-	821	797
Investments	4	355	26	811	38	1,230	1,151
Charitable activities	5	-	-	600	-	600	656
Other income	6	44	-	5	318	367	2,100
<b>TOTAL INCOME AND ENDOWMENTS</b>		<b>8,558</b>	<b>38</b>	<b>4,721</b>	<b>356</b>	<b>13,673</b>	<b>15,118</b>
<b>Expenditure on:</b>							
Raising funds	7	263	-	141	-	404	329
Charitable activities		8,310	180	4,628	234	13,352	12,614
Remeasurement of pension schemes	26	652	-	-	-	652	(582)
Pension interest cost	26	56	-	-	-	56	77
<b>TOTAL EXPENDITURE</b>	7	<b>9,281</b>	<b>180</b>	<b>4,769</b>	<b>234</b>	<b>14,464</b>	<b>12,438</b>
<b>Net (expenditure) / income before net gains / (losses) on investments and</b>							
<b>Taxation</b>		<b>(723)</b>	<b>(142)</b>	<b>(48)</b>	<b>122</b>	<b>(791)</b>	<b>2,680</b>
Taxation	16	(5)	-	-	-	(5)	(88)
Net gains / (losses) on investments	23	60	(3)	(20)	14	51	1,287
<b>Net (expenditure) / income</b>		<b>(668)</b>	<b>(145)</b>	<b>(68)</b>	<b>136</b>	<b>(745)</b>	<b>3,879</b>
<b>Transfers between funds</b>	10	<b>85</b>	<b>165</b>	<b>(250)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net movement in funds</b>	13	<b>(583)</b>	<b>20</b>	<b>(318)</b>	<b>136</b>	<b>(745)</b>	<b>3,879</b>
Total funds at 1 January 2018	13	5,729	776	10,762	43,668	60,935	57,056
<b>Total funds at 31 December 2018</b>	13	<b>5,146</b>	<b>796</b>	<b>10,444</b>	<b>43,804</b>	<b>60,190</b>	<b>60,935</b>

The group's income and expenditure all relates to continuing operations.

# MANCHESTER DIOCESAN BOARD OF FINANCE YEAR ENDED 31 DECEMBER 2018

COMPANY NUMBER: 149999

## COMPANY STATEMENT OF FINANCIAL ACTIVITIES

For the year ended 31 December 2018

	Note	Unrestricted		Restricted	Endowment	Total	Total
		General	Designated	Funds	Funds	Funds	Funds
		2018	2018	2018	2018	2018	2017
		£'000	£'000	£'000	£'000	£'000	£'000
<b>Income and endowments from:</b>							
Donations	2						
Parish contributions		7,090	-	-	-	7,090	7,268
Archbishops' Council		-	-	2,714	-	2,714	2,760
Other donations		501	12	591	-	1,104	536
Other trading activities	3	230	-	-	-	230	216
Investments	4	355	26	811	38	1,230	1,151
Charitable activities	5	-	-	600	-	600	656
Other income	6	44	-	5	318	367	2,100
<b>TOTAL INCOME AND ENDOWMENTS</b>		<b>8,220</b>	<b>38</b>	<b>4,721</b>	<b>356</b>	<b>13,335</b>	<b>14,687</b>
<b>Expenditure on:</b>							
Raising Funds	7	-	-	141	-	141	45
Charitable activities		8,310	180	4,628	234	13,352	12,614
Remeasurement on pension schemes	26	652	-	-	-	652	(582)
Pension interest cost	26	56	-	-	-	56	77
<b>TOTAL EXPENDITURE</b>	7	<b>9,018</b>	<b>180</b>	<b>4,769</b>	<b>234</b>	<b>14,201</b>	<b>12,154</b>
<b>Net (expenditure) / income before net gains / (losses) on investments and Taxation</b>		<b>(798)</b>	<b>(142)</b>	<b>(48)</b>	<b>122</b>	<b>(866)</b>	<b>2,533</b>
Net gains / (losses) on investments	23	(69)	(3)	(20)	14	(78)	651
<b>Net (expenditure) / income</b>		<b>(867)</b>	<b>(145)</b>	<b>(68)</b>	<b>136</b>	<b>(944)</b>	<b>3,184</b>
Transfers between funds	10	85	165	(250)	-	-	-
<b>Net movement in funds</b>	13	<b>(782)</b>	<b>20</b>	<b>(318)</b>	<b>136</b>	<b>(944)</b>	<b>3,184</b>
Total funds at 1 January 2018	13	(1,234)	776	10,762	43,668	53,972	50,788
<b>Total funds at 31 December 2018</b>	13	<b>(2,016)</b>	<b>796</b>	<b>10,444</b>	<b>43,804</b>	<b>53,028</b>	<b>53,972</b>

The Company's income and expenditure all relates to continuing operations.

# MANCHESTER DIOCESAN BOARD OF FINANCE YEAR ENDED 31 DECEMBER 2018

COMPANY NUMBER: 149999

## BALANCE SHEETS

As at 31 December 2018

	Note	Group		Company	
		2018 £'000	2017 £'000	2018 £'000	2017 £'000
<b>FIXED ASSETS</b>					
Tangible assets	17	30,109	30,782	29,471	30,104
Investments	18	32,110	30,112	24,667	22,798
		<u>62,219</u>	<u>60,894</u>	<u>54,138</u>	<u>52,902</u>
<b>CURRENT ASSETS</b>					
Debtors	19	1,643	1,343	1,587	1,348
Cash and cash equivalents	20	2,805	5,169	2,621	5,060
		<u>4,448</u>	<u>6,512</u>	<u>4,208</u>	<u>6,408</u>
<b>CREDITORS:</b>					
Amounts falling due within one year	21	(1,572)	(1,544)	(1,350)	(1,343)
<b>NET CURRENT ASSETS</b>		<u>2,876</u>	<u>4,968</u>	<u>2,858</u>	<u>5,065</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>65,095</u>	<u>65,862</u>	<u>56,996</u>	<u>57,967</u>
<b>CREDITORS:</b>					
Amounts falling due after more than one year	21	(3,968)	(3,995)	(3,968)	(3,995)
<b>PROVISIONS:</b>					
Deferred tax	27	(937)	(932)	-	-
<b>NET ASSETS</b>		<u>60,190</u>	<u>60,935</u>	<u>53,028</u>	<u>53,972</u>
<b>THE FUNDS OF THE CHARITY</b>					
Endowment funds	13,22	43,804	43,668	43,804	43,668
Restricted income funds	13,22	10,444	10,762	10,444	10,762
Unrestricted income funds:					
General funds		2,244	2,942	2,325	3,023
Designated funds		796	776	796	776
Non-charitable trading funds		7,227	7,027	-	-
Pension scheme reserve		(4,341)	(4,257)	(4,341)	(4,257)
Minority interest		16	17	-	-
Total unrestricted income funds	13,22	<u>5,942</u>	<u>6,505</u>	<u>(1,220)</u>	<u>(458)</u>
<b>TOTAL FUNDS</b>		<u>60,190</u>	<u>60,935</u>	<u>53,028</u>	<u>53,972</u>

The notes on pages 26 to 57 form part of these financial statements. The financial statements of the Manchester Diocesan Board of Finance (company number 149999) were approved and authorised for issue by the Board of Directors on 14<sup>th</sup> May 2019 and are signed on behalf of the Board by:



Canon Phillip Blinkhorn, Chairman



Helen Platts, Chief Operating Officer

# MANCHESTER DIOCESAN BOARD OF FINANCE YEAR ENDED 31 DECEMBER 2018

## CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2018

Reconciliation of changes in resources to net cash flow from operating activities

See also Note 25

	2018		2017	
	£'000	£'000	£'000	£'000
<b>Net income / (expenditure) for the reporting period (as per the statement of financial activities)</b>		(745)		3,879
Adjustments for:				
Depreciation charges		319		316
Dividends, interest and rents from investments		(1,230)		(1,151)
(Profit) on the sale of fixed assets		(95)		(1,934)
Decrease/(Increase) in debtors		(300)		83
(Decrease)/Increase in creditors		6		(472)
Unrealised gain on investments		78		(651)
Unrealised gain on investment property		(129)		(636)
Remeasurement of pension schemes		652		(582)
Pension interest cost		56		77
Taxation		5		88
<b>Net cash used in operating activities</b>		<u><b>(1,383)</b></u>		<u><b>(983)</b></u>
<b>Cash flows from operating activities:</b>				
Net cash used in operating activities		<u><b>(1,383)</b></u>		<u><b>(983)</b></u>
<b>Cash flows from investing activities:</b>				
Dividends, interest and rents from investments	1,230		1,151	
Proceeds from the sale of property, plant and equipment	467		2,877	
Proceeds from sale of investments	(54)		-	
Purchase of property, plant and equipment	-		(1,049)	
Purchase of investments	(2,000)		-	
<b>Net cash provided by / (used in) investing activities</b>		<u><b>(357)</b></u>		<u><b>2,979</b></u>
		<u><b>(1,740)</b></u>		<u><b>1,996</b></u>
<b>Cash flows from financing activities:</b>				
Deficit contributions paid	(624)		(680)	
<b>Net cash used in financing activities</b>		<u><b>(624)</b></u>		<u><b>(680)</b></u>
<b>Change in cash and cash equivalents in the reporting period</b>		<b>(2,364)</b>		<b>1,316</b>
<b>Cash and cash equivalents at the beginning of the reporting period</b>		<b>5,169</b>		<b>3,853</b>
<b>Cash and cash equivalents at the end of the reporting period</b>		<u><u><b>2,805</b></u></u>		<u><u><b>5,169</b></u></u>

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

### 1. PRINCIPAL ACCOUNTING POLICIES

#### Basis of preparation

The group and company have taken advantage of adapting their own arrangements of the headings and subheadings of their financial statements due to the special nature of their business in accordance with the Companies Act 2006. The financial statements have been prepared in accordance with FRS102 the Financial Reporting Standard applicable in the United Kingdom and the Statement of Recommended Practice "Accounting by Charities" (the "SORP") issued in January 2015. Note is also taken of the Diocesan Financial Statement Guide issued 2015.

The Statement of Financial Activities (SOFA) and Balance Sheet consolidate the financial statements of the company and its subsidiary undertaking. The results of the subsidiary are consolidated on a line-by-line basis. The subsidiary company, Manchester Diocesan Church House Company Limited, has prepared its financial statements under the Financial Reporting Standard for Smaller Entities (effective 2015).

The financial statements are prepared on the historical cost basis of accounting, except for investments which have been included at revalued amounts, and a summary of the more important accounting policies, which have been consistently applied, is set out below.

The group and company is a public benefit entity and as such has applied the appropriate reporting standards from FRS102.

#### (a) *Income and Endowments*

The principal source of income comes from voluntary giving in the form of parish share. Amounts undertaken to be paid by deaneries but not received by the year end are not accrued as the obligation to pay the sums involved is morally but not legally binding. Income is accounted for when received, except legacies that are included on an accruals basis where receipts are reasonably certain and the amounts receivable can be quantified.

#### (b) *Expenditure*

Expenditure is analysed over the activities undertaken by the Company wherever this is possible. Office and support costs are recharged to operating departments where appropriate. The remaining costs of the Company's offices and administration are shown as support costs within direct charitable expenditure where these relate to the managing and promoting of the Company's charitable activities within the Diocese of Manchester. Costs arising from the administration of the Company as a charity and company are shown as governance costs, in accordance with SORP.

#### (c) *Dividends and interest*

These are included in the financial statements on an accruals basis.

#### (d) *Fund accounting*

Funds held by the company are either:

<b>Restricted funds</b>	Trust and other funds, which may only be used for specific purposes imposed by the settler, donor or legislation.
<b>Permanent endowment funds</b>	Funds where there is no power to convert capital into income. Where the directors have the power to convert endowments into income, these funds are known as expendable endowments.
<b>Unrestricted general funds</b>	Funds which may be used for general purposes without any external restriction.
<b>Unrestricted Designated funds</b>	Unrestricted funds which have been set aside by the Board for purposes designated by diocesan policy; such designations may be changed from time to time according to policy decisions.

Details of the major funds are given in Note 22.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

Continued

PRINCIPAL ACCOUNTING POLICIES (continued)

(e) *Stipends*

Clergy stipends and the salaries of licensed lay staff, though a diocesan responsibility, are paid through the Church Commissioners' payroll. The cost of the stipends and salaries paid by the Church Commissioners on behalf of the Company and income received by them centrally are shown gross in these financial statements. However, some dignitaries are paid for mostly or entirely by the Church Commissioners and the relevant costs have been excluded from these financial statements.

(f) *Tangible fixed assets*

Individual fixed assets costing £1,000 or more are capitalised at cost.

Glebe and parsonage houses and other property used by the diocese are included at cost. The transitional provisions of UK GAAP have been followed in respect of properties owned at 31 December 2000 that have been subject to previous valuations. Houses owned prior to 31 December 2000 were valued at the midpoint council tax band at that date and this valuation has not been updated.

Houses subject to value-linked loans (previously known as equity sharing loans) are included in the financial statements as fixed assets and loan creditors, where there is a direct liability to the Company relating to such properties. For Value Linked Loan properties which the Company has an equity share, the Company equity value is depreciated in line with the property depreciation rate as confirmed below.

Redundant churches are not included in the financial statements as it is the opinion of the trustees that they are of negligible value.

The Company has undertaken an impairment review of its housing stock in accordance with UK GAAP. It has concluded the carrying amount of the fixed asset is less than the net realisable value or the value in use.

Depreciation is provided at the following rates:

Office Equipment	25% & 33.33% straight line
Property at 90 Deansgate (Diocesan Church House)	2% straight line
MDBF Property	0.8% straight line
Glebe Property	0.8% straight line
Parsonage Property	0.8% straight line

(g) *Fixed asset investments*

Investments other than in Glebe land and properties and Church House property are shown at the bid price on the date of the balance sheet. Glebe land and properties and Church House property were revalued on 31 December 2018. Glebe land and properties and Church House property have been included at a valuation of £10.385m and £7.524m respectively, carried out by Rapleys LLP at 31 December 2018. Proceeds from the sale of Glebe are credited as income to the Stipends Fund Capital Account in the year of receipt.

Investments held by the Company as custodian trustee are not included in these financial statements.

(h) *Subsidiary and connected companies*

Details of subsidiary and connected companies are given in note 18 to the financial statements. Consolidated accounts have been produced in accordance with the recommendations of the Charity SORP.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

Continued

### PRINCIPAL ACCOUNTING POLICIES (continued)

(i) *Clergy pensions*

The Company contributes to the Church of England Funded Pension Scheme which is a multi-employer pension scheme and it is not possible to identify the assets and liabilities of the schemes which are attributable to the Company. Pension scheme contributions are charged to the Statement of Financial Activities in the period to which they relate. Details of the schemes operated by the Company are given in note 26 to the financial statements. Manchester Diocesan Board of Finance has agreed to an additional contribution plan in order to clear pension scheme deficits, details of the repayments and arrangement can be found in note 26 to the financial statements.

(j) *Staff pensions*

The Company contributes to the Church of England Pension Builder Scheme is a multi-employer pension schemes and it is not possible to identify the assets and liabilities of the schemes which are attributable to the Company and the Church of England Defined Benefits Scheme for other staff. Therefore, in accordance with FRS102, payments to the schemes are accounted for as for defined contribution schemes and the Company accounts for pension costs on the basis of contributions actually payable to the schemes in the year. Following the revaluation of the Church Worker Defined Benefit Scheme (Lay Staff) as at 31 December 2016, this has given rise to a deficit position. Manchester Diocesan Board of Finance has agreed to an additional contribution plan in order to clear pension scheme deficits, details of the repayments and arrangement can be found in note 26 to the financial statements.

(k) *Reserves*

Funds held for specific purposes and the related income and expenditure are shown in separate reserves under the appropriate headings.

(l) *Allocation of costs to direct charitable and other expenditure*

Governance costs relate to all administration, depreciation and legal costs incurred in the Company's operation as a charitable company in accordance with SORP. All other costs attributable to the support of direct charitable purposes have been included under the appropriate headings in the Statement of Financial Activities.

(m) *Grants*

Grants made to parishes, clergy or other diocesan bodies are treated as direct costs in the financial statements. An analysis of grants made is shown in note 9. Grants payable relate to the contribution to National Church costs. Payments to the clergy for removal, training, etc. are included as ministry in parishes or support for ministry in parishes due to the quasi-contractual nature of the payment or training provision.

(n) *Irrecoverable VAT*

The policy on irrecoverable VAT is to include it with the related expenditure item.

(o) *Deferred taxation*

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except that a change attributable to an item of income or expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the company operates and generates taxable income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date, except:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits;
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met; and
- Where timing differences relate to interests in subsidiaries, associates, branches and joint ventures and the group can control their reversal and such reversal is not considered probable in the foreseeable future.

## MANCHESTER DIOCESAN BOARD OF FINANCE YEAR ENDED 31 DECEMBER 2018

### NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

Continued

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax.

Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

*(p) Judgements in applying accounting policies and key sources of estimation uncertainty*

In preparing these financial statements the directors have made judgements where appropriate. The judgement subject to the greatest uncertainty is the valuation of the properties. This estimation has been arrived at with consultation with third party Chartered Surveyors. There is estimation in other areas too such as parish share arrears, outstanding clergy fees. The uncertainty in these areas is considered to be significantly lower.

Significant judgement is also made with respect to defined benefit pensions:

- Pension scheme deficit reduction payments – As explained in note 26, there is a deficit reduction plan in place in respect of Church of England Funded Pension Schemes for stipendiary clergy and in respect of Church Worker Defined Benefit Scheme (Lay Staff). FRS102 requires a liability be recognised in respect of the present value of future contributions payable under the terms of the deficit recovery plan. The incorporation of this liability in the financial statements involves the exercise of judgement in a number of areas, including the use of an appropriate discount rate.

*(q) Going concern*

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

*(r) Cash and cash equivalents*

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than 3 months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.



# MANCHESTER DIOCESAN BOARD OF FINANCE YEAR ENDED 31 DECEMBER 2018

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

Continued

### GROUP INCOMING RESOURCES – COMPRISING NOTES 2 TO 6

	Note	Unrestricted		Restricted	Endowment	Total
		General	Designated	Funds	Funds	Funds
		2018	2018	2018	2018	2018
		£'000	£'000	£'000	£'000	£'000
<b>Income and endowments from:</b>						
Donations	2					
Parish contributions		7,090	-	-	-	7,090
Archbishops' Council		-	-	2,714	-	2,714
Other donations		248	12	591	-	851
Other Trading activities	3	821	-	-	-	821
Investments	4	355	26	811	38	1,230
Charitable activities	5	-	-	600	-	600
Other income	6	44	-	5	318	367
<b>TOTAL INCOME AND ENDOWMENTS</b>		<b>8,558</b>	<b>38</b>	<b>4,721</b>	<b>356</b>	<b>13,673</b>

		Unrestricted		Restricted	Endowment	Total
		General	Designated	Funds	Funds	Funds
		2017	2017	2017	2017	2017
		£'000	£'000	£'000	£'000	£'000
<b>Income and endowments from:</b>						
Donations	2					
Parish contributions		7,268	-	-	-	7,268
Archbishops' Council		-	-	2,760	-	2,760
Other donations		265	10	111	-	386
Other Trading activities	3	797	-	-	-	797
Investments	4	284	25	811	31	1,151
Charitable activities	5	-	-	656	-	656
Other income	6	304	-	243	1,553	2,100
<b>TOTAL INCOME AND ENDOWMENTS</b>		<b>8,918</b>	<b>35</b>	<b>4,581</b>	<b>1,584</b>	<b>15,118</b>

### COMPANY INCOMING RESOURCES – COMPRISING NOTES 2 TO 6

	Note	Unrestricted		Restricted	Endowment	Total
		General	Designated	Funds	Funds	Funds
		2018	2018	2018	2018	2018
		£'000	£'000	£'000	£'000	£'000
<b>Income and endowments from:</b>						
Donations	2					
Parish contributions		7,090	-	-	-	7,090
Archbishops' Council		-	-	2,714	-	2,714
Other donations		501	12	591	-	1,104
Other trading activities	3	230	-	-	-	230
Investments	4	355	26	811	38	1,230
Charitable activities	5	-	-	600	-	600
Other income	6	44	-	5	318	367
<b>TOTAL INCOME AND ENDOWMENTS</b>		<b>8,220</b>	<b>38</b>	<b>4,721</b>	<b>356</b>	<b>13,335</b>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

Continued

	Note	Unrestricted		Restricted	Endowment	Total funds 2017 £'000
		General 2017 £'000	Designated 2017 £'000	funds 2017 £'000	funds 2017 £'000	
<b>Income and endowments from:</b>						
Donations	2					
Parish contributions		7,268	-	-	-	7,268
Archbishops' Council		-	-	2,760	-	2,760
Other donations		415	10	111	-	536
Other Trading activities	3	216	-	-	-	216
Investments	4	284	25	811	31	1,151
Charitable activities	5	-	-	656	-	656
Other income	6	304	-	243	1,553	2,100
<b>TOTAL INCOME AND ENDOWMENTS</b>		<b>8,487</b>	<b>35</b>	<b>4,581</b>	<b>1,584</b>	<b>14,687</b>

2. DONATIONS

PARISH CONTRIBUTIONS (GROUP AND COMPANY)

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

	Restricted General 2018 £'000	Restricted General 2017 £'000
Parish share		
Current year's allocation	7,453	8,635
Shortfall in contributions	(267)	(1,299)
Encouragement scheme	(94)	(82)
	<u>7,092</u>	<u>7,254</u>
Arrears for previous years	(2)	14
	<u>7,090</u>	<u>7,268</u>

Total parish share receipts represent 95.13% of the allocation

ARCHBISHOPS' COUNCIL (GROUP AND COMPANY)

	Restricted Funds 2018 £'000	Restricted Funds 2017 £'000
Selective allocations	2,714	2,760
<b>TOTAL</b>	<u>2,714</u>	<u>2,760</u>

OTHER DONATIONS (GROUP)

	Unrestricted		Restricted	Endowment	Total funds 2018 £'000	Total funds 2017 £'000
	General 2018 £'000	Designated 2018 £'000	Funds 2018 £'000	Funds 2018 £'000		
All Churches Trust	218	-	-	-	218	218
Donations	23	-	-	-	23	25
Other	7	12	591	-	610	143
<b>TOTAL</b>	<u>248</u>	<u>12</u>	<u>591</u>	<u>-</u>	<u>851</u>	<u>386</u>

# MANCHESTER DIOCESAN BOARD OF FINANCE YEAR ENDED 31 DECEMBER 2018

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

Continued

### OTHER DONATIONS (COMPANY)

	Unrestricted		Restricted Funds 2018 £'000	Endowment Funds 2018 £'000	Total funds 2018 £'000	Total funds 2017 £'000
	General 2018 £'000	Designated 2018 £'000				
All Churches Trust	218	-	-	-	218	218
Donations	23	-	-	-	23	25
Gift Aid from Subsidiary Company	253	-	-	-	253	150
Other	7	12	591	-	610	143
<b>TOTAL</b>	<b>501</b>	<b>12</b>	<b>591</b>	<b>-</b>	<b>1,104</b>	<b>536</b>

### 3. OTHER TRADING ACTIVITIES (GROUP)

	Unrestricted		Restricted Funds 2018 £'000	Endowment Funds 2018 £'000	Total funds 2018 £'000	Total funds 2017 £'000
	General 2018 £'000	Designated 2018 £'000				
Rental income from parsonages	230	-	-	-	230	216
Income of the Trading Subsidiary	591	-	-	-	591	581
<b>TOTAL</b>	<b>821</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>821</b>	<b>797</b>

### OTHER TRADING ACTIVITIES (COMPANY)

	Unrestricted		Restricted Funds 2018 £'000	Endowment Funds 2018 £'000	Total funds 2018 £'000	Total funds 2017 £'000
	General 2018 £'000	Designated 2018 £'000				
Rental income from parsonages	230	-	-	-	230	216
<b>TOTAL</b>	<b>230</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>230</b>	<b>216</b>

### 4. INVESTMENTS (GROUP AND COMPANY)

	Unrestricted		Restricted Funds 2018 £'000	Endowment Funds 2018 £'000	Total funds 2018 £'000	Total funds 2017 £'000
	General 2018 £'000	Designated 2018 £'000				
Dividends receivable	350	23	64	-	437	383
Interest receivable	5	-	-	-	5	7
Glebe receivable	-	-	697	-	697	696
Trusts receivable	-	3	50	38	91	65
<b>TOTAL</b>	<b>355</b>	<b>26</b>	<b>811</b>	<b>38</b>	<b>1,230</b>	<b>1,151</b>

# MANCHESTER DIOCESAN BOARD OF FINANCE YEAR ENDED 31 DECEMBER 2018

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

Continued

### 5. CHARITABLE ACTIVITIES (GROUP AND COMPANY)

	Unrestricted		Restricted Funds £'000	Endowment Funds £'000	Total funds 2018 £'000	Total funds 2017 £'000
	General 2018 £'000	Designated 2018 £'000				
Statutory fees and chaplaincy income	-	-	570	-	570	603
Guarantee annuities	-	-	-	-	-	-
Miscellaneous income	-	-	30	-	30	53
<b>TOTAL</b>	-	-	600	-	600	656

### 6. OTHER INCOME (GROUP AND COMPANY)

	Unrestricted		Restricted Funds £'000	Endowment Funds £'000	Total funds 2018 £'000	Total funds 2017 £'000
	General 2018 £'000	Designated 2018 £'000				
Property sale gains	32	-	-	318	350	1,934
Other	12	-	5	-	17	166
<b>TOTAL</b>	44	-	5	318	367	2,100

## GROUP EXPENDITURE

### COMPRISING NOTES 7 - 9

	Note	Unrestricted		Restricted Funds 2018 £'000	Endowment Funds 2018 £'000	Total funds 2018 £'000
		General 2018 £'000	Designated 2018 £'000			
Raising funds	8	263	-	141	-	404
Charitable activities	9	8,310	180	4,628	234	13,352
Remeasurement on pension schemes	26	652	-	-	-	652
Pension interest cost	26	56	-	-	-	56
<b>TOTAL</b>		<b>9,281</b>	<b>180</b>	<b>4,769</b>	<b>234</b>	<b>14,464</b>

	Note	Unrestricted		Restricted Funds 2017 £'000	Endowment Funds 2017 £'000	Total funds 2017 £'000
		General 2017 £'000	Designated 2017 £'000			
Raising funds	8	284	-	45	-	329
Charitable activities	9	7,777	172	4,431	234	12,614
Remeasurement on pension schemes	26	(582)	-	-	-	(582)
Pension interest cost	26	77	-	-	-	77
<b>TOTAL</b>		<b>7,556</b>	<b>172</b>	<b>4,476</b>	<b>234</b>	<b>12,438</b>

# MANCHESTER DIOCESAN BOARD OF FINANCE YEAR ENDED 31 DECEMBER 2018

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

Continued

### COMPANY EXPENDITURE

#### COMPRISING NOTES 7 - 9

	Note	Unrestricted		Restricted	Endowment	Total funds 2018 £'000
		General	Designated	Funds	Funds	
		2018 £'000	2018 £'000	2018 £'000	2018 £'000	
Raising funds	8	-	-	141	-	141
Charitable activities	9	8,310	180	4,628	234	13,352
Remeasurement on pension schemes	26	652	-	-	-	652
Pension interest cost	26	56	-	-	-	56
<b>TOTAL</b>		<b>9,018</b>	<b>180</b>	<b>4,769</b>	<b>234</b>	<b>14,201</b>

	Note	Unrestricted		Restricted	Endowment	Total funds 2017 £'000
		General	Designated	Funds	Funds	
		2017 £'000	2017 £'000	2017 £'000	2017 £'000	
Raising funds	8	-	-	45	-	45
Charitable activities	9	7,777	172	4,431	234	12,614
Remeasurement on pension schemes	26	(582)	-	-	-	(582)
Pension interest cost	26	77	-	-	-	77
<b>TOTAL</b>		<b>7,272</b>	<b>172</b>	<b>4,476</b>	<b>234</b>	<b>12,154</b>

## 7. ANALYSIS OF RESOURCES EXPENDED INCLUDING ALLOCATION OF SUPPORT COSTS (GROUP)

	Activities undertaken directly	Grant funding of activities	Support costs (Note 11)	Total 2018 £'000	Total 2017 £'000
	£'000	£'000	£'000		
Investment management costs	263	-	141	404	329
Contributions to Archbishops' Council	726	-	-	726	705
Resourcing ministry and mission	10,361	1,497	579	12,437	11,729
Education	-	140	-	140	134
Diocesan projects	-	6	-	6	4
Governance costs	43	-	-	43	42
Pension interest cost	56	-	-	56	77
Remeasurement on pension schemes	652	-	-	652	(582)
<b>TOTAL</b>	<b>12,101</b>	<b>1,643</b>	<b>720</b>	<b>14,464</b>	<b>12,438</b>

# MANCHESTER DIOCESAN BOARD OF FINANCE YEAR ENDED 31 DECEMBER 2018

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

Continued

### ANALYSIS OF RESOURCES EXPENDED INCLUDING ALLOCATION OF SUPPORT COSTS (COMPANY)

	Activities undertaken directly £'000	Grant funding of activities £'000	Support costs (Note 11) £'000	<b>Total 2018 £'000</b>	<b>Total 2017 £'000</b>
Investment management costs	-	-	141	<b>141</b>	45
Contributions to Archbishops' Council	726	-	-	<b>726</b>	705
Resourcing ministry and mission	10,361	1,497	579	<b>12,437</b>	11,729
Education	-	140	-	<b>140</b>	134
Diocesan projects	-	6	-	<b>6</b>	4
Governance costs	43	-	-	<b>43</b>	42
Pension Interest cost	56	-	-	<b>56</b>	77
Remeasurement on CEFPS pension schemes	652	-	-	<b>652</b>	(582)
<b>TOTAL</b>	<b>11,838</b>	<b>1,643</b>	<b>720</b>	<b>14,201</b>	<b>12,154</b>

### 8. RAISING FUNDS (GROUP)

	Unrestricted		Restricted Funds £'000	Endowment Funds £'000	<b>Total funds 2018 £'000</b>	<b>Total funds 2017 £'000</b>
	General 2018 £'000	Designated 2018 £'000				
Trading expenditure	263	-	-	-	<b>263</b>	284
Glebe expenditure	-	-	141	-	<b>141</b>	45
<b>TOTAL</b>	<b>263</b>	<b>-</b>	<b>141</b>	<b>-</b>	<b>404</b>	<b>329</b>

The credit amount shown in Glebe agent's fees includes a refund for business rates.

### RAISING FUNDS (COMPANY)

	Unrestricted		Restricted Funds £'000	Endowment Funds £'000	<b>Total funds 2018 £'000</b>	<b>Total funds 2017 £'000</b>
	General 2018 £'000	Designated 2018 £'000				
Glebe agent's fees	-	-	141	-	<b>141</b>	45
<b>TOTAL</b>	<b>-</b>	<b>-</b>	<b>141</b>	<b>-</b>	<b>141</b>	<b>45</b>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

Continued

9. CHARITABLE ACTIVITIES

CONTRIBUTIONS TO ARCHBISHOPS' COUNCIL (GROUP AND COMPANY)

	Unrestricted General 2018 £'000	Unrestricted General 2017 £'000
Training for ministry National Church responsibilities	326	317
Grants and provisions	260	253
Mission Agency	28	28
pension contributions	3	3
Retired clergy housing costs (CHARM)	110	104
Pooling of ordinand candidates' costs	(1)	-
<b>TOTAL</b>	<b>726</b>	<b>705</b>

EXPENDITURE ON RESOURCING MINISTRY AND MISSION (GROUP AND COMPANY)

	Unrestricted		Restricted	Endowment	Total funds	Total funds
	General	Designated	Funds	Funds	2018	2017
	2018	2018	£'000	£'000	£'000	£'000
	£'000	£'000				
Parish ministry						
Stipends and national insurance	3,715	(34)	1,961	-	5,642	5,672
Pension contributions	-	-	1,353	-	1,353	1,210
Housing costs	1,178	-	-	-	1,178	1,142
Removal, settlement and other grants	67	-	193	-	260	274
Other expenses	383	57	326	-	766	611
	5,343	23	3,833	-	9,199	8,909
Support for ministry	2,058	157	789	234	3,238	2,820
<b>TOTAL</b>	<b>7,401</b>	<b>180</b>	<b>4,622</b>	<b>234</b>	<b>12,437</b>	<b>11,729</b>

EXPENDITURE ON EDUCATION (GROUP AND COMPANY)

	Unrestricted	
	General	General
	2018	2017
	£'000	£'000
Synodical grant	140	134

# MANCHESTER DIOCESAN BOARD OF FINANCE YEAR ENDED 31 DECEMBER 2018

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

Continued

### EXPENDITURE ON DIOCESAN PROJECTS (GROUP AND COMPANY)

	Unrestricted		Restricted Funds £'000	Endowment Funds £'000	Total funds 2018 £'000	Total funds 2017 £'000
	General 2018 £'000	Designated 2018 £'000				
Other	-	-	6	-	6	4
<b>TOTAL</b>	<b>-</b>	<b>-</b>	<b>6</b>	<b>-</b>	<b>6</b>	<b>4</b>

### GOVERNANCE COSTS (COMPANY)

	Unrestricted General 2018 £'000	Unrestricted General 2017 £'000
Audit fees	21	20
Diocesan Synod	22	22
<b>TOTAL</b>	<b>43</b>	<b>42</b>

Audit Fees of £6k (2017: £6k) were incurred in relation to the statutory audit of Manchester Diocesan Church House Company Ltd. These fees are not included in governance costs as the subsidiary entity is not a charity.

### 10. ANALYSIS OF TRANSFERS BETWEEN FUNDS (GROUP AND COMPANY)

	Unrestricted		Restricted Funds £'000	Endowment Funds £'000	Total funds 2018 £'000	Total funds 2017 £'000
	General £'000	Designated £'000				
Pastoral Account	-	-	(250)	-	(250)	(1,009)
Parsonage Building Fund	-	-	-	-	-	1,159
Church Building Grants	-	150	-	-	150	(150)
Clergy Training Funds	-	15	-	-	15	(15)
Other	85	-	-	-	85	15
<b>TOTAL</b>	<b>85</b>	<b>165</b>	<b>(250)</b>	<b>-</b>	<b>-</b>	<b>-</b>

### 11. ANALYSIS OF SUPPORT COSTS (GROUP AND COMPANY)

	Unrestricted		Restricted Funds £'000	Endowment Funds £'000	Total funds 2018 £'000	Total funds 2017 £'000
	General £'000	Designated £'000				
Investment Management Costs	-	-	141	-	141	45
Support of Ordinands Training	101	-	-	-	101	60
Central Administration	478	-	-	-	478	542
<b>TOTAL</b>	<b>579</b>	<b>-</b>	<b>141</b>	<b>-</b>	<b>720</b>	<b>647</b>



NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

Continued

12. NET (INCOMING) / OUTGOING RESOURCES FOR THE YEAR (GROUP)

These are stated after charging:

	2018 £'000	2017 £'000
Depreciation	319	315
Auditors' remuneration - Audit services	27	26
	<b>346</b>	<b>341</b>

NET (INCOMING) / OUTGOING RESOURCES FOR THE YEAR (COMPANY)

These are stated after charging:

	2018 £'000	2017 £'000
Depreciation	279	275
Auditors' remuneration - Audit services	21	20
	<b>300</b>	<b>295</b>

# MANCHESTER DIOCESAN BOARD OF FINANCE YEAR ENDED 31 DECEMBER 2018

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

Continued

### 13. SUMMARY OF FUND MOVEMENTS

	Balance at 1 January 2018 £'000	Incoming resources £'000	Outgoing resources £'000	Transfers £'000	Gains and losses £'000	Balance at 31 December 2018 £'000
<b>Unrestricted funds</b>						
General	3,023	8,220	(8,310)	(539)	(69)	2,325
Pension Deficit	(4,257)	-	(708)	624	-	(4,341)
<b>Designated</b>						
Board for Church & Society	108	-	-	-	(1)	107
Church Building Loans	323	-	-	-	(2)	321
Church Building Grants	219	2	(141)	150	-	230
Separated/Divorced Clergy Spouses	53	13	(13)	-	-	53
Clergy Training Fund	24	-	-	15	-	39
Urban Aid Grant Fund	22	-	-	-	-	22
Other	27	23	(26)	-	-	24
	<b>(458)</b>	<b>8,258</b>	<b>(9,198)</b>	<b>250</b>	<b>(72)</b>	<b>(1,220)</b>
<b>Restricted funds</b>						
Stipend Fund income & expenditure	-	4,081	(4,081)	-	-	-
Pastoral Fund	8,891	49	(247)	(250)	-	8,443
Clergy Maintenance of the Ministry	1,526	-	-	-	(21)	1,505
Clergy widows & associated funds	245	-	(6)	-	3	242
Ordinands' training	42	-	(30)	-	(1)	11
Resourcing Ministerial Education	(15)	254	(183)	-	-	56
Restructuring Funding	(10)	250	(133)	-	-	107
Strategic Capacity Funding	-	58	(58)	-	-	-
Other	83	29	(31)	-	(1)	80
	<b>10,762</b>	<b>4,721</b>	<b>(4,769)</b>	<b>(250)</b>	<b>(20)</b>	<b>10,444</b>
<b>Endowment funds</b>						
<b>Expendable endowment</b>						
Stipends Fund Capital Account	21,256	232	(66)	-	37	21,459
Stipends Fund I & E Account	5	-	-	-	-	5
Parsonage Buildings Fund	20,523	117	(168)	-	-	20,472
<b>Permanent endowment</b>						
Clergy widows & associated funds	132	-	-	-	2	134
J B Stelfox	1,036	-	-	-	(16)	1,020
Ordinands' training	154	-	-	-	(2)	152
Chaplaincy	148	7	-	-	(1)	154
Bequests	414	-	-	-	(6)	408
	<b>43,668</b>	<b>356</b>	<b>(234)</b>	<b>-</b>	<b>14</b>	<b>43,804</b>
<b>Total funds - Company</b>	<b>53,972</b>	<b>13,335</b>	<b>(14,201)</b>	<b>-</b>	<b>(78)</b>	<b>53,028</b>
Adjustments arising on consolidation*	(81)	71	(71)	-	-	(81)
Non-charitable trading funds*	7,027	268	(197)	-	129	7,227
Minority interest*	17	(1)	-	-	-	16
<b>Total funds - Group</b>	<b>60,935</b>	<b>13,673</b>	<b>(14,469)</b>	<b>-</b>	<b>51</b>	<b>60,190</b>

See Note 22 for more details. \* These movements in funds all relate to unrestricted funds.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

Continued

14. DIRECTORS' REMUNERATION AND EXPENSES

No remuneration has been paid to any Director in their capacity as directors (2017: £nil).

During the year contributions were made to the Church Commissioners at the standard rate agreed by the Diocesan Synod towards the stipends, national insurance and pension contributions of the licensed clergy who are directors are provided with houses, including the payment of council tax and maintenance costs, as part of normal clergy remuneration. One Director (2017: two Directors) were reimbursed for travel expenses during the year which amounted to £223 (2017: £431).

15. EMPLOYEE DETAILS

Employees receiving remuneration in excess of £60,000 are analysed as follows:

	Year ended 31 December 2018	Year ended 31 December 2017
£70,001 - £80,000	-	1

During the year the following amounts were paid to higher paid employees as shown above:

	Year ended 31 December 2018 £'000	Year ended 31 December 2017 £'000
Pension contributions to Pension Builder Classic scheme	-	11

**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 2018 they were:

Martin Miller	Diocesan Secretary and Company Secretary (Left 21st September 2018)
David Weldon	Director of Finance and IT (and Company Secretary appointed 26 September 2018)
Alan Brown	Director of Support Services
Peter Reiss	Director of Mission and Ministry
Maurice Smith *	Director of Education

\* Remuneration and pensions for the above employees amounted to £272k (2017: £289k). This does not include the costs for Maurice Smith, which are included within Manchester Diocesan Board of Education financial statements.

The average number of employees, based on full-time equivalents, was as follows:

	2018 No.	2017 No.
Support for parish ministry	37	37
Mission Support and chaplaincy	3	4
Church House	6	7
	<u>46</u>	<u>48</u>

## MANCHESTER DIOCESAN BOARD OF FINANCE YEAR ENDED 31 DECEMBER 2018

### NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

Continued

In addition, a further 10 (2017: 10) persons are employed but, as their employment costs are borne by the Manchester Diocesan Board of Education, they are not included in these financial statements. Their employment costs are shown separately in the financial statements of that company.

Staff costs were as follows:

	2018 £'000	2017 £'000
Gross salaries	1,252	1,224
Social Security costs	123	112
Pension contributions	185	215
	<u>1,560</u>	<u>1,551</u>

An average of 153 (2017: 156) stipendiary clergy were paid as office holders holding parochial or diocesan appointments in the diocese, and the costs were as follows:

	2018 £'000	2017 £'000
Stipends	5,217	5,243
National Insurance Contributions	425	429
Pension costs - Current year	1,353	1,210
	<u>6,995</u>	<u>6,882</u>

### 16. TAXATION

	2018 £'000	2017 £'000
<b>Domestic current year tax</b>		
UK corporation tax	-	-
Adjustments in respect of prior periods	-	-
Current tax charge	<u>-</u>	<u>-</u>
Under/(over) provision in prior year	-	-
<b>Deferred tax</b>		
Deferred tax charge / (credit) current year	5	88
Adjustments in respect of prior periods	<u>-</u>	<u>-</u>
Tax charge / (credit) on profit on ordinary activities	<u>5</u>	<u>88</u>

See note 27.

MANCHESTER DIOCESAN BOARD OF FINANCE YEAR ENDED 31 DECEMBER 2018

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

Continued

17. TANGIBLE ASSETS

GROUP	Land and buildings			Equipment	Total
	MDBF and Church House £'000	Parsonage £'000	Glebe £'000	£'000	£'000
<b>At cost of valuation</b>					
At 1 January 2018	5,743	21,487	8,264	431	35,925
Additions	-	-	-	-	-
Disposals	(270)	(140)	-	-	(410)
<b>At 31 December 2018</b>	<b>5,473</b>	<b>21,347</b>	<b>8,264</b>	<b>431</b>	<b>35,515</b>
<b>Accumulated depreciation</b>					
At 1 January 2018	697	3,117	1,099	230	5,143
Charge for the year	49	167	66	36	318
Eliminated on disposals	(34)	(21)	-	-	(55)
<b>At 31 December 2018</b>	<b>712</b>	<b>3,263</b>	<b>1,165</b>	<b>266</b>	<b>5,406</b>
<b>Net book value at 31 December 2018</b>	<b>4,761</b>	<b>18,084</b>	<b>7,099</b>	<b>165</b>	<b>30,109</b>
Net book value at 31 December 2017	5,046	18,370	7,165	201	30,782
<b>COMPANY</b>					
	MDBF £'000	Parsonage £'000	Glebe £'000	Equipment £'000	Total £'000
<b>At cost of valuation</b>					
At 1 January 2018	5,057	21,487	8,264	168	34,976
Additions	-	-	-	-	-
Disposals	(270)	(140)	-	-	(410)
<b>At 31 December 2018</b>	<b>4,787</b>	<b>21,347</b>	<b>8,264</b>	<b>168</b>	<b>34,566</b>
<b>Accumulated depreciation</b>					
At 1 January 2018	505	3,117	1,099	151	4,872
Charge for the year	36	167	66	9	278
Eliminated on disposals	(34)	(21)	-	-	(55)
<b>At 31 December 2018</b>	<b>507</b>	<b>3,263</b>	<b>1,165</b>	<b>160</b>	<b>5,095</b>
<b>Net book value at 31 December 2018</b>	<b>4,280</b>	<b>18,084</b>	<b>7,099</b>	<b>8</b>	<b>29,471</b>
Net book value at 31 December 2017	4,552	18,370	7,165	17	30,104

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

Continued

Included in MDBF property are some properties that are subject to a value-linked loan from the Church Commissioners. When disposed of the appropriate share of the net sale proceeds will be remitted to the Commissioners, and the related loan liability thereby extinguished. The value of such properties is included in the above amounts was £275,750 (2017: £312,878).

18. INVESTMENTS

GROUP	Glebe Investment Properties £'000	Church House Investment Property £'000	Unlisted £'000	Total £'000
<b>Market value</b>				
At 31 December 2017	<b>10,317</b>	<b>7,395</b>	<b>12,400</b>	<b>30,112</b>
Additions at cost	-	-	3,946	<b>3,946</b>
Transfers	-	-	-	-
Revaluations	68	129	-	<b>197</b>
Disposals	-	-	(1,946)	<b>(1,946)</b>
Unrealised gain/(loss) for the year	-	-	(145)	<b>(145)</b>
Realised gain / (loss) for the year	-	-	(54)	<b>(54)</b>
<b>At 31 December 2018</b>	<b>10,385</b>	<b>7,524</b>	<b>14,201</b>	<b>32,110</b>
Historic cost at 31 December 2018	7,095	1,643	7,761	<b>16,499</b>
Excess of market value over cost to date	3,290	5,881	6,440	<b>15,611</b>
<b>COMPANY</b>				
			<b>2018</b>	<b>2017</b>
			<b>£'000</b>	<b>£'000</b>
Group total			<b>32,110</b>	<b>30,112</b>
Church House Investment Property			<b>(7,524)</b>	<b>(7,395)</b>
Investment in subsidiary company (see below)			<b>81</b>	<b>81</b>
			<b>24,667</b>	<b>22,798</b>

Details of the accounting policy for Unlisted Investments is included in note 1 (g) to the financial statements.

Investment properties

The group's investment properties are valued annually on 31 December at fair value, determined by an independent, professionally qualified valuer. The most recent valuation for Bury Rectory was performed as at 31 December 2018 by Rapleys LLP who confirmed a valuation of £10,385,000 (2017: £10,317,000). For Church House Investment Property, this was also valued at 31 December 2018 by Rapleys LLP who confirmed a valuation of £10,450,000 (2017: £10,270,000). With respect to this property, the use of the building is split for investment purposes and charitable use for which the floor area in 2018 is 72% and 28% respectively. Church House is held part as long leasehold land and buildings and part as investment property.

The valuation has been prepared in accordance with RICS valuation - Professional Standards UK January 2017. All other tangible assets are stated at historical cost less depreciation.

## MANCHESTER DIOCESAN BOARD OF FINANCE YEAR ENDED 31 DECEMBER 2018

### NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

Continued

Details of the accounting policy for Glebe are included in note 1(f) and 1(g) to the financial statements.

#### The Manchester Diocesan Church House Company Limited

##### Balance sheet

	<b>2018</b>	2017
	<b>£'000</b>	£'000
Tangible fixed assets	8,162	8,073
Current assets	288	213
	<hr/>	<hr/>
	8,450	8,286
Creditors: amounts falling due within one year	(269)	(310)
	<hr/>	<hr/>
	8,181	7,976
Provisions for liabilities and charges	(937)	(932)
	<hr/>	<hr/>
	<b>7,244</b>	<b>7,044</b>
	<hr/> <hr/>	<hr/> <hr/>
<b>Representing:</b>		
Share capital	42	42
Other reserves	12	12
Revaluation Reserve	5,971	5,842
Profit and loss account	1,219	1,148
	<hr/>	<hr/>
	<b>7,244</b>	<b>7,044</b>
	<hr/> <hr/>	<hr/> <hr/>

## MANCHESTER DIOCESAN BOARD OF FINANCE YEAR ENDED 31 DECEMBER 2018

### NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

Continued

#### 18. INVESTMENTS (continued)

##### SUBSIDIARY COMPANY

The Manchester Diocesan Church House Company Limited  
Income from subsidiary's trading activities

	2018 £000	2017 £000
Turnover	662	644
Administration	(333)	(347)
Gain from changes in fair value of investment property	129	636
Operating (loss) / profit	458	933
Taxation	(5)	(88)
(Loss) / profit after taxation	<b>453</b>	<b>845</b>

The Board hold 98.6% (2017: 98.6%) of the ordinary share capital of the Manchester Diocesan Church House Company Limited ("MDCH"), whose principal activity is the provision of a Church House for Diocesan purposes, and in furtherance of this, the operation as a property company. MDCH charged rental and service charges of £55,938 (2017: £54,304) for use of the property for Diocesan purposes and recharged staff costs of £nil (2017: £2,701). MDBF charged the Manchester Diocesan Church House Company £15,000 (2017: £15,000) for accountancy services rendered. The transfer of taxable profits under gift aid to the parent company was £253,153 (2017: £150,000). This is disclosed in the statement to changes in equity in the Church House Company financial statements and is not included within the profit and loss account shown above. At the balance sheet date, the Manchester Diocesan Church House Company owed £46,852 (2017: £109,203) to MDBF. This is in relation to payments made by MDBF on behalf of Church House Company which includes Payroll and Expenditure Purchases. A rent debtor balance of £753 (2017: £nil) was owed at the year end by MDBF to the Manchester Diocesan Church House Company.

MDCH is a limited company registered in England and Wales no. 99121.

##### Founder Member of All Saints Centre for Mission and Ministry Ltd

Manchester Diocese is one of the three founding members of the All Saints Centre for Mission and Ministry and there are currently four members. All Saints trains lay and ordained ministers to university standards for the Church of England. If the All Saints Centre for Mission and Ministry is wound up whilst the Manchester Diocesan Board of Finance is still a member or within 12 months of ceasing to be a Member, then the Member promises to pay such amount as is required up to £1 towards the costs of dissolution and the liabilities incurred by the charity while the contributor was a Member. During 2011, Manchester Diocesan Board of Finance along with Chester and Liverpool Diocesan Boards of Finance each authorised a £50,000 interest free loan in order to provide sufficient cash flow due to the phasing in of student numbers over a 3 year period. Currently there is a balance of £2,500 outstanding. The full loan is to be repaid by January 2020. Manchester Diocesan Board of Finance makes an annual payment to All Saints for £36,000 (2017: £36,000) for the training of its Reader Candidates. In addition to the annual payment for Reader Training, MDBF also pays the Accreditation Fees for those Readers who are registered through All Saints with Durham University Common Awards. In 2018 the payment amounted to £630 (2017: £560). The current fee is £70 per person. Previously, ordinands training was paid by the National Church. In 2017, new financial arrangements were put in place through the Resourcing Ministerial Education programme. Therefore, MDBF now receives funding from the National Church to pay for the training of ordinands. In 2018 the MDBF paid All Saints £42,695 (2017: £23,625) for the training of ordinands.

MDBF receive monies from All Saints towards the work which the Director of Studies does in training ordinands at All Saints. Each member diocese employs a Director of Studies for Ordinands whose work is primarily contributing to the training of ordinands at All Saints. The payment equates to the equivalent of a 0.7fte post to the diocese and in 2018 the amount received was £30,828 (2017: £30,462). Following the changes in funding arrangements for ordinands.



NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

Continued

The trading activities for the period 1 September 2017 to 31 August 2018 were:

	£'000
Turnover	743
Administration costs	732
	<hr/>
Surplus	11
	<hr/> <hr/>

Any surplus monies will be transferred to reserves in order to set aside funds for special purposes or as reserves against future expenditure.

19. DEBTORS

	Group		Company	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
<b>Due within one year</b>				
Loans to officers of the Board for purchase of motor cars	-	1	-	1
Loans to parishes:				
As arranged from Central Board of Finance	-	-	-	-
For urgent Church fabric repairs	105	70	105	70
For Parishes	155	158	155	158
General debtors	148	233	46	129
Board of Education	241	31	241	31
Manchester Diocesan Church House Company Ltd	-	-	46	109
Glebe debtor	148	146	148	146
Prepayments and accrued income	785	644	785	644
All Saints Centre for Mission and Ministry Ltd	3	3	3	3
Bishops debtor	58	57	58	57
	<hr/>	<hr/>	<hr/>	<hr/>
<b>TOTAL</b>	<b>1,643</b>	<b>1,343</b>	<b>1,587</b>	<b>1,348</b>
	<hr/>	<hr/>	<hr/>	<hr/>

# MANCHESTER DIOCESAN BOARD OF FINANCE YEAR ENDED 31 DECEMBER 2018

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

Continued

### 20. CASH AND CASH EQUIVALENTS

	Group		Company	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
CBF deposit fund	1,688	3,683	1,688	3,683
Cash at bank and in hand	1,117	1,486	933	1,377
	<u>2,805</u>	<u>5,169</u>	<u>2,621</u>	<u>5,060</u>

### 21. CREDITORS

	Group		Company	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
<b>Amounts falling due within one year</b>				
General creditors	670	702	448	501
Accruals	157	198	157	198
Taxation and social security	96	69	96	69
Due to the Manchester Diocesan Board of Education	-	-	-	-
Pension Deficit Repayment (Note 26)	649	575	649	575
	<u>1,572</u>	<u>1,544</u>	<u>1,350</u>	<u>1,343</u>
<b>Amounts falling due after more than one year</b>				
Loans from the Central Board of Finance for parishes	-	-	-	-
Church Commissioners Value Linked Loans	276	313	276	313
Pension Deficit Repayment (Note 26)	3,692	3,682	3,692	3,682
	<u>3,968</u>	<u>3,995</u>	<u>3,968</u>	<u>3,995</u>

Included within creditors falling due after more than one year are liabilities concerning pension deficit repayments due more than five years estimated as being £1,882k (2017: £1,644k).

Value Linked Loans from the Church Commissioners are administered by the Board of Finance on behalf of parishes, other parties and the Board itself. These loans are for the purpose of providing or improving housing for clergy, deaconesses and licensed lay workers engaged in parochial or diocesan work and former clergy spouses. The housing involved is not in benefice or Glebe ownership. The loan only becomes repayable on disposal of the Value Linked Loan property.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

Continued

22. SUMMARY OF COMPANY AND GROUP ASSETS PER FUND

	Fixed assets		Net	Long	
	Tangible	Loans /	current	term	Total
	£'000	investment	assets	liabilities	£'000
		£'000	£'000	£'000	
<b>Restricted funds</b>					
Diocesan Pastoral Account	-	-	8,443	-	<b>8,443</b>
Clergy / Maintenance of the Ministry Fund	-	1,345	160	-	<b>1,505</b>
Other restricted funds	-	289	207	-	<b>496</b>
	<b>-</b>	<b>1,634</b>	<b>8,810</b>	<b>-</b>	<b>10,444</b>
<b>Endowment funds</b>					
Diocesan Stipends Fund Capital Account	7,099	12,359	2,001	-	<b>21,459</b>
Parsonage Buildings Fund	18,084	-	2,388	-	<b>20,472</b>
Other endowment funds	-	1,786	87	-	<b>1,873</b>
	<b>25,183</b>	<b>14,145</b>	<b>4,476</b>	<b>-</b>	<b>43,804</b>
<b>Unrestricted funds</b>					
General	4,288	8,722	(10,409)	(276)	<b>2,325</b>
Designated	-	166	630	-	<b>796</b>
Pension Deficit	-	-	(649)	(3,692)	<b>(4,341)</b>
	<b>4,288</b>	<b>8,888</b>	<b>(10,428)</b>	<b>(3,968)</b>	<b>(1,220)</b>
<b>Company</b>	<b>29,471</b>	<b>24,667</b>	<b>2,858</b>	<b>(3,968)</b>	<b>53,028</b>
Non-charitable trading funds	638	7,524	18	(937)	7,243
Consolidation adjustment	-	(81)	-	-	(81)
<b>Group</b>	<b>30,109</b>	<b>32,110</b>	<b>2,876</b>	<b>(4,905)</b>	<b>60,190</b>

**Diocesan Pastoral Account**

This fund includes the proceeds of redundant churches and parsonages. The purposes for which the account may be used are laid down in Section 78 of the Pastoral Measure 1983.

The Diocesan Pastoral Account represents the proceeds of redundant churches and parsonages. These funds, held by the Diocesan Board of Finance, have not yet been applied to the purposes permitted by the Pastoral Measure 1983. The Pastoral Account can be used for the acquisition and development of parsonages and other clergy houses and the provision, restoration, improvement or repair of churches once the legal obligations for redundant church buildings vested in the Board for disposal have been met, when authorised surplus funds may be transferred to the Stipends Fund Capital Account or income funds. When these funds have been used to purchase or improve property this has been charged to the Pastoral Account in the year of expenditure. Proceeds of sale have been credited as income in the year of receipt. Where the Board has used the funds to purchase or improve properties in its corporate capacity, these have been included as Fixed Assets in these financial statements.

**Clergy/ Maintenance of the Ministry Fund**

This fund is administered by the Grants Committee to offer grants to support clergy and Parishes within the Diocese where areas of hardship are identified.

**Stipends Fund Capital Account**

The Diocesan Stipends Fund Capital Account was set up by the Endowments and Glebe Measure 1976 to provide income for clergy stipends. It represents the accumulated sale proceeds of Glebe property, sale proceeds of parsonage houses and surplus benefice endowments following pastoral reorganisation. The capital can be used for

### NOTES TO THE FINANCIAL STATEMENTS

#### For the year ended 31 December 2018

Continued

the purchase of Glebe or benefice property though the income can only be utilised for stipend purposes. It has been included as an endowment fund in these financial statements.

#### **Parsonage Buildings Fund**

Parsonage Buildings Fund represents resources held for the provision of benefice houses in the diocese. It is represented by the collective value of benefice houses or by sale proceeds of former benefice houses held on suspense by the Church Commissioners. Although benefice houses are vested in incumbents for the time being of the benefices concerned, the Board is obliged to maintain them to ensure that there are sufficient houses for the pastoral structure of the diocese and it receives the sale proceeds of benefice houses surplus to requirements into its Stipends Fund Capital Account or Pastoral Account. The major capital expenditure incurred by the Board is the purchase of new or replacement parsonage houses. If there is insufficient funding for the same held in the parsonage Building Fund, the balance comes from the Stipends Fund Capital Account or the Diocesan Pastoral Account. The Parsonage Buildings Fund has been included as an endowment fund in these financial statements.

#### **General Fund**

This fund is available for any purpose within the objects of the Board. It is principally used for the payment of stipends, national insurance, pension contributions and housing costs of clergy and licensed lay-workers in parish ministry.

#### **Designated Fund**

This fund represents monies designated by the Board to support specific areas of works including mission, maintenance of church buildings and housing costs for separated/divorced clergy spouses.

#### **Transfers between funds**

The Board makes transfers between the Funds on receipt of Orders under the Pastoral Measure 1983 which can move properties between asset categories of Parsonages, Glebe and MDBF, and therefore between Parsonage Building Fund, Stipend Fund Capital Account and Pastoral Account. The background to the major funds is detailed in note (d) of the accounting policies.

#### **Pension Deficit**

As at 31 December 2018, the pension deficit on the Church of England Defined Benefit Scheme (Clergy) was £3.853m (2017: £4.257m). In 2018, the company paid £0.561m (2017: £0.680m) as a contribution to reduce the pension deficit. Further contributions will be paid to continue to reduce the deficit. As at 31 December 2018, the pension deficit on the Church Worker Defined Benefit Scheme (Lay Staff) was £0.488m (2017: £nil). In 2018, the company paid £0.063m (2017: £nil) as a contribution to reduce the pension deficit. Further contributions will be paid to continue to reduce the deficit.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

Continued

23. GROUP AND COMPANY REVALUATION RESERVES

The revaluation reserves included in funds has been disclosed below for disclosure purposes only, in order to show the individual gains and losses included in the applicable funds.

	Church House Investment Property £'000	Unrestricted Investments £'000	Designated Investments £'000	Restricted Investments £'000	Endowment Investments £'000	Investments Sub Total £'000	Endowment Glebe £'000	TOTAL £'000
At 1 January 2018	5,752	3,219	151	1,313	1,901	<b>12,336</b>	3,223	<b>15,559</b>
Net Gains/(Losses) on Investments	-	(69)	(3)	(20)	(53)	<b>(145)</b>	-	<b>(145)</b>
Glebe Investment Property Revaluation	-	-	-	-	-	-	68	<b>68</b>
Investment Property Revaluation (see note 18)	129	-	-	-	-	<b>129</b>	-	<b>129</b>
Sub Total	129	(69)	(3)	(20)	(53)	<b>(16)</b>	68	<b>52</b>
At 31 December 2018	<u>5,881</u>	<u>3,150</u>	<u>148</u>	<u>1,293</u>	<u>1,848</u>	<u><b>12,320</b></u>	<u>3,291</u>	<u><b>15,611</b></u>

## MANCHESTER DIOCESAN BOARD OF FINANCE YEAR ENDED 31 DECEMBER 2018

### NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

Continued

#### 24. CONNECTED CHARITIES

Manchester Diocesan Board of Education is a charitable company limited by guarantee situated at 90 Deansgate, Manchester, M3 2GH. The charity is connected to the Manchester Diocesan Board of Finance by virtue of the fact that Manchester Diocesan Synod has the power to appoint the majority of the Committee of Management, constituting the Board of Directors, for each charity.

For the year ended 31 December 2018 Manchester Diocesan Board of Finance made a budget transfer to Manchester Diocesan Board of Education of £140k (2017: £134k), representing the Synod funding of non-schools work of the Board of Education. Dividend income from the Stelfox Trust of £22k (2017: £22k) was also paid to the Board of Education via the Board of Finance. During the year Manchester Diocesan Board of Finance incurred on behalf of, and subsequently recharged, costs of £487k (2017: £428k) to the Board of Education, comprising:

	2018 £'000	2017 £'000
Staff costs	445	386
Central services	42	42

Manchester Diocesan Board of Education's accommodation is provided by Manchester Diocesan Church House Company (which is a subsidiary of the Manchester Diocesan Board of Finance) for a service charge of £13k (2017: £14k), which is included in the Manchester Diocesan Board of Finance's recharges.

#### 25. CASH FLOW STATEMENT NOTES

##### Analysis of movements in cash

	As at 1 January 2018 £'000	Cash flow 2018 £'000	As at 31 December 2018 £'000
<b>Net cash:</b>			
Cash in hand and at bank	1,486	(370)	1,116
Cash on deposit	3,683	(1,994)	1,689
<b>Cash at bank and at hand</b>	<u>5,169</u>	<u>(2,364)</u>	<u>2,805</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

Continued

26. PENSIONS (GROUP AND COMPANY)

(a) Clergy Pensions

Manchester DBF participates in the Church of England Funded Pensions Scheme for stipendiary clergy, a defined benefit pension scheme. This scheme is administered by the Church of England Pensions Board, which holds the assets of the schemes 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 FRS 102. 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 pensions costs charged to the SoFA in the year are contributions payable towards benefits and expenses accrued in that year, plus the figures highlighted in the table below as being recognised in the SoFA.

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 2015. A valuation at 31 December 2018 is currently under way, but the results of this are yet to be determined. The 2015 valuation revealed a deficit of £236m, based on assets of £1,308m and a funding target of £1,544m, assessed using the following assumptions:

- an investment strategy of:
  - for investments backing liabilities for pensions in payment, an allocation to gilts of 33% from the valuation date until 31 December 2019 and thereafter increasing linearly to 70% by 31 December 2030 (with the remainder in return-seeking assets); and
  - a 100% allocation to return-seeking assets for investments backing liabilities prior to retirement;
- investment returns equivalent to 2.6% p.a. on gilts and 4.6% p.a. on return-seeking assets;
- RPI inflation of 3.2% p.a. (and pension increases consistent with this);
- increase in pensionable stipends of 3.2% p.a.; and
- mortality in accordance with 80% of the S2NMA and S2NFA tables, with allowance for improvements in mortality rates in line with the CMI 2015 core projections with a long term annual rate of improvement of 1.5%.

Following the 31 December 2015 valuation, a recovery plan was put in place until 31 December 2025 and the deficit recovery contributions (as a percentage of pensionable stipends) are as set out in the table below.

% of pensionable stipends	January 2016 to December 2017	January 2018 to December 2025
Deficit repair contributions	14.1%	11.9%

The deficit recovery contributions under the recovery plan in force as at 31 December 2016, 31 December 2017 and 31 December 2018 were as set out in the above table.

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. The movement in the balance sheet liability over 2017 and over 2018 is set out in the table below.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

Continued

PENSIONS (GROUP AND COMPANY) (continued)

	2018	2017
Balance sheet liability at 1 January	4,257,000	5,442,000
Deficit contribution paid	(561,000)	(680,000)
Interest cost (recognised in SoFA)	56,000	77,000
Remaining change to the balance sheet liability* (recognised in SoFA)	101,000	(582,000)
Balance sheet liability at 31 December	3,853,000	4,257,000

\* 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 set by reference to the duration of the deficit recovery payments:

	December 2018	December 2017	December 2016
Discount rate	2.1% pa	1.4% pa	1.5% pa
Price inflation	3.1% pa	3.0% pa	3.1% pa
Increase to total pensionable payroll	1.6% pa	1.5% pa	1.6% pa

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



### NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

Continued

#### PENSIONS (GROUP AND COMPANY) (continued)

##### (b) Staff Pensions

MDBF (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. 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 pensions costs charged to the SoFA during the year are contributions payable towards benefits and expenses accrued in that year plus the figures in relation to the DBS deficit highlighted in the table below as being recognised in the SoFA.

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 recent was carried out as at 31 December 2016. In this valuation, the Life Risk Section was shown to be in deficit by £2.6m and £2.6m 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 £26.2m.

Following the valuation, the Employer has entered into an agreement with the Church Workers Pension Fund to pay expenses of £12,400 per year. In addition deficit payments of £84,080 per year have been agreed for 7.00 years from 1 April 2018 in respect of the shortfall in the Employer sub-pool. This obligation has been recognised as a liability within the Employer’s financial statements.

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:

## MANCHESTER DIOCESAN BOARD OF FINANCE YEAR ENDED 31 DECEMBER 2018

### NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

Continued

#### PENSIONS (GROUP AND COMPANY) (continued)

	2018	2017
Balance sheet liability at 1 January	-	-
Deficit contribution paid	(63,000)	-
Interest cost (recognised in SoFA)	-	-
Remaining change to the balance sheet liability*(recognised in SoFA)	551,000	-
Balance sheet liability at 31 December	488,000	-

\* Comprises change in agreed deficit recovery plan and change in discount rate 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, set by reference to the duration of the deficit recovery payments:

	December 2018	December 2017	December 2016
Discount rate	2.10%	0.00%	0.00%

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 will be carried out as at December 2019.

#### 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. Discretionary increases may also be added, depending on investment returns and other factors.

Pension Builder 2014 is a cash balance scheme that provides a lump sum that members use to provide benefits at retirement. Pension contributions are recorded in an account for each member. This account may have bonuses added by the Board before retirement. The bonuses depend on investment experience and other factors. There is no requirement for the Board grant any bonuses. The account, plus any bonuses declared, is payable from members' Normal Pension Age. There is no sub-division of assets between employers in each section of the Pension Builder Scheme.

The scheme is a multi-employer scheme as described in Section 28 of FRS 102 as it is not possible to attribute the Pension Builder Scheme's assets and liabilities to specific employers. This means that contributions are accounted for as if the Scheme were a defined contribution scheme. The pensions costs charged to the SoFA in the year are contributions payable 2018: £185k (2017: £215k).

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

Continued

PENSIONS (GROUP AND COMPANY) (continued)

December 2016.

For the Pension Builder Classic section, the valuation revealed a deficit of £14.2m on the ongoing assumptions used. At the most recent annual review, the Board chose not to grant a discretionary bonus, which will have acted to improve the funding position. There is no requirement for deficit payments at the current time.

For the Pension Builder 2014 section, the valuation revealed a surplus of £1.8m 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, MDBF could become responsible for paying a share of that employer's pension liabilities.

27. PROVISIONS FOR LIABILITIES AND CHARGES

Group only

Deferred taxation (see note 16)

	£'000
Balance as at 1 January 2018	932
Charge for the year	5
	<hr/>
Balance as at 31 December 2018	937
	<hr/>

Deferred taxation provided in the financial statements is as follows:

	2018 £'000	2017 £'000
Accelerated capital allowances	88	92
Investment property revaluations	849	840

28. FUNDS HELD AS CUSTODIAN TRUSTEE FOR OTHERS

Under the Parochial Church Councils (Powers) Measure 1956, the Board holds as custodian trustee, for a considerable number of parochial and miscellaneous funds, investments with an aggregate market value of £12.4m (2017: £10.8m) which are not included in the balance sheet. These investments are held on behalf of parishes whose charitable purposes are similar to those of the Board of Finance. The assets are held securely and separately from those of the Board which is responsible for their safe custody. Under the same measure the Company acts as custodian trustee for property belonging to Parishes.

29. RELATED PARTIES

During the year contributions were made to the Church Commissioners at the standard rate agreed by the Diocesan Synod towards the stipends, national insurance and pension contributions of the licensed clergy who are directors are provided with houses, including the payment of council tax and maintenance costs, as part of normal clergy remuneration. One Director (2017: two Directors) was reimbursed for travel expenses during the year which amounted to £223 (2017: £431).

### NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

Continued

#### Manchester Diocesan Church House Company Limited

Manchester Diocesan Board of Finance holds 98.6% (2017: 98.6%) of the ordinary share capital of Manchester Diocesan Church House Company Limited ("MDCH"), whose principal activity is the provision of a Church House for Diocesan purposes, and in furtherance of this, the operation as a property company. MDCH charged rental and service charges of £55,938 (2017: £54,304) for use of the property for Diocesan purposes and recharged staff costs of £nil (2017: £2,701). MDBF charged the MDCH £15,000 (2017: £15,000) for accountancy services rendered. The transfer of taxable profits under gift aid to the parent company was £253,153 (2017: £150,000). This is disclosed in the statement to changes in equity in the MDCH financial statements and is not included within the profit and loss account shown above. At the balance sheet date, the MDCH owed £46,852 (2017: £109,203) to MDBF. This is in relation to payments made by MDBF on behalf of Church House Company which includes payroll and expenditure purchases. A rent debtor balance of £753 (2017: £nil) was owed at the year end by MDBF to the MDCH.

MDCH is a limited company registered in England and Wales no. 99121.

#### Founder Member of All Saints Centre for Mission and Ministry Limited

Manchester Diocese is one of the three founding members of the All Saints Centre for Mission and Ministry and there are currently four members. All Saints trains lay and ordained ministers to university standards for the Church of England. If the All Saints Centre for Mission and Ministry is wound up whilst the Manchester Diocesan Board of Finance is still a member or within 12 months of ceasing to be a Member, then the Member promises to pay such amount as is required up to £1 towards the costs of dissolution and the liabilities incurred by the charity while the contributor was a Member. During 2011, Manchester Diocesan Board of Finance along with Chester and Liverpool Diocesan Boards of Finance each authorised a £50,000 interest free loan in order to provide sufficient cash flow due to the phasing in of student numbers over a 3 year period. Currently there is a balance of £2,500 outstanding. The full loan is to be repaid by January 2020. Manchester Diocesan Board of Finance makes an annual payment to All Saints for £36,000 (2017: £36,000) for the training of its Reader Candidates. In addition to the annual payment for Reader Training, MDBF also pays the Accreditation Fees for those Readers who are registered through All Saints with Durham University Common Awards. In 2018 the payment amounted to £630 (2017: £560). The current fee is £70 per person. Previously, ordinands training was paid by the National Church. In 2017, new financial arrangements were put in place through the Resourcing Ministerial Education programme. Therefore, MDBF now receives funding from the National Church to pay for the training of ordinands. In 2018 the MDBF paid All Saints £42,695 (2017: £23,625) for the training of ordinands.

MDBF receive monies from All Saints towards the work which the Director of Studies does in training ordinands at All Saints. Each member diocese employs a Director of Studies for Ordinands whose work is primarily contributing to the training of ordinands at All Saints. The payment equates to the equivalent of a 0.7fte post to the diocese and in 2018 the amount received was £30,828 (2017: £30,462). Following the changes in funding arrangements for ordinands.

