



Diocese of Southwell & Nottingham

Southwell & Nottingham

Diocesan Board of Finance

Annual Report

and

Financial Statements

31st December 2010

SOUTHWELL & NOTTINGHAM DIOCESAN BOARD OF FINANCE

ANNUAL REPORT & FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31st DECEMBER 2010

The trustees, who are also directors for the purposes of company law, present their combined trustees' report and directors' report, together with the audited financial statements, for the year ended 31st December 2010.

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SOUTHWELL & NOTTINGHAM DIOCESAN BOARD OF FINANCE

ANNUAL REPORT AND FINANCIAL STATEMENTS

31st DECEMBER 2010

CHAIRMAN'S FOREWORD

2010 was a year of change for us all; this is inevitable with the arrival of a new Diocesan Bishop!

In exploring the existing life of the Diocese I have been encouraged and impressed by many good examples of ministry and life across all of our work. The fruits of the observing, listening and reflecting will become evident in 2011.

One aspect of our life is the impressive team who work from (most of them rightly are out and about quite a bit!) Dunham House. As a Diocese we are blessed with such a gifted and dedicated team. They work to enhance the ministry that takes place out in the hospitals, schools, prisons, businesses, communities and parishes that make up this fascinating Diocese.

Another highlight for me is the depth of engagement we have with the local communities in which we are set. Parishes engage with their local people, and local parish councils, 'beat-police', business leaders, etc.; we enjoy healthy relations with both the City and Council authorities, as well as District Councils and MPs. Undoubtedly we can and should take these further but there is a firm base on which to build. The Cathedral assists in this in a whole variety of ways – not least the number of services and events it holds for so many varied organisations.

2010 was bound to be a year of financial challenge due to the world and national financial situation. In this light maintaining our income should be seen as very encouraging. Nevertheless, the challenge remains. If we wish to see the level of stipendiary clergy numbers maintained, and the development of pioneer mission work continue we face a continuing challenge to increase our giving. Giving is a response to God's gracious giving to us in Christ. He gave us his all. How can we not respond in the same way? All we have is from him. Let us be generous in giving to our ministry, and to the needs of the wider world.

The big challenge for us all, however, is the task to which we are called – to Join Together in the Transforming Mission of God. This involves us in an urgent evangelistic task of sharing the good news in word and deed, and growing disciples. It means a passionate commitment to seeking justice in our county, nation and world. It inspires us to be a people committed to living worship.

May our Lord inspire us to be this kind of people.

A handwritten signature in black ink that reads "+ Paul Butler" with "Southwell & Nottingham" written in smaller text below it.

Rt Revd Paul Butler
Bishop of Southwell & Nottingham

16th March 2011

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SOUTHWELL & NOTTINGHAM DIOCESAN BOARD OF FINANCE

ANNUAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2010

I. REFERENCE AND ADMINISTRATIVE DETAILS OF THE DIOCESE OF SOUTHWELL & NOTTINGHAM

Southwell & Nottingham Diocesan Board of Finance is a charitable Company Limited by Guarantee and not having a share capital.

(Company No 34165 England, Registered Charity No 249359)

MEMBERSHIP OF THE BOARD CONSISTS OF THE MEMBERS OF THE SOUTHWELL & NOTTINGHAM DIOCESAN SYNOD

PRESIDENT The Bishop of Southwell & Nottingham,
Rt Revd Paul Butler

REGISTERED OFFICE Dunham House, 8 Westgate, Southwell, Notts, NG25 0JL.

Telephone Southwell (01636) 814331

For a list of direct dial telephone extensions see the website or the Diocesan Directory.

Email mail@southwell.anglican.org

Website www.southwell.anglican.org

**BISHOP'S COUNCIL AND STANDING COMMITTEE OF THE DIOCESAN SYNOD (BEING
THE FINANCIAL EXECUTIVE OF THE DIOCESAN SYNOD AND THE BOARD OF
DIRECTORS OF THE BOARD OF FINANCE)**

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

EX-OFFICIO

The Rt Revd The Bishop of Southwell & Nottingham

The Rt Revd The Bishop of Sherwood **(b)**

The Very Revd The Dean of Southwell

The Venerable The Archdeacon of Newark **(a)**

The Venerable The Archdeacon of Nottingham **(a)**

The Chair of the House of Clergy of the Diocesan Synod (Revd Canon M Tanner) **(a)**

The Chair of the House of Laity of the Diocesan Synod (Mrs P Bishop) **(a)**

The Chair of the Finance Committee (Canon M Arlington) **(a) (b)**

Co-opted

The Dean of Women's Ministry (Revd Canon S Clark (from 18th November 2010))

ELECTED BY THE SOUTHWELL & NOTTINGHAM DIOCESAN SYNOD

CLERGY (5)

Newark Archdeaconry (2)

The Revd Canon Dr R Kellett

The Revd Canon A C St J Walker

LAITY (10)

Newark Archdeaconry (4)

Mrs A Hickman

Mr C J Perrett

Mr P Stanley

Mrs J Woodsford

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Nottingham Archdeaconry (3)

The Revd P Hemstock
The Revd K Rooms
The Revd P Williams

Nottingham Archdeaconry (6)

Mr R H Cleave
Mrs M A Cole
Mrs P Peterson
Mr D A Richards **(b)**
Mr C S Slater **(a)**
Dr R J Turner

(a) Member of the Finance Committee

(b) Member of the Board of Education.

PRINCIPAL OFFICERS AND ADVISERS

Diocesan Chief Executive
Diocesan Registrar, Bishop's Legal Secretary
& Legal Adviser to the Board of Finance

Mr N Spraggins BSc (Hons)

Canon C C Hodson LL B

HEADS OF DEPARTMENTS

Director of Ministry & Mission
Director of Partnerships & Mission
Director of Education & Mission
Director of Communications
Director of Parish Support
Director of Finance & Administration

Rev Canon Dr N J Rooms BSc DipTh MA ThD
Revd D McCoulough BA (Hons) BA (Hons) MA
Mrs C Meese BA (Hons) PGCE
Mrs R Farmer BHum
Canon C A Park ICFM
Mr D J Meredith ACMA

BANKERS

Lloyds TSB Group, Nottingham

INVESTMENT MANAGERS

CCLA Central Board of Finance of
the Church of England, London
Cazenove Capital Management Ltd, London
Mayfair Capital Investment
Management Ltd, London

SOLICITORS

Rothera Dowson, Nottingham

CHARTERED SURVEYORS

Jas. Martin & Co, Lincoln
Tanners, Nottingham

MINING, MINERALS, ENGINEERING & ENVIRONMENTAL CONSULTANTS

Wardell Armstrong, Newcastle upon Tyne

INSURERS

Ecclesiastical Insurance Group, Gloucester

AUDITORS

Mazars LLP, Chartered Accountants & Registered Auditors, Leeds

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2. PUBLIC BENEFIT

The Directors of the Southwell & Nottingham Diocesan Board of Finance (DBF) are aware of the Charity Commission's guidance on public benefit in The Advancement of Religion for the Public Benefit and have had regard to it in their administration of the DBF.

The Directors believe that, by promoting the work of the Church of England in the diocese of Southwell & Nottingham, 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.

3. SUMMARY INFORMATION ABOUT THE STRUCTURE OF THE CHURCH OF ENGLAND

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

Each diocese is divided into parishes. Each parish is overseen by a parish priest (often 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 by Diocesan Bishops assisted by Suffragan and Area Bishops. It is governed by General Synod as its legislative and deliberative body at national level, making decisions on matters of doctrine, the holding of church services and relations with other churches. General Synod passes Measures which, if accepted by Parliament, have the effect of acts of Parliament. It is made up of three groups or houses of members: the Houses of Bishops, of Clergy and of Laity, and meets in London or York at least twice annually to consider legislation for the broader good of the Church.

The three National Church Institutions

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

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

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

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

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

Southwell Minster

The Minster, as the cathedral church, is the mother church of the diocese and is legally constituted as a separate charity currently exempt from Charity Commission registration and supervision. Copies of its annual report and financial statements may be obtained from the Cathedral Administrator, Trebeck Office, Bishop's Drive, Southwell, Notts, NG25 0JP.

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

THE DIOCESE OF SOUTHWELL & NOTTINGHAM

Diocesan Synod

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

Its role is to:

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

Deanery Synods

Deanery Synods have two houses, laity and clergy, and their role is to:

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

The Bishop's Council (and Standing Committee of the Diocesan Synod)

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

- to plan the business of the Synod, to prepare the agenda for its sessions and to circulate to members information about matters for discussion;

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- to initiate proposals for action by the Synod and to advise it on matters on policy which are placed before it;
- to advise the President, being the Diocesan Bishop, on any matters which he may refer to the Committee;
- subject to the directions of the Synod, to transact the business of the Synod when the Synod is not in session;
- to appoint members of committees or nominate individuals for election to committees, subject to the directions of the Synod and
- to carry out such functions as the Synod may delegate to it.

Parochial Church Council (PCC)

The 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 are currently excepted from registration with the Charity Commission, subject to the Charities Act 2006, under which, those PCCs with gross income over £100,000 for the year are required to register. Except where shown, the transactions of PCCs do not form part of these financial statements. Financial statements of an individual PCC can be obtained from the relevant PCC treasurer.

Parishes and Benefices

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.

Deanery and Archdeaconry

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 then 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.

4. STRUCTURE, GOVERNANCE AND MANAGEMENT

The Diocese of Southwell & Nottingham is one of 43 administrative units of the Church of England, covering the whole of Nottinghamshire and a small section of South Yorkshire and North Leicestershire. It is administered through the Southwell & Nottingham Diocesan Board of Finance (the Board of Finance), a charitable trust company limited by guarantee.

The diocese is arranged as two archdeaconries, Newark covering the north part with 4 deaneries and Nottingham the south with 5 deaneries. In total there are some 260 parishes.

DIOCESAN GOVERNANCE

Diocesan governance is by 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 5 persons who may be co-opted by the house of clergy, up to 5 persons who may be co-opted by the house of laity and a maximum of 10 members nominated by the Diocesan Bishop. The Diocesan Synod meets twice a year.

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

COMPANY STATUS

The company, Southwell & Nottingham Diocesan Board of Finance, was formed to manage the financial affairs and hold the assets of the Diocese. It was incorporated on 5th June 1891 as a charitable trust company limited by membership guarantees (No. 34165) and its governing documents are the Memorandum and Articles of Association. The Board of Finance is registered with the Charity Commission (No. 249359).

The objects, for which the Board of Finance is established, are set out in Clause 3 of the Board's Memorandum of Association, dated May 1891. The primary object (or purpose) is "the acting as Treasurer for any Societies, Charities, Trusts, Committees, Institutions, and Organisations now, or from time to time hereafter, existing in connection with the Church of England within the Diocese of Southwell & Nottingham, whether confined entirely to the Diocese or not".

The company, originally called the Southwell Diocesan Finance Association, changed its name to the Southwell Diocesan Board of Finance on 18th January 1932. On 28th February 2006, the company changed its name to the Southwell & Nottingham Diocesan Board of Finance.

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

DECISION-MAKING STRUCTURE

Policy is decided by the Bishop's Council, and strategic delivery of policy is the responsibility of the Diocesan Chief Executive, who leads a team of six departmental directors.

COMMITTEE STRUCTURE

Bishop's Council

The members of the Bishop's Council are the Board of Trustees and Directors of the Company. Bishop's Council consists of 8 ex officio members (the Diocesan and Suffragan Bishops; the two Archdeacons; the Dean; the chairs of the House of Clergy and House of Laity; and the chair of the Finance Committee), 5 clergy elected by the House of Clergy from among their number (3 from the Archdeaconry of Nottingham and 2 from the Archdeaconry of Newark) and 10 lay persons elected by the members of the House of Laity representing deaneries (6 from the Archdeaconry of Nottingham and 4 from the Archdeaconry of Newark) and up to 4 co-opted members of Diocesan Synod. During the year the Dean of Women's Ministry, Revd Canon S Clark, was co-opted.

Bishop's Council also assumes the role of three statutory committees:

1) Parsonages Committee, which is responsible for determining policy and making major decisions concerning the management of parsonage houses in each benefice, including setting the policy for buying, repairing, maintaining and disposing of all parsonage houses, team vicarages and houses owned by the Board of Finance.

2) Diocesan Mission and Pastoral Committee, which is responsible for the task of recommending pastoral reorganisation, taking account of available clergy numbers and making use of new patterns of ministry.

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3) Redundant Churches Uses Committee, which is responsible for finding appropriate alternative uses for churches which have been declared redundant.

Other statutory committees include:

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.

Southwell & Nottingham 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.

In addition to the statutory committees Bishop's Council has set up the **Finance Committee**, which has written terms of reference, to advise it on all financial matters. The Finance Committee meets regularly, approximately 8 times each year and works closely with the Diocesan Chief Executive and Director of Finance & Administration. **Finance Committee** has decided that in order to give considered advice to the Bishop's Council and to understand the detail of diocesan finance to set up the following **committees** to report to it:

- **Investment Sub Committee** provides strategic advice on the management of the Board of Finance assets. The Investment Sub Committee meets with the Chief Executive and Director of Finance & Administration on a quarterly basis, to assist them with their delegated tasks of managing the diocesan assets. The committee receives regular reports and reviews the terms of reference of advisors appointed to manage investment portfolios on a day to day basis.
- **Audit Committee** advises the Finance Committee and thereby Bishop's Council, in the discharge of the trustees' responsibilities for accounting policy, internal control, financial reporting and risk management.

Other small task groups working with the Diocesan Chief Executive and reporting directly to **Bishop's Council** include:

The Remuneration Panel which meets as required advising the Diocesan Chief Executive on matters in connection with lay staff remuneration.

APPOINTMENT OF TRUSTEES

Trustees are the members of the Bishop's Council and Directors of the company. Some senior staff have job titles incorporating the title 'director' but they are not Directors of the company for the purposes of company law.

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

Trustees' responsibilities in relation to the preparation of the financial statements (pages 1 to 21)

The trustees, as Directors, are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

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Company law requires the trustees to prepare financial statements for each financial year. Under that law the trustees have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the charity and the incoming resources and application of resources, including the net income or expenditure for the year. In preparing these financial statements, the trustees are required to:

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

The trustees are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the charity and to 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.

In accordance with company law, as the company's Directors, we certify that:

- so far as we are aware, there is no relevant audit information of which the company's auditors are unaware; and
- as the Directors of the company we have taken all the steps that we ought to have taken in order to make ourselves aware of any relevant audit information and to establish that the charity's auditors are aware of that information.

The trustees are responsible for the maintenance and integrity of corporate and financial information included on the Board's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

RELATED PARTIES

General Synod, Church Commissioners and Archbishops' Council

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

Parochial Church Councils (PCCs)

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

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

Other charities

The Board of Finance co-operates with certain other charities in pursuit of its charitable objects and details of payments to these are to be found in note 16 to the financial statements.

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Other related parties

Ven Peter Hill, Archdeacon of Nottingham and Director of the Board of Finance, Canon M Arlington, Chair of the Finance Committee and Director of the Board of Finance and Mr N Spraggins, Diocesan Chief Executive are all Governors of the Samworth Church Academy in Mansfield.

Mr N Spraggins, Chief Executive of the Board of Finance, currently rents a parsonage house, for which a market value rent is paid.

PENSION SCHEME

The Board of Finance is the sponsoring employer of the Southwell & Nottingham Diocesan Board of Finance Staff Retirement Benefit Scheme. This is a closed defined benefit pension scheme for the benefit of employees of the Board of Finance whose employment began before 1st April 1993. One trustee of the scheme is an employee of the Board of Finance and the costs of administration and secretarial services are borne by the Board.

For eligible employees whose employment began after 1st April 1993 the Board of Finance contributes to a defined contribution pension scheme nominated by the employee.

Further details are contained in note 22 to the financial statements.

RISK MANAGEMENT

The trustees confirm that the major risks, to which the Board of Finance 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 and managed as part of the risk management strategy. Diocesan Departments have defined the risks in their areas, reported on the measures in place to manage and monitor these risks and implemented procedures and controls designed to minimise any potential impact on the Board of Finance should any of the risks materialise. A risk register has been compiled.

The Audit Sub-Committee reviews the risk register periodically and reports to trustees whether it is satisfied with its findings and makes recommendations as to areas for further work in subsequent years. The trustees review the risk register at least annually as part of the corporate risk management strategy.

5. OBJECTIVES AND ACTIVITIES

AIMS AND OBJECTIVES

The Board of Finance resources the Christian tasks of mission and ministry through some 260 parishes and other networks.

Our strategy calls for each member of the church at every level of diocesan life to **join together in the mission of God**, making their own unique contribution to **shaping our future**. In doing so we must not be slow to recognise that some radical changes are needed if we are to shape real growth under God, rather than manage decline.

The 2010 plan was set against this background, designed to provide adequate resources to fund the present, as well as to shape the future in a way that is fit for the mission task. As always it prioritised the equitable provision of stipendiary parish clergy across the diocese. In terms of

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our future shape it recognised the changing patterns of ministry deployment, the need to support local leadership in the deaneries and to engage in partnership with various civic, community and business interests.

The Board of Finance's strategy for achieving its objectives is to adopt a methodology of limiting central sources of expenditure in favour of both minimising the increase in Deanery Share and releasing funds for mission. The Board continues to maintain the sound financial structure needed to enable it to continue supporting the clergy through the payment of stipends, managing parsonages and other ministerial housing and also by providing other facilities and resources in support of the ministry of both clergy and lay people in parishes across the Diocese.

The key activities may be summarised as:

- mission and ministry in the parishes (includes all clergy training, housing, stipends, pension and all other expenditure supporting parish based ministry).
- contributions for national church institutions (mainly by grant support).
- education funding (includes support services and capital expenditure support for schools).
- funding for deanery leadership,
- increasing collaboration both within and across diocesan boundaries.

STATUTORY FUNCTIONS

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

It 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.

GRANT-MAKING (BENEFICIARY-SELECTION) POLICY

Grants are made to the National Church to cover a proportion of its central costs and also to cover the cost of training for ministry (see note 15 of the financial statements). Grants are paid to other connected charities and to other charitable projects which appear to the Board of Finance to support the furtherance of the Board of Finance's objects.

6. ACHIEVEMENTS AND PERFORMANCE

PLANS AND ACHIEVEMENTS IN 2010

The new Bishop of Southwell and Nottingham, Rt Revd Paul Butler, was installed on 27 February and became the Chair of the Board of Finance.

Financial plans in the 2010 budget set out to:

- achieve a breakeven budget based on 100% of deanery share being allocated and paid (see section 7 for achievements).
- provide stipendiary clergy numbers expected in post during 2010, 5 posts below national clergy share figures, keeping on track to achieve our Key Leadership Post plans for 2012.
- target an overall deanery share increase of 1.0% with no individual deanery increases in a range from 0.50% to 1.50%

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- finance an increase in clergy pension contributions of £166,600 (equating to an increase of £1,300 per post) to a total of nearly £1.4million
- provide for no increase in clergy stipends or a salary cost of living increase for lay staff.
- continue practical support for deanery leadership for their administration - currently £75,000 per annum.

Achievements other than financial:

- appointed a Partnerships Officer, developing links with a range of organisations and churches in Greater Nottingham
- developed an Interfaith Strategy for the diocese with the Archdeacon of Nottingham being elected as Faiths' Advocate on the 'One Nottingham' board
- launched 'Supporting Farming Families' at Newark livestock market – working with Lincolnshire Rural Support Network (LRSN) and Rural Community Action Nottinghamshire (RCAN)
- saw our Church academy in Mansfield moving into its brand new building
- appointed our first Further Education chaplain
- profiled our new Bishop widely in local media, through TV, radio and print, from his arrival and installation in Southwell Minster in February and then in the first few months as he travelled out and about
- produced a colourful diocesan calendar and review from September 2010 to December 2011 with sponsorship from a local business and distributed to national and local partner organisations and individuals. This was highly commended through an opinion column in the local newspaper, both for its design and concept.
- planned ministry development for clergy in response to the introduction of Common Tenure
- graduated the first ever deaf candidates on the Certificate in Christian Discipleship
- launched 'Giving for Life' initiative through Clergy Study Day and events for readers, retired clergy and lay financial officers and continuing support for Parishes in using the materials effectively.
- through development of a 'flatter' management structure and strategic use of administrative support, improved the service to parishes while reducing the overall costs of care of parsonages, DAC support and parish giving
- hosted a training day in church maintenance for churchwardens.

OPERATIONAL PERFORMANCE

The Board of Finance has met all of its financial obligations and continues to resource diocesan needs as these arise, including the support of the ministry, provision of well-maintained houses for ministers, national church responsibilities and enriching and facilitating many other aspects of church life throughout the diocese.

External factors affecting performance

Every effort is made by the Board of Finance to hold down increases in deanery share, which is contributed by deaneries and parishes towards the ministry and other costs of the Diocese. A large part of the costs are clergy stipends and pensions, staff salaries and building maintenance costs, which all tend to increase at a rate in excess of the Consumer Prices Index. In addition, the Board of Finance has to increase contributions to the clergy and closed lay staff pension schemes.

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SOUTHWELL & NOTTINGHAM DIOCESAN BOARD OF FINANCE

The Diocese of Southwell & Nottingham is a less well-resourced diocese, financially, and is very much dependant on a proportionately larger share of voluntary income from the National Church compared to other well-resourced dioceses, some of whom receive no such support.

7. FINANCIAL REVIEW

OVERALL FINANCIAL POSITION

Incoming resources before revaluation adjustments totalled £12.4million (2009 - £9.1million) and resources expended amounted to £9.5million (2009 - £9.5million). The Statement of Financial Activities (SOFA) for the year shows net incoming resources of £2.9million before net gains and losses on the sale and revaluation of investment assets, whereas in 2009 there were net outgoing resources of £377,000.

After the addition of unrealised gains on investments assets of £1.8m (2009 - £2.2million) and deduction of actuarial losses on the defined benefit pension scheme of £200,000 (2009 – losses of £600,000), the net increase in funds amounted to £4.5million (2009 – £1.2million).

During the year, total fund balances increased from £49million to £53million and there was an overall net cash inflow of £3.5million (2009 – cash outflow of £1.2million).

PERFORMANCE AGAINST BUDGET

The annual budget is presented to Diocesan Synod for approval and sets out the framework for our financial decision-making.

GENERAL FUND MANAGEMENT ACCOUNTS 2010	Budget	Actual	Difference
	£000s	£000s	£000s
INCOME			
Deanery share, net of discounts	5,835	5,476	(359)
Contributions from Church Commissioners	1,286	1,286	-
Net returns on investments	854	823	(31)
Parochial fee income	420	431	11
All other income	90	101	11
	8,485	8,117	(368)
EXPENDITURE			
Ministerial staffing costs (net):			
Stipends, salaries, National Insurance & pensions	5,049	4,970	79
Ministerial housing and other staffing costs	1,376	1,350	26
	6,425	6,320	105
Net departmental expenditure, including salaries	1,642	1,582	60
National Church including General Synod members' expenses	418	421	(3)
	8,485	8,323	162
DEFICIT PER MANAGEMENT ACCOUNTS	-	(206)	(206)

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SOUTHWELL & NOTTINGHAM DIOCESAN BOARD OF FINANCE

The Board of Finance received 93.8% of deanery share due for the year an increase, in cash terms, on the previous year of £42,000.

A strategic change in the investment asset base of the portfolio managed by Cazenove Capital Management gave rise to a reduction in the amount of investment income received as a move was made away from higher yielding fixed interest bonds to lower yielding equities.

A new system for the collection of fees assigned to the Board of Finance on a quarterly basis was introduced from 2009. The annual grant from the Allchurches Trust Ltd annual distribution amounted to £101,352 against a budget of £90,000 and the Board of Finance acknowledges with thanks the receipt of this grant.

On average the number of ministers was 2.7 full time equivalent posts below the budget plan leading to a reduction of £105,000 in the overall cost of ministerial staff. The differences in net departmental expenditure for departments in the diocesan office arise from the departure and recruitment of staff and planned appointments not being made.

The general fund has taken advantage of short-term inter-fund loans to finance ongoing operations. Interest on these short-term loans is repayable at the same rate that applies to interest on the Church of England Central Board of Finance deposit fund.

MANAGEMENT ACCOUNTS RECONCILIATION TO STATUTORY ACCOUNTS

	£000s
Deficit per General Fund Management Accounts 2010	(206)
Add:	
Gain on disposal of properties	214
Transfer of properties by Pastoral Scheme (2 houses)	164
FRS 17 pension costs adjustments	3
Less:	
Designated fund movement	(9)
Net unrestricted funds incoming resources	
before other recognised gains and losses	166

Per statement of financial activities on page 1 of the financial statements

Review of the statement of financial activities (SOFA)

Total unrestricted fund income amounted to £9.0million (2009 - £8.7million) with the largest part coming from deanery share which increased by £42,000 (2009 – increase of £186,000) in cash terms, year on year. The Board of Finance places on record its appreciation to all those in deaneries and parishes that made this possible.

A total of £1.4million came from the National Church Institutions (2009 – £1.3million), indicating the Board of Finance's dependence on this valuable source of income. Unrestricted fund expenditure amounted to £9.0million (2009 - £8.7million) with £8.3million (2009 - £8.1million) meeting the cost of resourcing ministry and mission.

Total restricted income amounted to over £3million (2009 - £400,000) with the bulk of this represented by a grant from land sale receipts of £2.7million from Partnerships for Schools (PFS) following the completion of the Southwell Minster School new build project. This grant must be

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used at the discretion of the Diocesan Board of Education for the enhancement of our church schools estate. Restricted fund expenditure amounted to £510,000 (2009 - £366,000) and included the payment of a grant to Bramcote Primary School of £200,000 as directed by Order of the Charity Commission. This followed the sale of two properties held in trust generating £627,400 with the balance of the proceeds to be maintained as permanent endowment and income applied to meet part of the cost of clergy pension contributions. The Board of Finance makes full use of all the restricted income funds at its disposal in supporting planned budgeted expenditure where restrictions allow.

Church Premises Development Fund

The fund has since closed to new applications but during the year 2 grants for earlier applications by parishes were paid, totalling £7,500 (2009 – 3 grants to parishes, totalling £22,355) and being made available for a variety of uses to enhance church premises.

Southwell Mission Fund (Parish Mission Fund)

The final grant of £6,000 was paid during the year (2009 – no grants were paid) and this fund has now been fully spent.

Mission Development Fund

At the balance sheet date, Bishop's Council had given approval to Mission Development Fund grants totalling £1,008,900. The restricted fund set aside for the purpose has a deficit balance of £291,000 (2009 – deficit balance of £349,000). This relates to a number of committed projects over different time periods of up to 5 years in duration.

Resources to meet these commitments will be provided for through:

- the Archbishops' Council - £58,200 in 2010 (2009 - £54,700),
- the transfer of surplus General Fund reserves, sale of investments or proceeds from property sales.

The exact amount and proportions are yet to be identified, according to need and discernment by the Bishop's Council.

The release of further mission development funding is being considered by Bishop's Council.

Education Restricted Funds

Other than the grant from land sale receipts of £2.7million from Partnerships for Schools (PFS) net incoming resources amounted to £2,900 (2009 – net incoming resources £70,400) and were mainly used to finance the salaries of those Education Department staff with responsibility for the church schools estate.

TANGIBLE ASSETS

Freehold houses

During the year 12 houses previously held as Board of Finance corporate property in unrestricted funds were transferred to be held as part of glebe funds in exchange for £2.9million in cash. Glebe funds are governed by Measure which allows for the purchase of residential property at the discretion of the Board of Finance with the approval of the diocesan bishop and the transfer to glebe funds is irreversible. This transaction accounts for the large reduction in cash held for investment purposes as part of glebe investments, with the balance made up from the proceeds of sale of glebe agricultural land during the year.

A total of 5 houses were sold during the year generating £1.2million (2009 – one house sold £55,000, one house transferred to Sheffield Diocese and one house demolished) and one house was purchased for a curate costing £175,000 (2009 – one house purchased for a curate costing £239,000).

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Other tangible assets

As part of plans for a potential move to a new office, a sale of redundant and surplus office furniture and equipment took place during the year.

INVESTMENT POLICIES AND STRATEGY

The Board of Finance'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. All investment managers are mandated to follow ethical considerations as determined by the Church of England Ethical Investment Advisory Group.

Long-term responsibilities – the Board of Finance manages its investment assets with the principal aim of generating income to achieve the maximum contribution possible to clergy stipends, whilst maintaining the real value of diocesan capital but with the possible need to realise investments to meet operational needs. The trustees are aware of their long-term responsibilities particularly in respect of endowed funds and as a result follow a correspondingly prudent approach to investment decisions.

The investment strategy of the Board of Finance was to move in measured terms to:

- avoid holding vacant residential property, switching to other asset classes;
- invest in commercial property through recognised managed funds;
- reduce exposure to fixed interest securities;
- increase broad based equity investments through proven fund managers and
- minimise short term cash held by improving medium-term financial planning.

This strategy is being reviewed in early 2011.

Glebe investments

Glebe investments are held for the purpose of raising income to achieve the maximum contribution possible to clergy stipends on an ongoing basis. Investments are held in agricultural land, commercial property, a commercial property fund, Central Board of Finance Investment Fund income shares and a small balance of cash held on deposit.

Unrestricted, restricted and endowment fund investments

Unrestricted and restricted fund investments are invested to balance income, liquidity and the maintenance of capital. Funds which may be needed for working capital in the short term are held as deposits with the Central Board of Finance of the Church of England and the Board of Finance's bankers Lloyds TSB Group plc.

INVESTMENT PERFORMANCE

Investment markets saw positive returns in 2010 but with some volatility over the course of the year. The value of investment assets increased by £700,000 in 2010 (2009 – increase in valuation of £1.6million) – this excludes cash held for investment purposes and reinvested net income of £79,000.

Financial investments are predominantly held with 3 investment managers CCLA Central Board of Finance of the Church of England, Cazenove Capital Management Ltd and Mayfair Capital Investment Management Ltd. During the year, management of the glebe agricultural portfolio was transferred from two former agents, Savills plc and Escritt Barrell Golding to Jas Martin & Co.

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The table below summarises the value of investments held with each manager:

Investments held with:	2010		2009	
	£000	%	£000	%
CCLA Central Board of Finance	7,543	37%	7,032	36%
Cazenove Capital Management Ltd	4,520	23%	4,199	22%
Mayfair Capital Investment Management Ltd	1,052	5%	998	5%
	13,115		12,229	
Jas Martin & Co (Glebe land agents)	6,832	34%	6,926	36%
All other investments	209	1%	195	1%
	20,156	100%	19,350	100%
Cash held for investment purposes	1,048		3,200	
Total fixed asset investments per balance sheet	21,204		22,550	

CCLA Central Board of Finance (CBF) of the Church of England

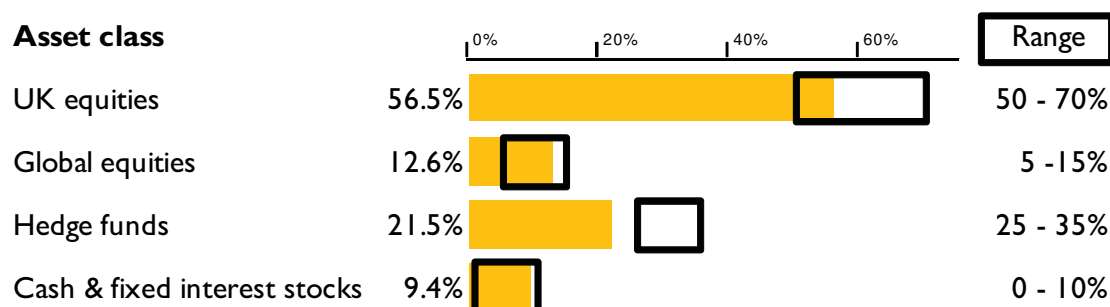
The vast majority (99%) of the Board's investment with CCLA is in CBF Investment Fund income shares together with a very small holding of accumulation shares. The long term objective for the Fund is "to provide an average real total return to investors of 5% over the course of a business cycle, whilst maintaining the value of the income after inflation". The basic value of income shares was 1,095.92p at the balance sheet date (2009 – 1,022.38p) an increase of over 7% and dividends for the year amounted to 47.49p (2009 – dividend 46.40p). The asset allocation of the Fund is predominantly made up of equities with 48% in UK and 36% in overseas equities (CCLA Fund Fact Sheet - September 2010).

Cazenove Capital Management Ltd

Investments are held with the aim of generating income whilst maintaining the real value of capital and investment income is currently reinvested in the portfolio.

During the year revised ranges for asset allocation bands were agreed and the position as at 31st December is shown below:

Asset distribution as at 31st December 2010



The value of the portfolio increased by 8%, excluding reinvested net income (2009 – increase in portfolio of 13%, excluding reinvested net income).

At the balance sheet date, the portfolio was yielding 2.3% (2009 – yield 2.9%).

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Mayfair Capital Investment Management Ltd

The Board has a holding in the Property Income Trust for Charities (PITCH) Fund. The PITCH Fund was the first exempt, unauthorised unit trust open to charities to invest in commercial property. The Property Income Trust for Charities was specifically designed to enable medium and small sized charities to obtain exposure in commercial property on a pooled basis. The Fund's investment objective is to generate an annual income return of 6%+ to investors whilst at least protecting the value of capital from inflation.

The value of PITCH units was 73.8p at the balance sheet date (2009 - 70.0p) an increase of over 5% and distributions amounted to 6.109p per unit for the year (2009 – 7.092p).

The Fund invests in retail, industrial and office premises throughout the United Kingdom.

Jas Martin & Co (glebe land agents)

The portfolio is made up of approx. 4,000+ acres of agricultural land including three farms and other smaller parcels of land. The management of the portfolio was transferred to Jas Martin & Co of Lincoln during the year.

A total of 197 acres of agricultural land were sold during the year, generating sale proceeds of £955,200. This money has to be reinvested and was used to finance part of the transfer of corporate residential property.

Other unlisted investment

Other unlisted investments, including Charities Official Investment Fund (COIF) income shares and M&G Charifund income units held in education restricted funds, were valued at £209,000 at 31st December 2010 (2009 - £195,000) and income amounted to £8,100 for the year (2009 - £8,000) a yield of 4.0% (2009 – 4.0%).

Equity loans

Equity loans are made to parishes and clergy spouses to enable them to purchase property on a shared equity basis. Total Value-linked loans advanced at 31st December 2010 amounted to £336,000 (2009 - £336,000). In the event of a sale of any of the houses purchased with value-linked loans, the whole, or an apportionate part, of the net sale proceeds would go to the Church Commissioners.

RESERVES POLICY

The Board of Finance has considerable responsibilities including the remuneration of over 150 stipendiary clergy, the upkeep of over 200 houses and the employment of over 40 full or part time staff. Most of the Board of Finance's income is voluntary and the Board of Finance has noted that two thirds of its income is from deanery share and the balance made up of grant income from the Church Commissioners and income from investments and other sources.

In the early months of recent years receipt of deanery share has fallen up to two months in arrears overall. For that reason, the Board of Finance decides to hold the equivalent of general fund expenditure for two months, £1.5million, in reserve for cash flow reasons.

At 31st December 2010, the Board of Finance's free reserves were £1.8million (see Balance Sheet on page 3 of the financial statements). The aim from 2011 is to maintain 'breakeven' budgets so that the Board of Finance will meet this free reserves target, however the Board continues to aim to keep deanery share increases to a minimum and also to make continual provision to designate available free reserves for mission development funding. The overall aim of the Board must be long-term financial sustainability.

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This target level of reserves and policy is reviewed annually at the same time that the annual budget and future forecasts of income and expenditure are considered.

GOING CONCERN

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

8. PLANS FOR FUTURE PERIODS

Resourcing the Mission of God according to our Diocesan Mission Values remains the guiding principle and the trustees will continue to set annual budgets that restrict all central sources of expenditure in favour of both releasing funds to local mission and minimising the increase in deanery share.

The financial targets include plans to:

- further enhance consultation with Deanery leaders on mission priorities
- target an annual increase in total Deanery Share of no more than 3% (or inflation if higher)
- seek ways to make continual provision for ongoing funds to resource creative mission projects
- maximise the effectiveness of central costs, including ongoing staff reviews
- meet our responsibilities for ensuring an adequate clergy remuneration package, including pension costs, according to future national decisions
- continually review the number of stipendiary clergy posts according to our Key Leadership Posts plan, the numbers available and the cost of provision
- aim to maintain 'breakeven' budgets, spending no more than is received
- explore the provision of new mission development funding

2011 events and future work includes:

- developing a strategic response to the Big Society agenda – focussing on a couple of areas such as housing need and welfare advice
- continuing to develop work with older people in our churches and communities
- expand the work of Open Churches across the county and City
- continuing to increase sacrificial giving to and through churches, against a background of financial uncertainty and the 2011 decrease in Gift Aid recovery rate to be achieved by building on and developing further the 'Giving for Life' themes
- delivering a good standard of clergy housing within budget limitations through careful prioritisation of work
- assisting parishes on church security and change of materials to combat lead theft problems
- celebrating the 200th anniversary of the National Society and free education for all, using it as a way to strengthen the relationship of church schools within the diocese
- engaging with current legislation to ensure that any of our church schools that convert to academy status maintain their church ethos and Christian distinctiveness

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- develop and build a programme for a Christian presence at public events with the new diocesan events trailer, to be used in parishes and communities to support mission in the broadest sense
- develop and enhance the diocesan website design and content, along with monitoring use of the site through web analysis conducted in partnership with other dioceses
- implementing the new vocations strategy for the diocese
- creating the Diocesan Conference “Enlarging the Tent: Growing Deep, High, Wide and Long”
- supporting and promoting the Church History Project developments in education
- continue with the project to provide a new office building

9. FUNDS HELD AS CUSTODIAN TRUSTEE FOR OTHERS

The Board of Finance is custodian trustee for trust investment assets which are held separately from those of the Board of Finance. Detailed certificates of holdings as at 31st December 2010 were sent to parishes and other managing trustees of the respective charities at that date. The Board of Finance also holds Parochial Church Council (PCC) as custodian trustee property. Each PCC is a separate charity. The assets are held separately from those of the Board of Finance (see Note 38 on page 21 of the financial statements).

10. PERSONNEL

It must be remembered that this report only deals with those who are employees of the Board of Finance and therefore although there have been a number of changes within parochial clergy these are not detailed here.

Within the Board of Finance there has been less change in personnel in 2010 than in the previous year.

Department for Development

Liam O’Boyle joined as Partnerships Officer, a part-time role in place of the full-time Urban Officer and focuses particularly on our relationships with the Council and voluntary bodies within the City of Nottingham. Shelagh Baird-Smith left in the autumn and will shortly be going to Uganda with her husband as mission partners of the Church Missionary Society.

Education Department

Howard Worsley (Director of Education) left in the early part of the year to become Director of Education in London Diocese and we are grateful for the way he led the department over the five years he was with us. Claire Meese joined us as Director of Education in September having previously been a chaplain at Lee Abbey and before that a primary school head teacher.

Tracey Akehurst resigned as the part-time Project Manager of the Church History Project and was replaced by Heather Sirrel who combines this role with being the Open Churches Project Officer.

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Finance and Resources

During the year Judith Asquith, Ian Dobson and Kate McNish joined as deanery administrators so that each deanery now has an administrator. Ian Dobson subsequently left, as the family moved location and was replaced by Ray Shaw.

Gill Wahlers joined as morning receptionist to replace Jackie Bates (see below). Kate Handbury joined in a temporary capacity to cover afternoon reception whilst Chris Bates was seconded full-time as archdeacons' PA to help with the implementation of Common Tenure.

Parish Support

Jackie Bates moved from her reception role to part-time administrator providing support to the whole department.

The Board of Finance places on record its appreciation to these and all staff for their dedicated service over the past year.

BY ORDER OF THE BOARD



Mr Nigel Spraggins

Diocesan Chief Executive

16th March 2011

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SOUTHWELL & NOTTINGHAM DIOCESAN BOARD OF FINANCE

Independent Auditors' Report to the members of Southwell & Nottingham Diocesan Board of Finance

We have audited the financial statements of Southwell and Nottingham Diocesan Board of Finance for the year ended 31st December 2010 which comprise the Statement of Financial Activities, the Summary Income and Expenditure account, the Balance Sheet, the Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Respective responsibilities of trustees and auditors

As explained more fully in the Trustees' Responsibilities Statement set out on page VIII, the trustees (who are also the directors of the charity 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.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors. This report is made solely to the charity's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the charity's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charity and the charity's members as a body for our audit work, for this report, or for the opinions we have formed.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's web-site at www.frc.org.uk/apb/scope/private.cfm.

Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the charity's affairs as at 31st December 2010 and of its incoming resources and application of resources, including its income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on the other matter prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

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

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



Alastair Smith (Senior Statutory Auditor)

for and on behalf of Mazars LLP

Chartered Accountants and Statutory Auditors
The Lexicon, Mount Street, Manchester, M2 5NT

16th March 2011

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SOUTHWELL & NOTTINGHAM DIOCESAN BOARD OF FINANCE

STATEMENT OF FINANCIAL ACTIVITIES FOR THE YEAR ENDED 31st DECEMBER 2010

	Note	Unrestricted funds £000	Restricted funds £000	Endowment funds £000	Total funds 2010 £000	Total funds 2009 £000
Incoming resources						
Incoming resources from generated funds:						
Voluntary income						
Deanery share	2	5,508	-	-	5,508	5,466
Archbishops' Council	3	1,303	58	-	1,361	1,335
Other	4	109	26	-	135	122
Activities for generating funds	5	172	2	-	174	205
Investment income	6	788	183	-	971	976
Incoming resources from charitable activities						
Statutory fees, chaplaincy income & other contributions	7	885	2,739	-	3,624	956
Other incoming resources	8	214	-	418	632	17
Total incoming resources		8,979	3,008	418	12,405	9,077
Resources expended						
Costs of generating funds:						
Investment management costs	9	164	10	-	174	157
Charitable activities						
Contributions to Archbishops' Council	10	410	-	-	410	404
Resourcing ministry and mission	11	8,321	192	-	8,513	8,360
Church schools & diocesan projects	12	42	308	-	350	156
Governance costs	13	34	-	-	34	33
Other resources expended	14	-	-	44	44	344
Total resources expended		8,971	510	44	9,525	9,454
Net (outgoing)/incoming resources before transfers		8	2,498	374	2,880	(377)
Gross transfers between funds	17	158	206	(364)	-	-
Net incoming/(outgoing) resources before other recognised gains and losses		166	2,704	10	2,880	(377)
Other recognised gains/(losses)						
Gains on investment assets		396	79	1,296	1,771	2,197
Actuarial loss on defined benefit pension scheme	22	(166)	-	-	(166)	(587)
Net movement in funds	19	396	2,783	1,306	4,485	1,233
Reconciliation of funds						
Total funds at 1 January 2010		9,059	2,618	37,275	48,952	47,719
Total funds at 31 December 2010		9,455	5,401	38,581	53,437	48,952

The notes on pages 5 to 21 form part of these accounts

SOUTHWELL & NOTTINGHAM DIOCESAN BOARD OF FINANCE

SUMMARY INCOME AND EXPENDITURE ACCOUNT AND STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES for the year ended 31st December 2010

SUMMARY INCOME AND EXPENDITURE ACCOUNT	2010	2009
	£000	£000
Gross income (less endowment)	11,987	9,077
Gross expenditure (less endowment)	<u>(9,481)</u>	<u>(9,110)</u>
Net income/(expenditure) for the year before investment asset disposals	2,506	(33)
Endowment fund transfer	364	(12)
Net income/(expenditure) for the year	<u>2,870</u>	<u>(45)</u>

Detailed analysis of the income, expenditure, gains and losses on investment assets and movements in funds is provided in the Statement of Financial Activities on page 1 and in notes 2 to 16.

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES	2010	2009
	£000	£000
Net surplus/(deficit) for the financial year	2,870	(45)
Actuarial losses on the defined benefit pension scheme	(166)	(587)
Unrealised gains on revaluation of other assets	1,771	2,197
Less unrealised gain on endowment funds	(1,296)	(1,466)
Total recognised gain for the year	<u>3,179</u>	<u>99</u>

Detailed analysis of actuarial gains on the defined benefit pension scheme is provided in note 22.

SOUTHWELL & NOTTINGHAM DIOCESAN BOARD OF FINANCE

BALANCE SHEET

as at 31st December 2010

	Note	2010		2009	
		£000	£000	£000	£000
FIXED ASSETS					
Tangible assets	24	29,029		29,089	
Investments	25	21,204		22,550	
			50,233		51,639
CURRENT ASSETS					
Debtors	26	971		781	
Cash at bank and in hand		4,003		476	
		4,974		1,257	
CREDITORS					
Amounts falling due within one year	27	(768)		(3,002)	
			4,206		(1,745)
NET CURRENT ASSETS/(LIABILITIES)					
			54,439		49,894
TOTAL ASSETS LESS CURRENT LIABILITIES					
Creditors due after more than one year	28		(345)		(448)
			54,094		49,446
NET ASSETS EXCLUDING PENSION LIABILITY					
Defined benefit pension scheme liability	22		(657)		(494)
			53,437		48,952
NET ASSETS INCLUDING PENSION LIABILITY					
THE FUNDS OF THE CHARITY					
Endowment funds					
	35		38,581		37,275
Restricted income funds					
	36		5,401		2,618
Unrestricted income funds					
General fund			1,796		2,002
Designated funds	37		8,316		7,551
			10,112		9,553
Defined benefit pension scheme liability	22		(657)		(494)
			9,455		9,059
TOTAL CHARITY FUNDS					
			53,437		48,952

Approved by the Board of Directors on 16th March 2011 (and signed on its behalf):

Bishop of Southwell & Nottingham

Paul Southwell & Nottingham

Director

Michael Arlington

M. Arlington

Director

The notes on pages 5 to 21 form part of these accounts

SOUTHWELL & NOTTINGHAM DIOCESAN BOARD OF FINANCE

CASH FLOW STATEMENT

for the year ended 31st December 2010

	Note	2010		2009	
		£000	£000	£000	£000
Net outgoing resources before transfers	a)		(1,045)		(1,788)
Returns on investments and servicing of finance					
Interest paid			(17)		(16)
Returns on investments			971		976
Capital expenditure and financial investments					
Purchases of fixed assets:					
Tangible assets		(587)		(490)	
Investment assets		(1,112)	(1,699)	(2,587)	(3,077)
Sales of fixed assets:					
Tangible assets		1,191		55	
Investment assets		4,229	5,420	2,722	2,777
Financing					
Decrease in other debt, due after more than one year			(103)		(102)
Decrease in cash during year	b)		3,527		(1,230)

Notes to the Cash Flow Statement

	2010	2009	
	£000	£000	
a) Reconciliation of net incoming/(outgoing) resources to net cash outflow from operating activities:			
Net incoming/(outgoing) resources before revaluations	2,292	(50)	
Depreciation	44	32	
	2,336	(18)	
FRS 17 pension scheme adjustment	(3)	(15)	
Interest paid	17	16	
Returns on investments	(971)	(976)	
(Increase)/decrease in debtors	(190)	200	
Decrease in creditors: current liabilities	(2,234)	(995)	
Net outgoing resources before transfers	(1,045)	(1,788)	
b) Analysis of change in net funds (cash)			
	As at	Cashflows	As at
	1st Jan 2010		31st Dec 2010
	£000	£000	£000
Cash at bank and in hand	476	3,527	4,003

The notes on pages 5 to 21 form part of these accounts

SOUTHWELL & NOTTINGHAM DIOCESAN BOARD OF FINANCE

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2010

I. Accounting Policies

Basis of Accounting

The financial statements are prepared on the historical cost and accruals bases of accounting, modified by the investments, which are included at market value. The financial statements are also prepared in accordance with the Companies Act 2006, applicable Accounting Standards and the Statement of Recommended Practice "Accounting and Reporting by Charities" published in March 2005, as interpreted by the Diocesan Annual Report and Financial Statements Guide. A summary of the material accounting policies and estimation techniques adopted follows.

To comply with Financial Reporting Standard 5 "Reporting the Substance of Transactions" the funds consolidated into the balance sheet include the benefice houses fund, the stipends fund capital account, the diocesan pastoral account and the Board of Education's trust account.

Fund Accounting

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

General funds are the company's corporate funds. Undesignated general funds are freely available for any purpose within the company's objects, at the discretion of the Board.

Designated funds are those funds set aside out of general funds by the Board for a specific purpose over whose use and purpose the Board has discretion. Of the designated funds, accumulated capital is the amount transferred from the general fund, gains less loss on investments and the directors' valuation of freehold property transferred at no cost.

Restricted funds are income funds subject to conditions imposed by the donor as specific terms of trust, or else by legal measure.

Endowment funds are those held on trust to be retained for the benefit of the charity as a capital fund. In the case of the endowment funds administered by the Board (Stipends Fund Capital, Benefice Houses and Schools), there are discretionary powers to convert capital into income and, as a result, these funds are classified as expendable endowment. Endowment funds where there is no provision for expenditure of capital are classified as permanent endowment.

Trusts where the Board acts merely as custodian trustee with no control over the management of the funds are not included in the financial statements

Incoming Resources

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

Parish share contributions are included on a receipts basis except that contributions received shortly after the financial year-end explicitly relating to the period under review are included as debtors.

Receipts from assigned parochial fees received shortly after the financial year-end and explicitly relating to the period under review are included as debtors. This follows the introduction of a new system in 2009 for the collection of assigned fee income on a quarterly basis.

SOUTHWELL & NOTTINGHAM DIOCESAN BOARD OF FINANCE

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2010

I. Accounting Policies (continued)

Incoming Resources (continued)

The Stipends Fund Capital account is governed by the Diocesan Stipends' Fund Measure 1953, as amended, and the use of the income is restricted for clergy stipends. However, the income is fully expended within the year of receipt and the legal restrictions, therefore, are satisfied. It is on this basis that the income and the normally much larger related expenditure are both included in the unrestricted column of the Statement of Financial Activities for the sake of greater clarity and simplicity in financial reporting.

Resources Expended

All expenditure is accounted for on the accruals basis. In respect of housing maintenance, the policy is only to provide for orders started or completed before the year-end. The cost of office premises and other office service costs have been apportioned to departments to reflect the facilities used, (the basis of apportionment being floor space and/or headcount).

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

Where costs cannot be directly attributed to particular headings they have been allocated or apportioned to activities on a basis consistent with use of the resources. Central support costs are apportioned on the basis of the estimated usage of resources at Dunham House. The apportionment in 2010 can be summarised as follows:

Resourcing ministry and mission	89.5%
Church Schools	7.5%
Diocesan projects	0.5%
Governance	2.5%

Tangible Fixed Assets and Depreciation

Freehold houses and houses subject to value-linked loan

The primary purpose of residential property held in the benefice houses fund, stipends fund capital account and as corporate houses is to house ministers and all such properties are held as functional fixed assets. Residential property is not held for investment purposes i.e. to generate an income or for capital gain.

Freehold houses and houses subject to value-linked loan are shown at cost, or deemed cost, where historic cost values prior to 1996 are not readily available. Deemed cost values have been calculated with reference to the midpoint of the applicable council tax band as determined in 1996.

Where the Board acquires property on its own account, the expenditure is capitalised. Gains or losses arising from sales of corporate property are dealt with through the designated fund (accumulated capital).

No provision for depreciation is provided in respect of freehold houses. Staff of the Property Department carry out impairment reviews annually and each house is fully maintained with a view to ensuring that the total residual value is not less than the amount stated in the financial statements. Accordingly, any depreciation would be immaterial.

SOUTHWELL & NOTTINGHAM DIOCESAN BOARD OF FINANCE

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2010

I. Accounting Policies (continued)

Benefice Houses

The Board has followed the requirements of Financial Reporting Standard No 5, in its accounting treatment for benefice houses (parsonages). FRS 5 requires the accounting treatment to follow the substance of arrangements rather than their strict legal form. The Board is formally responsible for the maintenance and repair of such properties and has some jurisdiction over their future use or potential sale if declared redundant, in the meantime legal title is vested in the incumbent. The Directors therefore consider the most suitable accounting policy to be to capitalise such properties as expendable endowment assets and to carry them at their historic or deemed cost (on the same basis as noted above).

Depreciation of Other Tangible Fixed Assets

Depreciation on corporate freehold property (offices), motor vehicles and office equipment is calculated to write off the cost of each asset over its expected useful life by equal annual instalments at the following rates, (% p.a. on cost): -

Corporate freehold property (offices)	1%	straight line
Motor vehicles	25%	straight line
Computer hardware and software	33 $\frac{1}{3}$ %	straight line
Other office equipment	20%	straight line

Assets costing less than £500 are not capitalised.

Valuation of Investment Securities

Investment securities have been valued at their market value by the directors using, for investments managed in-house, the market prices reported for the year-end in the Financial Times and, for investments managed externally by Cazenove Capital Management Ltd, their portfolio valuation as at 31st December 2010.

The Central Board of Finance Investment Fund Income Shares were valued at 1095.92p per share (2009 – 1022.38p per share).

Investment Property

Agricultural land is valued on the basis of historic cost with adjustments for increases in the retail prices index.

For commercial property a desk-top valuation is provided by the Building Surveyor (an employee of the Southwell & Nottingham Diocesan Board of Finance) on an annual basis.

Some properties included in the Southwell & Nottingham Diocesan Board of Education restricted funds are not valued and shown at cost as there is no readily available market value.

Gains and Losses on Fixed Assets

Realised gains and losses on non-investment properties are included within net incoming resources for the year. Unrealised gains and losses on properties are included as part of other recognised gains and losses together with both realised and unrealised gains and losses on investment assets.

Finance and Operating Leases

Operating lease rentals are charged to the Statement of Financial Activities when they are paid.

SOUTHWELL & NOTTINGHAM DIOCESAN BOARD OF FINANCE

NOTES TO THE FINANCIAL STATEMENTS

as at 31st December 2010

	Unrestricted funds £000	Restricted funds £000	Endowment funds £000	Total funds 2010 £000	Total funds 2009 £000
2. Deanery share					
Newark Archdeaconry	2,357	-	-	2,357	2,382
Nottingham Archdeaconry	3,141	-	-	3,141	3,064
	5,498	-	-	5,498	5,446
In respect of previous years	10	-	-	10	20
	5,508	-	-	5,508	5,466
Total deanery share receipts represent 93.8% of the allocation (2009 - 94.0%)					
3. Voluntary Income from Archbishops' Council					
Selective allocation	1,012	-	-	1,012	959
Special payments	123	-	-	123	126
Pooling of ordinand candidates' costs	16	-	-	16	22
Parish Mission Fund	76	58	-	134	128
Extra Mission & Ministry Support	76	-	-	76	100
	1,303	58	-	1,361	1,335
4. Other voluntary income					
Allchurches Trust distribution	101	-	-	101	88
Grants	8	26	-	34	34
	109	26	-	135	122
5. Income from activities for generating funds					
Rental income	156	2	-	158	189
Sale of publications	16	-	-	16	16
	172	2	-	174	205
6. Investment income					
Interest on UK bonds and other bonds	5	-	-	5	27
Dividends receivable	388	130	-	518	508
Interest on cash held for investment purposes	18	-	-	18	52
Rents receivable	377	51	-	428	368
Interest on short-term cash deposits	-	2	-	2	21
	788	183	-	971	976
7. Incoming resources from charitable activities					
Statutory fees and chaplaincy income	431	-	-	431	442
Contributions to sector minister and other chaplaincy posts	89	2	-	91	115
Contributions to costs of lay staff posts	132	-	-	132	126
Church Commissioners	34	-	-	34	33
Partnerships for Schools (PFS) grant from land sale proceeds	-	2,660	-	2,660	-
Loan interest receivable	18	18	-	36	48
Other contributions and income	181	59	-	240	192
	885	2,739	-	3,624	956
8. Other incoming resources					
Gain on disposal of properties	214	-	418	632	17
	214	-	418	632	17
Total incoming resources	8,979	3,008	418	12,405	9,077

SOUTHWELL & NOTTINGHAM DIOCESAN BOARD OF FINANCE

NOTES TO THE FINANCIAL STATEMENTS

as at 31st December 2010

	Unrestricted funds £000	Restricted funds £000	Endowment funds £000	Total funds 2010 £000	Total funds 2009 £000
9. Investment Management Costs					
Glebe land agents' fees and other expenses	87	-	-	87	71
Other agents' commission and expenditure	55	10	-	65	71
Investment management charges	22	-	-	22	15
	164	10	-	174	157
10. Contributions to Archbishops' Council					
Training for ministry	175	-	-	175	176
National Church responsibilities	187	-	-	187	185
Retired clergy housing costs (CHARM)	48	-	-	48	43
	410	-	-	410	404
11. Expenditure on resourcing ministry and mission					
Parish ministry :					
Stipends, salaries and national insurance	3,552	29	-	3,581	3,592
Pension contributions	1,350	-	-	1,350	1,171
Housing costs	1,258	4	-	1,262	1,249
Removal, resettlement and other expenses	152	-	-	152	165
	6,312	33	-	6,345	6,177
Support for ministry	2,009	159	-	2,168	2,183
	8,321	192	-	8,513	8,360
12. Expenditure on Church schools & diocesan projects					
Church schools	32	302	-	334	128
Church Premises Development Fund	10	-	-	10	24
Mission Development Fund	-	-	-	-	-
Other diocesan projects	-	6	-	6	4
	42	308	-	350	156
13. Governance costs					
Audit fees	16	-	-	16	16
Preparation of statutory returns etc	8	-	-	8	8
Diocesan Synod	10	-	-	10	9
	34	-	-	34	33
14. Other resources expended					
Property transferred to Sheffield Diocesan Board of Finance (see Note 24 on page 15)	-	-	-	-	104
Loss on sale of fixed assets	-	-	44	44	240
	-	-	44	44	344
Total resources expended	8,971	510	44	9,525	9,454

SOUTHWELL & NOTTINGHAM DIOCESAN BOARD OF FINANCE

NOTES TO THE FINANCIAL STATEMENTS

as at 31st December 2010

15. Analysis of resources expended

(including allocation of support costs)

	Activities undertaken directly £000	Grant funding of activities £000	Support costs £000	TOTAL 2010 £000
Investment management costs	174	-	-	174
Contributions to Archbishops' Council	-	410	-	410
Resourcing ministry and mission	8,087	46	380	8,513
Church schools & diocesan projects	102	214	34	350
Governance costs	23	-	11	34
Other resources expended	44	-	-	44
	8,430	670	425	9,525

16. Analysis of grants

	Grants to parishes £000	Grants to institutions £000	TOTAL Grants 2010 £000	TOTAL Grants 2009 £000
General fund				
Family Care	-	46	46	44
East Midlands Ministry Training Course	-	-	-	7
Southwell Cathedral Chapter (for Sacrista Prebend Retreat House, Southwell)	-	-	-	13
Designated funds				
Church Premises Development Fund	8	-	8	22
Restricted income funds				
Southwell Mission Fund (Parish Mission Fund)	6	-	6	-
Church Schools	-	200	200	-
Diocese of Natal	-	-	-	4
	14	246	260	90

Diocesan departments also made payments in the course of their work to 63 individuals, totalling £197,196 (2009 - 63 individuals, totalling £162,721), in respect of decorating, resettlement & first appointment grants to ministers and ordination candidates' financial support.

17. Analysis of transfers between funds

	Unrestricted funds £000	Restricted funds £000	Endowment funds £000	Total 2010 £000
Inter-fund short-term loan interest	(6)	6	-	-
Pastoral Scheme transfer of parsonage houses (2) to corporate property	164	-	(164)	-
Transfer of expendable endowment to restricted income from sale proceeds	-	200	(200)	-
	158	206	(364)	-

SOUTHWELL & NOTTINGHAM DIOCESAN BOARD OF FINANCE

NOTES TO THE FINANCIAL STATEMENTS

as at 31st December 2010

18. Operating deficit	2010	2009
	£000	£000
The operating deficit is stated after charging:		
Depreciation	44	32
Operating leases	16	19
Directors' and Officers' Liability (Indemnity) Insurance	3	3
Audit	16	16

19. Summary of fund movements	As at 1st January 2010	Incoming resources	Outgoing resources	Transfers	Gains and losses	As at 31st December 2010
	£000	£000	£000	£000	£000	£000
Endowment funds						
Expendable endowment						
Benefice houses	18,612	-		(268)	-	18,344
Glebe funds	16,936	-	(44)	104	1,163	18,159
Parsonages capital	66	-	-	-	4	70
Permanent endowment funds	1,661	418	-	(200)	129	2,008
	37,275	418	(44)	(364)	1,296	38,581
Restricted income funds						
Diocesan Board of Education	2,551	2,769	(112)	6	77	5,291
Pastoral account	108	43	(47)	-	-	104
Mission Development Fund	(349)	58	-	-	-	(291)
Other restricted income funds	308	138	(351)	200	2	297
	2,618	3,008	(510)	206	79	5,401
Unrestricted income funds						
General fund	2,002	8,273	(8,473)	(6)	-	1,796
Glebe funds income	-	489	(489)	-	-	-
Designated funds						
Accumulated capital	7,329	214	-	164	396	8,103
Other designated funds	222	-	(9)	-	-	213
	9,553	8,976	(8,971)	158	396	10,112
Pension reserve	(494)	3	-	-	(166)	(657)
	9,059	8,979	(8,971)	158	230	9,455
Total funds	48,952	12,405	(9,525)	-	1,605	53,437

SOUTHWELL & NOTTINGHAM DIOCESAN BOARD OF FINANCE

NOTES TO THE FINANCIAL STATEMENTS

as at 31st December 2010

20. Ministerial Staffing Costs

The Board meets the staffing costs of both stipendiary clergy and licensed lay ministers serving in the diocese, 142.00 at 31st December 2010 (151.50 at 31st December 2009).

The Board participates in the Church of England Funded Pensions Scheme which has approximately 9,000 active members.

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

- An investment strategy of:
 - for investments backing liabilities for pensions in payment, an allocation to gilts, increasing linearly from nil at 31st December 2009 to 2/3rds by 31st December 2029, with the balance in return-seeking assets; and
 - for investments backing liabilities prior to retirement, a 100% allocation to return-seeking assets.
- Investment returns of 4.4% p.a. on gilts and 5.9% p.a. on equities;
- RPI inflation of 3.8% p.a. (and pension increases consistent with this);
- increase in pensionable stipends 3.8% p.a. and
- post-retirement mortality in accordance with 80% of the SINA tables, with allowance for future improvements according to the "medium cohort" projections, and subject to a minimum annual improvement in mortality rates of 1.5% for males and 1.0% for females.

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

Following the results of the 2006 valuation, the Board's contribution rate was set at 39.7% of pensionable stipends with effect from 1st April 2008. The contribution rate was subsequently increased to 45% of pensionable stipends with effect from 1st January 2010, reflecting unfavourable investment experience and changes in financial market conditions. Following the valuation of the Scheme as at 31st December 2009, and some agreed changes to benefits, the contribution rate has been set at 38.2% with effect from 1st January 2011.

The next valuation of the Scheme will be due as at 31 December 2012.

21. Directors' Remuneration & Expenses

None of the directors received any emoluments from the Board in respect of services performed as directors (2009 - £nil). During the year none of the directors claimed reimbursement for travel or out of pocket expenses (2009 - no directors claimed expenses).

22. Lay Staff Remuneration

Lay staff's remuneration during the year was as follows:

	2010	2009
	£000	£000
Salaries	1,136	1,092
Social security costs	100	96
Other pension contributions		
Defined benefit scheme, 2010 - 4 employees (2009 - 4 employees)	60	74
Defined contribution schemes, 2010 - 46 employees (2009 - 40 employees)	95	78
	1,391	1,340
Average number of employees during the year:		
Full-time	29.0	27.0
Part-time (full-time equivalent)	11.2	10.4
	40.2	37.4

The number of staff whose total emoluments (salary plus taxable benefits excluding pension contributions) exceeded £60,000 during the year is as follows:

	2010	2009
	(Number)	(Number)
£60,001 - £70,000	1	1

SOUTHWELL & NOTTINGHAM DIOCESAN BOARD OF FINANCE

NOTES TO THE FINANCIAL STATEMENTS

as at 31st December 2010

22. Lay Staff Remuneration - Continued

Defined Contribution Pension Scheme

For eligible employees whose employment began after 1st April 1993 the Board contributes to a defined contribution pension scheme nominated by the employee. At 31st December 2010 the value of contributions outstanding was £12,485 (2009 - £1,425) and £86,381 (2009 - £77,270) was charged to the Statement of Financial Activities for the year. Contributions outstanding include amounts for new employees who have yet to make arrangements for their pension provision.

Defined Benefit Pension Scheme

The Board operates a defined benefit pension scheme in respect of eligible employees whose employment began on or before 1st April 1993. The Board is required to follow Financial Reporting Standard (FRS) 17 'Retirement Benefits' in disclosing the financial position of the scheme. The trustees of the scheme are required to act in the best interests of the Scheme's beneficiaries. The Scheme Trust Deed requires that one trustee be appointed from amongst the active members of the scheme - a member-nominated trustee. One trustee is appointed from amongst the membership of Bishop's Council (the Board of Directors) and the third and final trustee is the office-holder of the post of Chief Executive of the Board of Finance.

The contribution is determined by a qualified actuary on the basis of triennial valuations using the 'Attained Age Method' and the most recent valuation was at 1st April 2008. During the year the Board paid contributions of £62,000 (2009 - £53,000). The Board's agreed future contribution rate equates to 21.7% of pensionable salaries (previously 29.7%) and member employees contribute 5% to the Scheme. The Board expects to contribute £61,000 to the Scheme during the year to 31st December 2011. The annual contribution to the scheme is charged to the Statement of Financial Activities so as to spread the cost of pensions over employees' working lives with the Board and in the calculations below, membership data as at 1st April 2010 projected to 31st December 2010, has been used.

The main financial assumptions are:

	December 2010 Basis	December 2009 Basis
Discount rate	5.40%	5.70%
Salary increases	3.50%	3.50%
Inflation (RPI)	3.50%	3.50%
Pension increases	3.30%	3.30%
Increases to deferred pensions	3.50%	3.50%

The mortality assumptions are based on 95% of the PCxA00 series tables with the long cohort projection subject to a minimum annual rate of improvement of 1.5% per annum for males based on each member's year of birth.

Life expectancy from age 60:

	December 2010 Basis	December 2009 Basis
Male currently aged 50	31.6	31.4 years
Male currently aged 60	29.8	29.7 years
Female currently aged 50	31.6	31.5 years
Female currently aged 60	31.0	30.9 years

The assets in the Scheme are wholly invested in a deposit administration fund and deferred annuities with Ecclesiastical Life Limited. The overall expected return on assets assumption has been determined with reference to the underlying asset allocation on the assets held and the expected long term rate of return on those asset classes at the year end. The assets do not include any investment in the Southwell & Nottingham Diocesan Board of Finance.

	2010	2009
Long term rate of return expected as at 31st December	6.00%	6.00%
Value as at 31st December (£000s)	2,521	2,334

SOUTHWELL & NOTTINGHAM DIOCESAN BOARD OF FINANCE

NOTES TO THE FINANCIAL STATEMENTS

as at 31st December 2010

22. Lay Staff Remuneration - Continued

Defined Benefit Pension Scheme - continued

The actual return on the Scheme's assets net of expenses over the year to 31st December 2010 was £195,000 (2009 - £112,000).

Amounts recognised in the balance sheet as at 31st December:	2010	2009
	£000	£000
Assets	2,521	2,334
Liabilities	(3,178)	(2,828)
Deficit	<u>(657)</u>	<u>(494)</u>

Amounts recognised in the Statement of Financial Activities:	2010	2009
	£000	£000
Current service (cost)	(37)	(31)
Interest (cost)	(161)	(143)
Expected return on assets	139	136
	<u>(59)</u>	<u>(38)</u>

Amounts recognised in the Statement of Total Recognised Gains and Losses:	2010	2009
	£000	£000
Actuarial losses	<u>(166)</u>	<u>(587)</u>

Reconciliation of assets and defined benefit obligations:

Fair value of assets:	£000	Defined benefit obligations:	£000
As at 1st January 2010	2,334	As at 1st January 2010	(2,828)
Expected return on assets	139	Current service cost	(37)
Employer contributions	62	Contributions by Plan participants	(8)
Contributions by Plan participants	8	Interest cost	(161)
Other income less benefits paid	(78)	Other income less benefits paid	78
Actuarial gain on assets	56	Actuarial losses	(222)
As at 31st December 2010	<u>2,521</u>	As at 31st December 2010	<u>(3,178)</u>

23. Related Party Transactions & Controlling Parties

Diocesan governance is by Diocesan Synod elected from both clergy and laity under the leadership of the Diocesan Bishop who is appointed by the Church of England nationally.

Ven Peter Hill, Archdeacon of Nottingham and Director of the Board of Finance, Mr M Arlington, Chair of the Finance Committee and Director of the Board of Finance and Mr N Spraggins, Diocesan Chief Executive are all Governors of the Samworth Church Academy in Mansfield.

Mr N Spraggins, Chief Executive of the Board of Finance, currently rents a parsonage house, for which a market value rent is paid.

SOUTHWELL & NOTTINGHAM DIOCESAN BOARD OF FINANCE

NOTES TO THE FINANCIAL STATEMENTS

as at 31st December 2010

24. Tangible Fixed Assets

	Freehold Houses				Unrestricted Funds		Total £000
	(see analysis below) £000	Diocesan Offices £000	Motor Vehicles £000	Office Equipment £000			
Cost or deemed cost							
At 1 January 2010	28,599	493	24	332			29,448
Additions	462	73	-	52			587
Disposals	(603)	-	(14)	(116)			(733)
At 31 December 2010	28,458	566	10	268			29,302
Depreciation							
At 1 January 2010	-	61	16	282			359
Charge for the year	-	5	3	36			44
Disposals	-	-	(14)	(116)			(130)
At 31 December 2010	-	66	5	202			273
Net book value							
At 31 December 2010	28,458	500	5	66			29,029
At 31 December 2009	28,599	432	8	50			29,089

All the above assets are used for charitable purposes.

Freehold Houses

	2010		2009	
	Cost or deemed cost £000	Number of houses	Cost or deemed cost £000	Number of houses
Endowment Funds				
Benefice Houses Fund				
Parsonage houses	18,338	133	18,320	136
Glebe Funds				
Housing of team vicars, curates and others	7,148	43	4,157	30
Retirement houses	40	1	250	3
Unrestricted (Designated) Funds				
Corporate Property				
Housing of senior clergy, curates and others	2,649	20	5,589	32
Houses subject to value-linked loans				
Housing of curates and others	283	6	283	6
Total freehold houses	28,458	203	28,599	207

The parsonage house of the benefice of Finningley with Auckley has been transferred under Pastoral Scheme dated 28th May 2009 to the Sheffield Diocesan Board of Finance. If this parsonage house is disposed of and not replaced then the sale proceeds will be subject to an equity agreement whereby the share of equity in the open market value of the parsonage house shall decrease for the Southwell & Nottingham Diocesan Board of Finance from 100% in the first year of operation of the Scheme, and by 20% in each year following, to £nil.

In the event of a sale of any of the houses purchased with value-linked loans, the whole, or an apportionate part, of the net sale proceeds would go to the Church Commissioners.

Diocesan Offices include Dunham House (and the Caretaker's bungalow situated in the grounds of Dunham House) and are shown at cost. There is no reliable market value, but a valuation of the Diocesan Office would be greater than the historic cost.

During the year 12 houses previously held as Board of Finance corporate property in unrestricted funds were transferred at cost to be held as part of glebe funds in exchange for £2.9million in cash.

SOUTHWELL & NOTTINGHAM DIOCESAN BOARD OF FINANCE

NOTES TO THE FINANCIAL STATEMENTS

as at 31st December 2010

25. Fixed Asset Investments	2010	2009
	£000	£000
Investment Securities Within The United Kingdom		
Valuation		
At 1 January 2010	15,612	13,693
Additions at cost	1,112	2,587
Disposals	(3,192)	(1,757)
Unrealised gains	828	1,089
At 31 December 2010	14,360	15,612
Investment Properties		
At 1 January 2010	6,938	6,795
Additions at cost	-	-
Disposals	(398)	(15)
Unrealised gains	304	158
At 31 December 2010	6,844	6,938
Total Fixed Assets Investments Within The United Kingdom	21,204	22,550

	2010		2009	
	£000	£000	£000	£000
	Cost	Market value	Cost	Market value
Investment securities comprise:				
Listed investment securities				
UK Bonds	107	118	177	181
International Bonds	98	104	152	160
UK Equities	2,145	2,681	2,116	2,496
International Equities	504	599	51	64
Investment Trusts	999	1,020	1,200	1,298
	3,853	4,522	3,696	4,199
Unlisted investment securities				
Central Board of Finance of the Church of England				
Investment Fund Income Shares	5,518	7,441	5,518	6,942
Investment Fund Accumulation Shares	75	99	75	88
Fixed Interest Securities Fund Income Shares	1	2	1	2
Property Income Trust	1,600	1,052	1,600	998
Other unlisted investments	90	196	90	183
	7,284	8,790	7,284	8,213
Cash held for investment purposes	1,048	1,048	3,200	3,200
Total Investment Securities	12,185	14,360	14,180	15,612
Investment Properties comprise:-				
Glebe				
Agricultural land		6,667		6,761
Commercial property		165		165
Other property		12		12
Total Investment Properties		6,844		6,938

SOUTHWELL & NOTTINGHAM DIOCESAN BOARD OF FINANCE

NOTES TO THE FINANCIAL STATEMENTS

as at 31st December 2010

29. Long Term Liabilities/Loans, (other than those in note 28)

The Board owed a balance of £nil at 31st December 2010 (2009 - £375) to the Central Board of Finance for loans. These monies had in turn been lent to the Diocesan Board of Education.

30. Contingent Liabilities

The Board has given guarantees on grants made by Nottingham City Council from public funds to various parishes totalling £48,300 (2009 - £52,975).

31. Capital Commitments

	2010	2009
	£000	£000
Capital Expenditure		
Contracted for but not provided for in the Financial Statements		
Property new builds - I (2009 - I)	7	304
	<u>7</u>	<u>304</u>

32. Grant Commitments

The Board has grant obligations in respect of the following funds, which are dependent on certain conditions being met.

Church Premises Development Fund

	2010	2009
	£000	£000
Grant commitments falling due in:		
Within 1 year	-	8
	<u>-</u>	<u>8</u>

A designated fund, the Church Premises Development Fund, has been set aside to meet grant commitments and future grant awards. The total value of grants charged to the Statement of Financial Activities for the year was £7,500 (2009 - £22,355).

33. Operating Lease Commitments

At 31 December 2010 the Board had annual commitments under non-cancellable operating leases as set out below:

	2010	2009
	£000	£000
Operating leases which expire:		
Within 1 year	-	17
Between 2 - 5 years	14	-
	<u>14</u>	<u>17</u>

SOUTHWELL & NOTTINGHAM DIOCESAN BOARD OF FINANCE

NOTES TO THE FINANCIAL STATEMENTS

as at 31st December 2010

34. Summary Of Assets Per Fund

	Fixed assets		Current assets £000	Creditors £000	Inter-fund loans £000	Net assets £000
	Tangible £000	Investments £000				
Endowment funds (see note 35)						
Expendable endowment funds						
Benefice houses	18,338	6	-	-	-	18,344
Glebe funds	7,148	11,011	-	-	-	18,159
Parsonages capital	-	70	-	-	-	70
Permanent endowment funds	40	1,968	-	-	-	2,008
	25,526	13,055	-	-	-	38,581
Restricted income funds (see note 36)						
Diocesan Board of Education	-	1,099	3,994	(257)	455	5,291
Pastoral account	-	-	104	-	-	104
Mission Development Fund	-	-	-	(291)	-	(291)
Other restricted income funds	-	34	263	-	-	297
	-	1,133	4,361	(548)	455	5,401
Unrestricted income funds						
General fund	71	2,009	400	(229)	(455)	1,796
Designated funds (see note 37)						
Accumulated capital	3,432	5,007	-	(336)	-	8,103
Other designated funds	-	-	213	-	-	213
	3,503	7,016	613	(565)	(455)	10,112
Pension reserve	-	-	-	(657)	-	(657)
	3,503	7,016	613	(1,222)	(455)	9,455
Total funds	29,029	21,204	4,974	(1,770)	-	53,437

Note

Interest on short-term inter-fund loans is paid to the relevant fund at the same rate that applies to cash on deposit with the Church of England Central Board of Finance Deposit Fund.

SOUTHWELL & NOTTINGHAM DIOCESAN BOARD OF FINANCE

NOTES TO THE FINANCIAL STATEMENTS

as at 31st December 2010

35. Endowment Funds	As at 1st January 2010 £000	Incoming Resources £000	Resources Expended £000	Gains/ (Losses) £000	Transfers £000	As at 31st December 2010 £000
Expendable endowment						
Benefice Houses Fund	18,612	-	-	-	(268)	18,344
Glebe Funds	16,936	-	(44)	1,163	104	18,159
Parsonages Capital	66	-	-	4	-	70
Permanent endowment funds						
Stipends	615	-	-	44	-	659
Bramcote Bungalows	208	418	-	28	(200)	454
Haseldine Homes	275	-	-	16	-	291
Perry Gift Fund	339	-	-	25	-	364
Other permanent endowment funds	224	-	-	16	-	240
	37,275	418	(44)	1,296	(364)	38,581

Benefice Houses Fund - represents the value of benefice houses at the balance sheet date together with the Parsonages Building funds held by the Church Commissioners. These houses are used to provide accommodation for parochial clergy. The Board is not free to dispose of the houses except in accordance with appropriate measures.

Glebe Funds - represents the proceeds of the sale of glebe, parsonages transferred by Pastoral Scheme and gifts to the fund. The fund generates income for the payment of stipends and can be invested or applied to the capital purposes permitted by the Endowments and Glebe Measure 1976 and the Church of England (Miscellaneous Provisions) Measure 1992.

Stipends - the funds are made up of a number of trusts the income of which is used to augment clergy stipends.

Bramcote Bungalows - represents the gift of two properties for housing retired clergy or their spouses.

Haseldine Homes - income to meet outgoings on property and the balance applied to the payment of pension contributions for stipendiary clergy in the diocese.

Perry Gift Fund - income restricted to the provision of grants to clergy and lay persons deserving of financial assistance.

36. Restricted Income Funds	As at 1st January 2010 £000	Incoming Resources £000	Resources Expended £000	Gains/ (Losses) £000	Transfers £000	As at 31st December 2010 £000
Diocesan Board of Education	2,551	2,769	(112)	77	6	5,291
Pastoral Account	108	43	(47)	-	-	104
Mission Development Fund	(349)	58	-	-	-	(291)
Other restricted income funds	308	138	(351)	2	200	297
Total restricted income funds	2,618	3,008	(510)	79	206	5,401

Diocesan Board of Education - to administer the scheme for the Diocese's Church Schools' buildings programme and to operate for the benefit of Church Schools.

Pastoral Account - represents the proceeds of redundant churches and parsonages which have not yet been applied to the purposes permitted by the Pastoral Measure 1983.

Mission Development Fund - sums of money made available by the Archbishops' Council for "the additional provision for the cure of souls in parishes where such assistance is most required, in such a manner as shall be conducive to the efficiency of the Established Church" set aside for mission development.

The deficit on this fund will be met from:

- Archbishops' Council Parish Mission Funding - £58,240 in 2010 (2009 - £54,700),
- the transfer of surplus General Fund reserves, the sale of some investments or proceeds from property sales.

The exact amount and proportions are yet to be identified, according to need and discernment by the Bishop's Council.

SOUTHWELL & NOTTINGHAM DIOCESAN BOARD OF FINANCE

NOTES TO THE ACCOUNTS

as at 31st December 2010

37. Designated Funds	As at 1st January 2010	Incoming Resources	Resources Expended	Investment Gains/(Losses)	Transfers	As at 31st December 2010
	£000	£000	£000	£000	£000	£000
Accumulated capital	7,329	214	-	396	164	8,103
Mission Development	211	-	-	-	-	211
Other designated funds	11	-	(9)	-	-	2
Total Designated Funds	7,551	214	(9)	396	164	8,316

Accumulated capital - amounts transferred from the general fund, gains less losses on investments and the directors' valuation of freehold property transferred at no cost. The fund is designated for use to purchase fixed assets.

Mission Development Fund - amounts transferred from the general fund and extra income from the Allchurches Trust distribution set aside for mission development.

38. a) Funds Held as Custodian Trustee on Behalf of Others

The Board of Finance holds investments on behalf of Parochial Church Councils (PCCs) and others as custodian trustee. Each year an annual statement of financial investments held by the Board of Finance in its capacity as custodian trustee is made available to individual managing trustees (PCCs). The market value of investments held on behalf of PCCs and others is £6.2million, cost £4.0million (2009 - market value £6.3million, cost £4.3million), and all such investments are held separately from those of the Board of Finance.

b) Devolved Formula Capital

Since April 2006 Partnerships for Schools (PFS) have paid Devolved Formula Capital (DFC) directly to schools or dioceses before the funds are spent on capital projects. This year education restricted funds received £277,015 on behalf of 19 schools (2009 - £757,627 received on behalf of 19 schools). These funds are maintained in individual school ledgers with payments and governors 10% contributions shown. The Schools Executive Officer monitors these accounts and advises schools of current balances and authorises payments. At the year end the balance of these DFC accounts was £882,750 (2009 - £1,236,108) which is not included in these accounts.