



**The Blackburn Diocesan Board of Finance
Limited (by guarantee)**

Trustees' annual report and financial statements

Registered company number 225457

Registered charity number 247647

Date: 31 December 2016

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Trustees' Annual Report

REFERENCE AND ADMINISTRATIVE DETAILS OF THE BLACKBURN DIOCESAN BOARD OF FINANCE LIMITED

Charity Registration	247647
Company Registration	225457
Company Secretary	Canon G D Pollard

Trustees/Directors

Ex-Officio	Very Revd C J Armstrong	(resigned 18 June 2016)
	Mr R J Collins	
	Revd Canon Dr S J Cox	
	Mr T D Cox	
	Canon J J Dell	
	Ven M J Everitt	
	Revd N E Goodrich	(appointed 1 January 2016)
	Rt Revd J T Henderson	
	Ven M C Ireland	(appointed 14 February 2016)
	Mr P Jelley	
	Rt Revd P J North	
	Rt Revd G S Pearson	
	Revd Canon A G Sage	
Co-opted	Mr N P Aves	
	Mr D J Wilkinson	
Elected Clergy	Revd P A Bicknell	
	Revd Canon A Holliday	
	Revd P A Lillicrap	(appointed 1 January 2016)
	Revd R A H Marshall	
Elected Lay Persons	Mr G D Burrows	(appointed 1 January 2016)
	Canon M L Chew	(appointed 1 January 2016)
	Mr C Scott	
	Ms J M Stamper	
Appointed after year end but prior to signing of accounts	Very Revd P Howell-Jones	(appointed 25 March 2017)

The Directors delegate day to day management of the charity to the Diocesan Secretary, Canon Graeme Pollard, and to the Department Leaders, Revd Canon David Banbury and Revd Canon Dr Susan Penfold.

For details of Trustee attendance at meetings, please refer to the schedule on page 17.

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Registered Address	Diocesan Offices, Clayton House, Walker Officer Park, Blackburn BB1 2Q
Solicitors	Napthens LLP, Darwen House, Walker Office Park, Blackburn BB1 2QE
Insurers	Ecclesiastical Insurance Office, Beaufort House, Brunswick Road, Gloucester GL1 1JZ
Bankers	National Westminster Bank, 35 King William St, Blackburn BB1 7DJ
Investment Managers	CCLA Investment Management Ltd, Senator House, 85 Queen Victoria St, London EC4V 4ET
Registered Auditor	haysmacintyre, 26 Red Lion Square, London WC1R 4AG
Glebe and Land Agent	Lea Hough & Co LLP, Phoenix Park, Blackburn BB1 5RW
Whalley Abbey Architect	Mr I Wilson, Ivan Wilson Architects Ltd, Waterloo Mill, Waterloo Rd, Clitheroe, Lancashire BB7 1LR

The trustees, who are also directors for the purposes of company law, present their combined trustees' report and directors' report, together with the audited financial statements, for the year ended 31 December 2016.

The financial statements have been prepared in accordance with the Statement of Recommended Practice: Accounting and Reporting by Charities (Charities SORP (FRS 102)) and the Financial Reporting Standard 102 applicable in the United Kingdom and Republic of Ireland (FRS 102) and the Charities Act 2011 and UK Generally Accepted Practice as it applies from 1 January 2015.

This report constitutes the Strategic Report and the Directors' Report required under the Companies Act 2006.

This report refers to the Blackburn Diocesan Board of Finance Limited (BDBF) except for Section 1 and is set out as follows:

1. Structure, governance and management
2. Objectives and Activities
3. Strategic Report which includes:
 - 3.1 Achievements and performance
 - 3.2 Financial review
 - 3.3 Principal risks and uncertainties
 - 3.4 Funds held as custodian trustee for others
4. Plans for future periods
5. Attendance of directors at meetings in 2016
6. Appointment of auditor
7. Disclosure of information to auditor

Trustees' Annual Report *(continued)*

1. STRUCTURE, GOVERNANCE AND MANAGEMENT

1.1 SUMMARY INFORMATION ABOUT THE STRUCTURE OF THE CHURCH OF ENGLAND

The Church of England has 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 a total of 41 (42 including the Diocese in Europe).

A diocese is divided into archdeaconries, deaneries and parishes. Parishes are overseen by a parish priest (usually called a vicar, rector or priest-in-charge). 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. It is episcopally led with over 100 bishops including Diocesan Bishops, Suffragan and Assistant Bishops. The two archbishops and 26 senior bishops sit in the House of Lords.

The Church of England is governed nationally by General Synod as its legislative and deliberative body. There are three houses of members: the House of Bishops, House of Clergy and House of Laity. General Synod meets in London or York at least twice annually to consider legislation for the broader good of the Church. General Synod makes decisions on matters of doctrine, church services and relations with other churches. It approves measures which, if accepted by Parliament, have the effect of Acts of Parliament. Blackburn Diocese currently has 5 elected clergy members and 6 elected lay members of General Synod.

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

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

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

The Church Commissioners were formed in 1948 by joining together two bodies, Queen Anne's Bounty and the Ecclesiastical Commissioners. The Commissioners' role is to manage the Church's historic assets, invested in stock market shares and property and to provide money to support the Church's ministry. They are accountable to the General Synod and Parliament.

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 the surviving spouses of those who have served in that ministry. It also administers pension schemes for lay employees of Church organisations.

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

The Cathedral is the mother church of the diocese and is legally constituted as a separate charity. Copies of its trustees' report and financial statements may be obtained from the Cathedral Offices, Cathedral Close, Blackburn BB1 5AA.

Trustees' Annual Report *(continued)*

Diocesan Structure

The diocese is the principal pastoral and, in turn, financial and administrative resource of the Church of England under the spiritual leadership of the Diocesan Bishop.

The Diocese of Blackburn was created in 1926. It has an area of 988 square miles and encompasses Lancashire with a few parishes in Wigan Metropolitan Borough. The overall population is approximately 1.3 million within urban and rural areas.

The diocese has two archdeaconries, each the responsibility of an archdeacon. The Lancaster Archdeaconry covers the area north of the River Ribble and the Blackburn Archdeaconry covers the area south of the Ribble. Each archdeaconry has seven deaneries which comprise a number of benefices/parishes grouped geographically with an area dean having oversight.

Each Deanery in the Diocese has its own Synod, comprising a house of clergy and a house of laity and its 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 Diocesan Synod and General Synod

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 provided by the diocese for carrying out spiritual duties.

The Parochial Church Council (PCC) is the elected governing body of a 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 members. The PCC is also able to co-opt a specified number of members. Each PCC is a charity; those with a gross income over £100,000 are required to register with the Charity Commission whilst those with an income below £100,000 are currently exempted from such registration. Financial statements of an individual PCC can be obtained from the relevant PCC treasurer and do not form part of these financial statements.

Diocesan Governance

The statutory governing body of the diocese is the Diocesan Synod, which is an elected body with representation from all parts of the diocese with responsibility for setting the vision and strategy of the diocese, guided by the Bishop's Leadership Team. Membership consists of ex-officio members, including the Bishops, Archdeacons and General Synod representatives, clergy and lay members elected by their respective Houses in Deanery Synods, up to five persons each co-opted by the House of Clergy and Laity and a maximum of ten members nominated by the Diocesan Bishop. The Diocesan Synod normally meets three times a year and members are elected every 3 years, the last elections having taken place in 2015.

The role of Diocesan Synod 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
- agree the Parish Share Budget for the diocese; and
- elect eligible persons to the Boards and Committees of the diocese

Trustees' Annual Report *(continued)* **Bishop's Council and Standing Committee**

Under the Standing Orders of the Diocesan Synod, Bishop's Council and Standing Committee has the following functions:

- to plan the business of the Synod, to prepare the agenda for its sessions and to circulate to members information about matters for discussion
- to initiate proposals for action by the synod and to advise it on matters of policy
- to advise the Diocesan Bishop on any matters which he may refer to it
- subject to the directions of the synod, to transact the business of the synod when it is not in session
- to appoint members of committees or nominate individuals for election to committees, subject to the directions of synod
- to carry out such other functions as the synod may delegate to it
- to undertake the duties of the Directors of the Blackburn Diocesan Board of Finance Limited in accordance with the objects of the company as expressed in the Memorandum and Articles of Association

1.2 ORGANISATIONAL STRUCTURE

The company, the Blackburn Diocesan Board of Finance Limited (BDBF), was formed to manage the financial affairs and hold the assets of the Diocese. It was incorporated on 29 October 1927 as a charitable company limited by membership guarantees (No 225457) and its governing documents are the Memorandum and Articles of Association. The BDBF is registered with the Charity Commission (No 247647). The charity is a limited company and statutory accounts are filed annually with Companies House.

The members of the company comprise the Diocesan Bishop, each member for the time being of the Blackburn Diocesan Synod, including sufficient co-opted lay members in order to ensure that there is a majority by one of lay membership. They have a personal liability limited to £1 under their guarantee as company members in the event of it being wound up. Many of Diocesan Synod's responsibilities have been delegated to the directors of the Diocesan Board of Finance and to Bishop's Council.

The members of Bishop's Council are the Board of Trustees and in Company Law the Directors.

The Directors comprise 13 ex-officio members; the Diocesan Bishop, the Suffragan Bishops, the two Archdeacons, the Dean of Blackburn Cathedral, the Chair and Vice Chair of the Board of Finance, the Chair of the Property Committee and the Chairs and Vice Chairs of the Houses of Clergy and Laity of Diocesan Synod. The elected members are 4 clergy, 2 from each archdeaconry, elected by the House of Clergy and 8 lay members, 4 from each archdeaconry, elected by the House of Laity. Two members may be co-opted with the approval of the directors. Elected and co-opted members serve a term of three years, with the last elections taking place in 2015 and directors taking up post on 1 January 2016.

Governance and policy of the Diocesan Board of Finance is the responsibility of the directors and many of Diocesan Synod's responsibilities have been delegated to the directors.

Corporate priorities and the overall financial strategy for the BDBF, in its primary object to promote, assist and advance the work of the Church of England within the Diocese of Blackburn, are agreed by the Directors and confirmed by Diocesan Synod.

The responsibility for ensuring that these priorities and strategies are delivered is delegated to the Department Leaders. The members of the company meet once a year in the general meeting to receive the annual report and financial statements. The Diocesan Synod each year receives and agrees the annual budget, prepared and approved by the Directors. The Directors meet during the year to formulate and coordinate policies on mission, ministry and finance.

The role name of one Department Leader incorporates the title 'Director' but, for the purposes of company law, is not a director of the company.

Trustees' Annual Report *(continued)*

Diocesan Synod has delegated the following functions to the Directors of the BDBF:

- transacting the business of the Diocesan Synod when not in session
- management of the funds and property of the Diocese
- preparation of the annual Parish Share Budget
- advising on action needed to raise the income necessary to finance expenditure
- oversight of expenditure by bodies in receipt of Diocesan Synod's funds against estimates of expenditure approved by Diocesan Synod
- advising Diocesan Synod of the financial aspects of its policy and on any other matters referred to it; and
- carrying out any other functions delegated by Diocesan Synod.

Directors are given an induction file when first appointed. Explanations are given in Directors' meetings to provide continuing training and Directors are encouraged to ask questions in order to develop their understanding of the charity. If additional information is required it is brought to the attention of directors and directors' files updated accordingly.

Company law requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the net incoming or outgoing resources of the company for that year.

The salary scale of the Diocesan Secretary is determined by the Chair of the BDBF, but any annual award is in line with the employed staff salary increase.

The salary levels of Department Leaders and all other posts are set by a job evaluation system. Annual pay increases are determined by the HR Committee within a maximum set by the budgeting process. The members of the HR Committee are the Archdeacon of Lancaster, a clergy director and a lay director.

Statutory ecclesiastical boards and committees:

The Diocesan Mission and Pastoral Committee is responsible for the task of approving pastoral reorganisation, taking account of available clergy numbers and making use of new patterns of ministry. It is also responsible for finding appropriate alternative uses for churches which are closed for public worship.

The Diocesan Advisory Committee advises on matters affecting churches and places of worship such as 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.

The Parsonages Board: the BDBF is designated as the Parsonages Board for the Diocese for the purpose of exercising the Parsonages Board's functions under the Repair of Benefice Buildings Measure 1972.

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

Non-statutory committees:

The Finance Committee is responsible for the transaction of some of the business of the Board of Finance. Within delegated limits it can approve grants and other support and makes recommendations to the Directors in other cases. The membership of the Committee consists of the Chair and Vice Chair of the Board of Finance, the Diocesan Bishop and the two Archdeacons. Bishop's Council can co-opt up to six members on the basis of their expertise, of whom a minimum of 3 must be members of Bishop's Council and Directors of the BDBF.

The Property Committee is responsible for making major decisions concerning the management of parsonage and other houses owned by the BDBF, including setting the policy for their purchase, sale, repair and maintenance. The committee has delegated authority to authorise repairs and to buy and sell property and land vested in the Board of Finance for diocesan purposes. It is also responsible for determining policy

Trustees' Annual Report *(continued)*

and making major decisions concerning the management of glebe property and investments for the benefit of the Diocesan Stipends Fund of the Diocese.

The Budget Committee is responsible for the drawing up of the annual draft budgets for approval by the Directors prior to submission to Diocesan Synod.

The Investment Committee meets on a regular basis to consider diocesan investments, to adjust the portfolio within parameters agreed by the Directors and to make recommendations to the Directors.

The Audit, Governance and Risk Committee is responsible for assisting the Directors in the discharge of their responsibilities for accounting policies, risk management, internal control and financial reporting, including liaison with the auditors.

The HR Committee deals with sensitive and other matters in relation to employed staff which cannot be considered by the full Board, partly because of their confidential nature and partly because of time pressures.

The Financial Assistance Group considers all applications for financial assistance from the Diocesan Vision Grant and Loan Funds. It has delegated authority to approve grants of up to £5,000 and makes recommendations for support to the Finance Committee for applications in excess of this amount.

1.3 RELATED PARTIES

General Synod, Church Commissioners, Archbishops' Council and Church of England Pensions Board

The BDBF has to comply with Measures passed by the General Synod of the Church of England. It pays a donation based on an apportionment system for funding national training of ordinands and the activities of the various national boards and councils, as well as General Synod. The BDBF receives a grant from funds managed by the Church Commissioners. The BDBF pays for clergy stipends through the Church Commissioners. The stipends of the Diocesan and Suffragan Bishops are borne by the Church Commissioners.

The BDBF pays retirement contributions for stipendiary clergy and some employees to the Pensions Board. Up until September 2016 the BDBF paid retirement contributions for four stipendiary clergy on behalf of the Blackburn Diocesan Board of Education.

Parochial Church Councils (PCCs)

The BDBF 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. The accounts of PCCs and deaneries do not form part of these financial statements.

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

Blackburn Cathedral who lease Church House to the BDBF.

Blackburn Diocesan Board of Education is a registered charity, which has responsibility for 186 Church schools across the Diocese and is responsible for the largest number of voluntary aided schools in the country. It provides pastoral and professional support to all its schools and has particular commitment to enhancing the quality of provision for religious education, collective worship and the spiritual, moral, social, and cultural development of all pupils.

Cidari Multi-Academy Trust is the Trust that has been established to act as a sponsor for underperforming church schools in the Diocese and to welcome and support converter schools wishing to join the CIDARI family of academies.

Trustees' Annual Report *(continued)*

Lancashire and Cumbrian Theological Training Partnership (LCTP) was run jointly by the Diocese of Blackburn, the Diocese of Carlisle and the University of Cumbria until 31 August 2016. LCTP provided training courses to prepare men and women for all categories of Ordained and accredited Lay Ministry.

All Saints Centre for Mission and Ministry now fulfils the role of providing training courses for Ordained and accredited Lay Ministry. The BDBF became a member of the company on the 22 March 2017.

Together Lancashire is an ecumenical partnership of Anglicans, Methodists and other Christians supported by the Church Urban Fund, its purpose being to help church leaders, congregations and community activists to tackle the effects of poverty.

2. OBJECTIVES AND ACTIVITIES

2.1 OBJECTIVES

The BDBF's principal objective is to promote, assist and advance the work of the of the Church of England, primarily but not exclusively in the Diocese of Blackburn, by acting as the financial executive of the Blackburn Diocesan Synod.

The BDBF has the following statutory functions:

- The BDBF 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 BDBF is custodian trustee in relation to PCC property.

The main role of the BDBF is to identify and manage the financial aspect of the provision of the ministry within the Diocese, so as to provide appropriate personnel and financial resources to assist the Diocesan Synod, Bishop's council, deaneries and parishes to further the mission and strategic priorities in the Diocese.

The Diocesan Synod in March 2015 agreed the following vision statement and strategic priorities for the next ten years:

Diocesan Vision 2026 Statement: *Healthy Churches Transforming Communities*

Vision 2026 Initiatives (Strategic priorities):

- Making disciples of Jesus Christ
 - Knowing the Scriptures better through reading, teaching, preaching and study
 - Praying with greater depth and urgency for the Kingdom of God to come
 - Giving generously of our time, talents, and money to the cause of Christ
- Being Witnesses to Jesus Christ
 - Sharing the Gospel of salvation with confidence
 - Holding regular enquirers courses in as many local churches as possible
 - Sowing God's love in action through projects that meet a local human need
 - Offering thorough and accessible Baptism preparation and follow-up
 - Planting or renewing 50 new strategic congregations by 2026
- Growing Leaders for Jesus Christ
 - Supporting and equipping the current leadership for today's context
 - Enabling missional leadership in every Christian community

Trustees' Annual Report *(continued)*

Liberating lay leadership for greater participation
Creating the varied patterns of Sunday and weekday worship necessary to welcome all kinds of people, especially the newcomer

- Prioritising work among children, young people and schools to raise up a new generation for Christ

We will have specific focus for the next three years on the following contexts:

- Presence and Engagement parishes (the Church of England's national programme equipping Christians for mission and ministry in a multi-faith society)
- Cathedral (its role within the town and diocese)
- Outer estates (deprived urban areas with significant social housing)
- Turnaround parishes (parishes where there has been decline in attendance and finances, but where there is an active willingness to change)

It has been recognised that some departments within the BDBF enabled these priorities to progress and this support is described in the departmental report on page 10.

2.2 ACTIVITIES

The key activities may be summarised as:

- contributions to the National Church Institutions (mainly by grant support)
- mission and ministry in parishes (includes clergy training, housing, stipends, pension and all other expenditure required to support parish based ministry)
- grant funding to Blackburn Diocesan Board of Education Ltd for work with children and young people
- supporting and encouraging the strategic priorities of Vision 2026
- specific diocesan projects
- provision of the Diocesan Conference and Retreat House (Whalley Abbey)

2.3 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 11 to the financial statements). Grants are paid to other connected charities and to other charitable projects which appear to the Board to support the furtherance of the BDBF's objects (see note 17 to the financial statements).

2.4 PUBLIC BENEFIT

The Directors are aware of the Charity Commission's published guidance on the public benefit requirement in general and, more particularly, in 'The Advancement of Religion for the Public Benefit' and have had regard to it in their administration of the BDBF.

The Directors believe that, by promoting the work of the Church of England in the Diocese of Blackburn, the BDBF 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, for the benefit of individuals and society as a whole.

Trustees' Annual Report *(continued)*

3. STRATEGIC REPORT

3.1 ACHIEVEMENTS AND PERFORMANCE

3.1.1 Plans and Achievements in 2016

During 2016 the BDBF planned to:

- meet existing commitments to support the ministry of the Diocese of Blackburn, within an agreed deficit management budget, and other restricted funds, and subject to reserve constraints, respond to any new need as they arose
- finish the consultation on Vision 2026 and receive approval from Diocesan Synod
- develop the concepts of the 13 strategic priorities of Vision 2026
- give a call to prayer to the Diocese for Vision 2026

During the year the BDBF has:

- paid clergy stipends and provided for the housing requirements of the clergy
- continued to task the Archdeacons and Diocesan Secretary to meet with Parishes which are not paying their allocated quota of share to provide support and to encourage them to pay and improve the collection of share. The suffragan bishops have also been involved in this process
- continued to support parishes to increase their giving and therefore be able to meet their quota of share
- supported parishes in their mission aspirations with grant funding. The Vision Grant and Loan Fund, which comprises the Opportunity Fund and the Capital Development Loan Fund, are available to support appropriate mission-based projects
- processed a number of applications for financial assistance and supported a variety of projects
- allocated to each of the Vision 2026 key initiatives a sponsoring bishop and key members of the Bishop's Leadership Team to lead the work with volunteers and other diocesan officers.
- appointed Vision 2026 co-ordinator in January 2016, part funded by Church Commissioners
- undertaken six Call to Prayer events across the diocese which were attended by almost 900 people in order to engage directly with Vision 2026
- updated grant funding paperwork to meet the criteria of Vision 2026
- been part of the National Church Peer Review initiative

3.1.2 Departmental Reports

(Central Services, Discipleship and Ministry, Parish Mission Support)

In 2016 we supported the diocesan commitment to Making Disciples of Jesus Christ by:

- encouraging initiatives in prayer
- equipping people for whole life discipleship
- resourcing people and churches through the work of Christian stewardship

In 2016 we supported the diocesan commitment to Being Witnesses to Jesus Christ by:

- engaging in the preparation for, delivery of and follow up to the Crossroads mission.
- offering a range of resources to support outreach and evangelism in the local church.
- actively supporting social responsibility through, advice, training, resources and local projects.
- seeking to promote Church Planting and Fresh Expressions of Church.
- enabling effective internal and external communication through a wide variety of media and providing communication resources and training courses.

In 2016 we supported the diocesan commitment to Growing Leaders for Jesus Christ by:

- reviewing ministerial training and development and offering new training pathways and resources.

Trustees' Annual Report *(continued)*

- actively promoting vocations to a breadth of ministries with a particular focus on encouraging younger vocations.
- offering on-going support and resources to people involved in a variety of leadership roles.
- providing effective and efficient structures and support to facilitate ministry in local contexts.

The actions outlined above were enabled through a range of administrative and legal functions ensuring that the priorities identified within Vision 2026 were facilitated and the company maintained good governance.

3.2 FINANCIAL REVIEW

3.2.1 Financial Performance

The principal sources of funding for the BDBF in 2016 were Parish Share 60%, National Church Allocations 8%, gains on asset sales 6% and investment income 6%.

Income before revaluation adjustments totalled £12.35m (2015: £12.20m), an increase of £152,000. Included in these figures are gains on the disposal of fixed assets of £0.7m (2015: £1.1m).

Parish Share is the money given by Parishes to the BDBF to fund its mission and ministry. The total amount of Parish Share received in 2016, which includes some payments for previous years, equates to 89.8% (2015: 90.0%) of the Parish Share requested for 2016. The parish contributions increased by £230,000. Included in this figure is the amount allocated for the Share Support Fund provision which reduced by £49,000.

Outstanding Parish Share at the year end, after support adjustments to parishes have been made, has increased to £6.24m (2015: £5.78m). At the year-end £110,000 of outstanding share is not provided for by the Parish Share Support Provision (2015: £112,000).

A diocesan increase in Parish Share requested of 2.61% for 2016 was reduced by specific decreases for some parishes following pastoral reorganisation.

Grants received from Archbishops' Council were £45,000 lower than 2015.

Other voluntary income increased by £43,000. Redundant churches transferred into the BDBF during the year amounted to £270,000 (2015: £14,000). Unrestricted legacies of £17,000 (2015: £100,000) were received for which the Directors were very grateful. This money has been designated toward the costs of the Diocesan Vision 2026.

Income from charitable activities has reduced by £59,000. A reduction in statutory fees and chaplaincy income of £48,000 are the main movements in this area.

Income from other activities has increased by £4,000. The income derived from vacant functional houses rental has increased by £28,000 and for Whalley Abbey has reduced by £24,000.

Investment income increased by £105,000, the majority relates dividends accrued to the year-end which had in previous years had not been accrued, £10,000 increase in dividend return and £20,000 income from addition investments.

There has been a reduction in the gain on disposal of fixed assets within the restricted and endowment funds. This has decreased the income from other income by £126,000. The decrease was partly offset by the income of £266,000 from the insurance claim for flood damage at Whalley Abbey in December 2015.

The BDBF has met all of its financial obligations to continue resourcing diocesan needs as these arise. This includes the support of ministry, provision of well-maintained houses for the clergy, national church responsibilities and enriching and facilitating other aspects of church life throughout Blackburn Diocese.

Trustees' Annual Report *(continued)*

Expenditure amounted to £11.38m (2015: £10.78m). Included in these figures are losses on disposal of fixed assets of £0.03m (2015: £0.04m). Expenditure increased by £600,000.

The cost of raising funds has increased from 2016 by £106,000, the majority of which is from increased costs at Whalley Abbey of £82,000 and Whalley Abbey rental costs of £14,000.

The amount spent on charitable activities is £11.0m.

The main expenditure within charitable activities is on parish ministry, stipends, national insurance, pension contributions and housing maintenance, which are the main purposes of the charity. There was a decrease in stipends and pension costs of £159,000. Average stipendiary clergy numbers decreased by eight in 2016. In April, an inflationary increase of 1.5% was made to stipends and 0.8% to the National Minimum Stipend on which pensions are based.

There is an increase in support for ministry of £128,000. Whalley Abbey Conference House and house renovation costs increased by a total of £165,000 due to flooding at the end of 2015. Diocesan department expenditure increased in total by £105,000, partly made up of an increase in ordinands' costs of £48,000. Other areas in diocesan department costs were in staffing with a 1.5% increase in staff salaries from April 2016. This cost increase was offset by a reduction in cost of Social Responsibility projects of £65,000.

Grants paid to the Blackburn Diocesan Board of Education increased by £49,000 and contributions to Archbishops' Council increased by £57,000.

Grant expenditure, mainly to parishes, increased by £82,000. This figure is determined by the number of applications and financial assistance awards for parish mission projects.

The Statement of Financial Activities (SOFA) for the year shows net incoming resources of £0.98m (2015: £1.42m) before net gains and losses on the revaluation of investments. This is a reduction of £0.45m.

The market value of investments increased by £1,024,000 (2015: £334,000) over the year. Any gain or loss in value is unrealised and will remain so for the foreseeable future, given that there is no requirement to sell investments to generate cash.

After revaluation adjustments, the net movement in funds amounted to a £2.81m increase (2015: £1.77m), which results in a total fund balance of £57.87m (2015: £55.07m).

The cash position, including short term deposits, reduced by £177,000, the principal reason being the movement of cash to CCLA's CBF Investment Fund of £250,000. Legacies received during the year increased the cash position by £17,000.

3.2.2 Investment Performance

The charity does not receive its donations evenly throughout the year. Some donations or funding grants received are held for a period prior to them being required for expenditure. The charity utilises NatWest reserve accounts and CCLA for cash investments.

The Board requests a member of CCLA to annually attend a meeting of the Investment Committee to update them on the Board's investment position. The Board invests in the CCLA Deposit, Investment and Property Funds.

The total value of investments and deposits (excluding cash and investment property) at 31 December 2016 was £20.26m (2015: £19.13m) and the return on investment was 3.4% (2015: 3.0%). (Income divided by average capital value).

Trustees' Annual Report *(continued)*

The total value of investment property at 31 December 2016 was £1.96m (2015: £1.89m) and the return on investment was 1.5% (Net rental income divided by average capital value).

3.2.3 External Factors Affecting Performance

Every effort is being made by the BDBF to restrict increases in Parish Share, which is the PCC's contribution to the ministry and other costs of the BDBF. PCCs and the BDBF are being affected by low interest rates and the economic climate affecting the donations being received.

The distribution of national church funds to dioceses using the Darlow formula ceased in 2016 and a new formula based on population, income and deprivation levels has been introduced. This new funding calculation has benefited the BDBF. There is also a new funding stream available for growth initiatives and the BDBF will be pursuing funding from this source in 2017.

3.2.4 Financial Sustainability

The majority of income for BDBF comes from Parish Share. In order to support the parishes and safeguard future expenditure the Parish Share Budget is reviewed carefully to minimise increases. Parishes are also being supported to increase their income from parishioners' donations by providing an officer skilled in stewardship and promoting mission in churches. During 2017 parishes who have been unable to meet their share previously will be invited to a meeting to discuss their resources.

The aim of Vision 2026 is to have growing, healthy churches, transforming their communities. This can be described as the congregations growing in the understanding and application of their Christian faith and growing in numbers, which in relation to finance will allow them to have a stable financial base from which to play a full part in supporting the finances of the diocese.

Consideration is always given to the sustainability of Stipendiary Ministerial positions. Parish ministerial re-organisation is ongoing.

When Diocesan posts become vacant, prior to being filled, they are reviewed to ascertain whether the work can be carried out in a different way.

3.2.5 Going Concern

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

3.2.6 Investment Policies

The BDBF's investment policies are based on two key policies:

Ethical investment – the BDBF seeks to pursue an investment policy consistent with the values of the Christian faith. This is achieved by following the EIAG guidelines and policies of the National Investing Bodies of the Church of England.

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

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

Trustees' Annual Report *(continued)*

3.2.7 Reserves Policy

The Directors have reviewed the charity's needs for reserves in line with the guidance issued by the Charity Commission. The BDBF has considerable responsibilities, including the remuneration and housing of on average 167 parochial stipendiary clergy. The BDBF aims to maintain the equivalent of at least three months' budgeted expenditure (Parish Share budget) up to a maximum of six months' expenditure. This will be held within the unrestricted funds (excluding fixed assets and pension deficit), the investments of the designated funds allocated to generate income for general operations. This is considered sufficient to cover short-term cash outflows and cushion non-receipt of Parish Share. This policy is reviewed annually.

The current level of free reserves is £5,870,000 and represents 6.89 months of expenditure which exceeds the current policy by £756,000. The Directors at their meeting in February 2017 have agreed to designate any amount over and above the free reserves level to the Diocesan (Vision) Strategic Development Fund to start providing the matched funding necessary for Strategic Development Funding applications. The transfer will be made in 2017.

There are a number of designated funds totalling £3,023,000 and the material ones are as follows. Those designated to provide income to specific purposes in the parish share budget of £992,000 are included in the free reserves figure.

In 2016 the Directors reviewed the Office Assets Fund (previously the sinking fund) and approved retaining the balance of £308,000 designated for repairs, renovation or for buying a new building in the future. The extra mission and ministry grant is used to support the parish share budget £160,000. The loan and growth funds are used to provide some of the loans and grants to parishes to continue their mission projects £327,000.

The BDBF also administers a number of restricted and endowment funds that are held in specific trusts under charity law and are not available for general purposes. As at 31 December 2016 restricted funds totalled £7,461,000 and endowment funds totalled £44,233,000. A description of each reserve, together with the intended use of the fund is set out in notes 29 and 30 of the financial statements on pages 47 to 49.

3.3. PRINCIPAL RISKS AND UNCERTAINTIES

The directors of the charitable company have overall responsibility for ensuring that the charity has an appropriate system of controls, financial and otherwise. The systems of internal control are designed to provide reasonable, but not absolute, assurance against material misstatement or loss. They include:

- an annual budget approved by the directors
- regular consideration of financial results and cash flows
- regular review of internal controls
- delegation of authority and segregation of duties
- regular review and update of risk assessments

The directors will continue to develop the risk management process to assess and document business risks and implement risk management strategies. This involves assessing the types of risks the charity faces, prioritising them in terms of potential impact and likelihood of occurrence, and identifying means of mitigating the risks. This process draws on ongoing consideration of business risk, which already forms a significant aspect of the directors' duties and of the management review by the Auditors, which occurs annually to discuss financial and internal control issues. There is no internal audit function as it is not considered an efficient use of the resources of the charity. The risk register is reviewed on a six-monthly basis and material changes are notified to the directors.

Trustees' Annual Report *(continued)*

The key risks, which may impact on the charitable company, include:

1. A decline in the payment of Parish Share – the risk is that the BDBF is unable to meet its objectives due to financial constraints.

Existing Controls

- regular monitoring and meetings
- budget for the shortfall
- pastoral reorganisation to ensure affordability
- focus on stewardship
- free reserves policy

Controls to be introduced in 2017

- parish meetings with those who need help to meet their 2017 assessment

2. Reducing regular weekly attendance – the risk is that parishes will become increasingly unable to pay parish share due to the reduced number and the BDBF is unable to meet its objectives due to financial constraints.

Controls to be introduced in 2017

- focus on Vision 2026 and supporting church community in missional work
- applying for National Church funding to support the strategic plan of 50 new or revitalised church communities

3. Declining stipendiary clergy numbers - the risk is that the BDBF is unable to resource the local parish.

Controls to be introduced in 2017

- improved vocation support
- aim to increase ordinand and curate numbers
- develop lay leadership

4. Safeguarding cases, both current and historic – the risk that there is an occurrence of abuse by someone working on behalf of the Diocese and the reputational risk of abuse having happened in the past not being adequately dealt with.

Existing Controls

- the BDBF has an appropriately trained Diocesan Safeguarding Advisor (DSA)
- mandatory national safeguarding training undertaken for all who hold the Bishop's licence, members of PCC's and those undertaking work in parishes with vulnerable adults and children
- expectation of a Parish safeguarding officer in each parish
- clergy discipline measure 2016: all clergy must have due regard for all national safeguarding policy and practice guidance
- diocesan self-assessment processes and parish safeguarding audit undertaken and returned to DSA
- the BDBF follows National Church guidelines in relation to past cases
- appropriate insurance cover

Controls to be introduced in 2017

- mandatory national safeguarding training for all who require it
- assistant DSA being recruited in line with national church recommendations
- maintain and updating compliance with national church policy and practice guidance
- participation in pilot national safeguarding progress review

3.4. FUNDS HELD AS CUSTODIAN TRUSTEE FOR OTHERS

The BDBF is custodian trustee of assets held on permanent trust by virtue of the Parochial Church Councils (Powers) Measure 1956 and the Incumbents and Churchwardens (Trusts) Measure 1964 where the managing trustees are parochial church councils and others.

Trustees' Annual Report *(continued)*

PCC trust investment assets held by the BDBF had a market value of £12.7m at 31 December 2016 (2015 £11.6m). Detailed certificates of holdings were sent to parishes (c. 1,500 accounts) and other managing trustees of the respective charities as requested at that date.

The BDBF also acts as custodian trustee in relation to Parochial Church Council (PCC) property. These assets are held separately to those of the BDBF.

4. PLANS FOR FUTURE PERIODS

We plan to support the diocesan commitment to Making Disciples of Jesus Christ by:

- encouraging initiatives in prayer, bible reading and spirituality.
- equipping people for whole life discipleship.
- resourcing people and churches through the work of Christian stewardship.

We plan to support the diocesan commitment to Being Witnesses to Jesus Christ by:

- developing and increasing the range of resources to support outreach and evangelism in the local church.
- resourcing work on outer estates.
- actively supporting social responsibility through, advice, training, resources and local projects.
- actively encouraging and resourcing Church Planting and Fresh Expressions of Church.
- continuing to develop effective internal and external communication through a wide variety of media and providing communication resources and training courses.

We plan to support the diocesan commitment to Growing Leaders for Jesus Christ by:

- developing ministerial training and resources – in particular creating opportunities for ministry and training in challenging contexts.
- actively promoting vocations to a breadth of ministries with a particular focus on encouraging younger vocations.
- offering ongoing support and resources to people involved in a variety of leadership roles.
- providing effective and efficient structures to facilitate ministry in local contexts.

Our intent is that during the period 2017-2018, through a range of legal and administrative functions, we will continue to resource the actions outlined above enabling the continuing implementation of the priorities identified within Vision 2026.

We will also conclude the consultation on the Vision Implementation Strategy and seek approval from the directors. This will enable us to submit a bid to the Church Commissioners for Strategic Development Funding. The first of these applications will be submitted in April 2017 for Outer Estates Leadership (phase 1).

Trustees' Annual Report *(continued)*

5. ATTENDANCE OF DIRECTORS AT MEETINGS IN 2016

	Total	
Ex officio		
Very Revd C J Armstrong	2/2	(resigned 18 June 2016)
Mr R J Collins	4/5	
Revd Canon Dr S J Cox	4/5	
Mr T D Cox	5/5	
Canon J J Dell	5/5	
Ven M Everitt	5/5	
Revd N E Goodrich	5/5	(appointed 1 January 2016)
Rt Revd J T Henderson	4/5	
Ven M C Ireland	4/5	(appointed 14 February 2016)
Mr P Jelley	4/5	
Rt Revd P J North	1/5	
Rt Revd G S Pearson	3/5	
Revd Canon A G Sage	4/5	
Co-opted		
Mr N P Aves	5/5	
Mr D J Wilkinson	5/5	
Elected Clergy		
Revd P A Bicknell	3/5	
Revd Canon A Holliday	5/5	
Revd P A Lillicrap	4/5	(appointed 1 January 2016)
Revd R A H Marshall	4/5	
Elected Lay Persons		
Mr G D Burrows	5/5	(appointed 1 January 2016)
Canon M L Chew	2/5	(appointed 1 January 2016)
Mr C Scott	5/5	
Ms J M Stamper	5/5	

6. APPOINTMENT OF AUDITOR

On 21 September 2016 KPMF LLP resigned as auditors and haysmacintyre have been appointed by the Directors.

A resolution to reappoint haysmacintyre as auditor to the company and to authorise the trustees to fix their remuneration will be proposed at the Annual General Meeting.

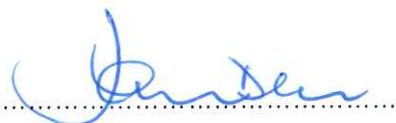
Trustees' Annual Report *(continued)*

7. DISCLOSURE OF INFORMATION TO AUDITOR

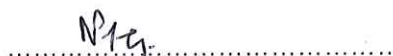
The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

The Directors appreciate the voluntary contribution made by the clergy and laity who sit on various Committees of the BDBF.

By Order of the Board approving both the Directors' Report and Strategic Report



Chair of the Board of Finance
Canon John Dell



Director of the Board of Finance

Diocesan Offices
Clayton House
Walker Office Park
Blackburn
BB1 2QE

17 June 2017

Statement of Directors' responsibilities in respect of the Trustees' annual report and the financial statements

The trustees are responsible for preparing the Trustees' Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the trustees (as Directors) to prepare financial statements for each financial year. Under that law the trustees have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

Under company law the trustees must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the charitable company and of the surplus or deficit of the charitable company for that period. In preparing these financial statements, the trustees are required to:

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

The trustees are responsible for keeping adequate accounting records that are sufficient to show and explain the charitable company's transactions and disclose with reasonable accuracy at any time the financial position of the charitable company and enable them to ensure that the financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the charitable company and to prevent and detect fraud and other irregularities.

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

Independent auditor's report to the members of The Blackburn Diocesan Board of Finance Limited (by guarantee)

We have audited the financial statements of The Blackburn Diocesan Board of Education for the year ended 31 December 2016 which comprise the Statement of Financial Activities, the 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 including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

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

Respective responsibilities of trustees and auditor

As explained more fully in the Statement of Trustees' Responsibilities set out on page 11, the trustees (who are also the directors of the charitable company for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

We have been appointed auditor under the Companies Act 2006. 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 Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the charitable company's affairs as at 31 December 2016 and its net movement in funds, including the 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.

Opinions on other matters prescribed by the Companies Act 2006

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

- The information given in the Annual Report (which incorporates the directors' report) for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- The Annual Report (which incorporates the directors' report) has been prepared in accordance with applicable legal requirements.

In the light of our knowledge and understanding of the charitable company and its environment obtained in the course of the audit, we have not identified material misstatements in the Annual Report (which incorporates the directors' report).

Independent auditor's report to the members of The Blackburn Diocesan Board of Finance Limited (by guarantee) *(continued)*

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:

- 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:
- the charitable company has not kept adequate and sufficient accounting records, 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; or
- the trustees were not entitled take advantage of the small companies exemption from the requirement to prepare a Strategic Report.



Adam Halsey (Senior statutory auditor)
for and on behalf of haysmacintyre, Statutory Auditor

26 Red Lion Square
London
WC1R 4AG

17 June 2017

Statement of Financial Activities

for the year ended 31 December 2016

		Unrestricted funds		Restricted funds	Endowment funds	Total funds	Total funds
	Note	General £000	Designated £000	£000	£000	2016 £000	2015 £000
Income and endowments from:							
Donations and legacies							
Parish contributions	2	7,415	-	-	-	7,415	7,185
Archbishops' Council	3	-	-	918	98	1,016	1,061
Other	4	30	140	441	16	627	584
Charitable activities: statutory fees, chaplaincy and other income							
	5	164	24	812	-	1,000	1,059
Other trading activities							
	6	252	-	119	210	581	577
Investments							
	7	175	24	475	28	702	597
Other							
	8	273	1	418	321	1,013	1,139
Total		8,309	189	3,183	673	12,354	12,202
Expenditure on:							
Raising funds	9	350	-	25	-	375	269
Charitable activities	10	3,059	180	6,461	1,303	11,003	10,509
Total	11	3,409	180	6,486	1,303	11,378	10,778
Net income/(expenditure) before investments							
		4,900	9	(3,303)	(630)	976	1,424
Net gains on investments							
	20	245	115	(12)	676	1,024	334
Net income/(expenditure) before transfers							
		5,145	124	(3,315)	46	2,000	1,758
Transfers between funds							
	12	(4,554)	12	3,304	1,238	-	-
Net income/(expenditure) before other recognised gains and losses							
		591	136	(11)	1,284	2,000	1,758
Other recognised gains/(losses)							
Gains on revaluation of fixed assets	20	-	-	-	74	74	31
Gains/(losses) on defined benefit pension schemes		734	-	-	-	734	(21)
Net movement in funds		1,325	136	(11)	1,358	2,808	1,768
Reconciliation of funds							
Total funds at 1 January 2016		1,831	2,887	7,472	42,875	55,065	53,297
Total funds at 31 December 2016	14	3,156	3,023	7,461	44,233	57,873	55,065

All activities derive from continuing activities. The notes on pages 26 to 51 form part of the financial statements.

Details of comparative figures by fund are disclosed in note 33.

Income and Expenditure Account

for the year ended 31 December 2016

	2016 £000	2015 £000
Total income	11,681	11,488
Total expenditure	(10,075)	(9,613)
	<hr/>	<hr/>
Operating surplus/(deficit) for the year	1,606	1,875
Net gains on investments	348	171
	<hr/>	<hr/>
Net income for the year	1,954	2,046
Other comprehensive income:		
Net assets transferred to endowments	(1,238)	(537)
Actuarial gains(losses) on defined benefit pension schemes	734	(21)
	<hr/>	<hr/>
Total comprehensive income	1,450	1,488
	<hr/>	<hr/>

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

Balance Sheet

at 31 December 2016

	Note	2016 £000	2015 £000
Fixed Assets			
Tangible Assets	19	39,270	38,493
Investments	20	15,145	13,861
Investment Property	20	1,960	1,886
		<hr/>	<hr/>
		56,375	54,240
Current assets			
Stocks	21	6	6
Debtors (amounts receivable after more than one year: £500,000 (2015:£512,000))	22	1,057	1,079
Deposits and Cash at bank and in hand	23	5,866	6,043
		<hr/>	<hr/>
		6,929	7,128
Creditors: amounts falling due within one year	24	(542)	(358)
		<hr/>	<hr/>
Net current assets		6,387	6,770
Creditors: amounts falling due after more than one year	24	(752)	(645)
Provisions for liabilities: Pensions and similar obligations	24	(4,137)	(5,300)
		<hr/>	<hr/>
		(4,889)	(5,945)
Net Assets	26	<hr/> 57,873 <hr/>	<hr/> 55,065 <hr/>
Capital and Reserves			
Endowment funds	30	44,233	42,875
(Including investment revaluation reserve of £4,089,000 (2015: £3,219,000))			
Restricted funds	29	7,461	7,472
(Including investment revaluation reserve of £12,000 (2015: £24,000))			
Unrestricted funds	28	3,156	1,831
(Including investment revaluation reserve of £1,038,000 (2015: £793,000))			
Designated funds	28	3,023	2,887
(Including investment revaluation reserve of £1,028,000 (2015: £964,000))			
		<hr/>	<hr/>
		57,873	55,065

The notes on pages 26 to 51 form part of the financial statements.

These financial statements were approved by the Directors and were signed on their behalf on 17 June 2017 by:



Canon John Dell
Chair of the Board of Finance



Director Board of Finance

Cash flow statement

for the year ended 31 December 2016

	2016 £000	2016 £000	2015 £000	2015 £000
<i>Net income before other recognised gains and losses</i>	976		1,424	
(Gains)/Losses on disposal of fixed assets	(704)		(1,086)	
(Gains)/Losses on disposal of investments	-		(5)	
Depreciation	96		88	
Impairment of fixed assets	262		41	
Increase in stock	-		(1)	
Decrease/(increase) in debtors	(169)		206	
Increase in creditors current liabilities	184		(94)	
Movement in pension commitment	(429)		(453)	
<i>Cash inflow from operating activities</i>		216		120
<i>Net income from investing activities</i>				
Purchase of tangible fixed assets	(2,225)		(2,039)	
Proceeds of sale of fixed assets	1,794		2,339	
Purchase of investments	(260)		(776)	
Proceeds from sale of investments	-		29	
Net cash outflow from investing activities		(691)		(447)
<i>Net cash inflow/(outflow) from financing activities</i>				
Cash inflows from new borrowing	107		-	
Loan repayments received	196		24	
New loans made to parishes	(5)		(181)	
Net cash inflow/(outflow) from financing activities		298		(157)
<i>(Decrease)/increase in cash in the year</i>		(177)		(484)
<i>Cash and cash equivalents at the beginning of the year</i>		6,043		6,527
<i>Cash and cash equivalents at the end of the year</i>		5,866		6,043
<i>Analysis of cash and cash equivalents</i>				
	2016 £000		2015 £000	
Cash in hand and at bank	745		771	
Short term deposits	5,121		5,272	
	5,866		6,043	

The notes on pages 26 to 51 form part of the financial statements.

Notes

(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the charitable company's financial statements.

Basis of preparation

The financial statements have been prepared in accordance with the Companies Act 2006, the Charities SORP (2015) and applicable accounting standards FRS102, and under the historical cost convention adjusted for the revaluation of certain fixed assets.

The Directors are satisfied that there are no material uncertainties about the charitable company's ability to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the Trustees' annual report and financial statements.

The Directors believe that the charitable company is a public benefit entity.

Critical accounting judgements and key sources of estimation uncertainty

In the application of the accounting policies, trustees are required to make judgement, estimates, and assumptions about the carrying value of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affected current and future periods.

Judgements made by the trustees, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are deemed to be in relation to the depreciation rates of tangible fixed assets and the assumptions used in determining the value of the pension scheme deficit.

In the view of the trustees, no assumptions concerning the future or estimation uncertainty affecting assets or liabilities at the balance sheet date are likely to result in a material adjustment to their carrying amounts in the next financial year.

Fixed assets and depreciation

Assets with a value in excess of £500 are capitalised. Freehold land is not depreciated. Depreciation is only provided for on the jointly owned Diocesan Offices. No other depreciation is provided on the charitable company's freehold buildings including parsonage houses (explanation regarding parsonage houses is included in note 19) as the depreciation charge is immaterial.

As it is the charitable company's policy to maintain houses to a high standard, in accordance with a planned approach to repair and maintenance, such properties maintain residual disposal values in aggregate at least equal to their book values.

The charitable company will perform annual impairment testing of assets on which depreciation is not provided to determine whether residual values of housing properties in aggregate continue to exceed carrying value.

The company holds all Heritage assets at an accurate valuation wherever possible. Where not possible they are held at depreciated value.

Notes (continued)

1 Accounting policies (continued)

Depreciation is provided on the Diocesan Offices and to write off the cost less the estimated residual value of other tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

Leasehold property	30 years or, if shorter, the remainder of the lease term
Diocesan Offices	50 years on property 20 years on remodelling
Whalley Abbey Retreat and Conference House	15 years to a residual value of £500,000
Fixtures, fittings and office equipment	4-10 years
Heritage asset	15 years

Fixed asset investments

Fixed asset investments are stated at market value at the balance sheet date. Movements in market value arising during the year are shown as unrealised gains or losses on fixed asset investments in the Statement of Financial Activities.

Investment properties

Glebe properties which are held for investment purposes and rented out have been included at their fair value.

Previously, all glebe properties were held as functional assets, but on review it has been determined that some of the agricultural glebe land is held for the purposes of producing income for clergy stipends, therefore these holdings should be classified as investment properties. As an investment asset revenue-earning glebe has been revalued to fair value.

Stocks

Stocks are stated at the lower of cost and net realisable value.

Income

Parish contributions

Income includes amounts received from Parochial Church Councils in respect of parish share for general, stipends fund and parsonage house fund assessments. Parish share is recognised in the accounts when there is evidence of entitlement, receipt is probable and its amount can be measured reliably.

Income from Archbishops' Council

Money from National Church Institutions is recognised when entitlement is probable.

Other donations, grants, legacies and similar income

Grants and donations receivable towards the cost of additions or improvements to freehold buildings are credited to income in the period to which they relate. Other grants are recorded as income when entitlement is probable. Where grants are restricted to future accounting periods they are treated as deferred income and recognised in those accounting periods. Other donations are recorded as income when received.

Other trading activities

Other trading activities relate to the operations of Whalley Abbey, the Diocesan conference and retreat house, and the receipts from the sale of the Diocesan magazine. The income from these sources is recognised on an accruals basis. Income in the restricted fund mainly relates to fees and chaplaincy income and is recognised when entitlement is certain.

Investment income

Investment income is recognised on an accruals basis.

Notes (continued)

1 Accounting policies (continued)

Expenditure

Expenditure has been charged to the Statement of Financial Activities on an accruals basis. Expenditure relating directly to the objectives of the charity is shown as direct charitable expenditure.

Grants payable

Grants payable are debited to expenditure when the charitable company has a constructive obligation to pay.

Ministry in Parishes

Ministry in Parishes includes the stipends, NI, pensions, housing costs and any direct expenses paid by the charitable company for stipendiary ministers located in parishes.

Ministry Support

Ministry Support includes the costs of the charitable company that provide either a direct service to the parishes or to the community of the parish. It also includes the National Training costs paid to National Church for the training of Ordinands and the costs of Whalley Abbey the retreat house of the Diocese.

Support and Governance Costs

Governance costs includes audit fee, trustee meeting expenses, Diocesan Synod expenses, Bishops Council expenses and an allocation of costs based on estimated time spent preparing statutory information and for governance/ strategic issues, by the Finance Department, Diocesan Secretary and Head of Support Services.

Support includes the costs of the finance department and general management not included under Governance costs. Support costs have been allocated based on an estimate of time spent in each area.

Taxation

The Blackburn Diocesan Board of Finance Limited (by guarantee) is considered to pass the tests set out in paragraph 1 Schedule 6 Finance Act 2010 and therefore it meets the definition of a charitable company for UK Corporation Tax purposes. Accordingly, the charity is potentially exempt from taxation in respect of income or capital gains received within categories covered by Chapter 3 Part II Corporation Tax Act 2010 or Section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively to charitable purposes.

Pensions

The charitable company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the charitable company in independently administered funds. The amount charged in the Statement of Financial Activities represents the contributions payable to the scheme in respect of the accounting period.

The charitable company also participates in the Church Workers Pension Fund and the Church of England Funded Pension Scheme (see note 16). The assets of the defined benefit pension schemes are held separately from the charitable company in independently administered funds. The pension costs charged as expenditure represent the BDBF's contributions paid in respect of the accounting period, in accordance with FRS102. Deficit funding for the pension schemes to which the BDBF participates is accrued at current value.

Fund accounting

Funds held by the charitable company are either:

Unrestricted funds – these are funds which can be used in accordance with the charitable objects at the discretion of the trustees.

Designated funds – these are funds set aside by the trustees out of unrestricted general funds for specific future purposes or projects.

Notes (continued)

1 Accounting policies (continued)

Restricted funds – these are funds that can only be used for particular restricted purposes within the objects of the charitable company. Restrictions arise when specified by the donor or when funds are raised for particular restricted purposes.

Endowment funds - this is capital, held in perpetuity to create income for specified purposes.

Further explanation of the nature and purpose of each fund is included in the notes to the financial statements.

Where a grant or donation is received to fund a capital item or where an asset is donated, if there is an obligation relating to the future use or retention of the relevant asset, the balance relating to that asset is held within restricted funds as long as that restriction exists. Where there is no such restriction, the income relating to the purchase of capital items is transferred to unrestricted funds in the Statement of Financial Activities.

2 Parish contributions

	Unrestricted funds		Restricted funds	Endowment Funds	Total funds 2016	Total funds 2015
	General £000	Designated £000	£000	£000	£000	£000
Parish share						
Current year's allocation	8,305	-	-	-	8,305	8,124
Provision for Share Support Fund	(890)	-	-	-	(890)	(939)
	<u>7,415</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,415</u>	<u>7,185</u>

3 Archbishops' Council

	Unrestricted Funds		Restricted Funds	Endowment Funds	Total funds 2016	Total funds 2015
	General £000	Designated £000	£000	£000	£000	£000
Selective Allocation	-	-	717	98	815	842
Parish Mission Fund	-	-	168	-	168	168
Pooling of ordinands costs	-	-	-	-	-	23
Mixed-mode ordinands grant	-	-	33	-	33	28
	<u>-</u>	<u>-</u>	<u>918</u>	<u>98</u>	<u>1,016</u>	<u>1,061</u>

4 Other donations

	Unrestricted Funds		Restricted Funds	Endowment Funds	Total funds 2016	Total funds 2015
	General £000	Designated £000	£000	£000	£000	£000
Social Responsibility Projects	-	-	-	-	-	27
Allchurches Trust	-	130	-	-	130	127
Donations	13	10	389	2	414	306
Legacies	17	-	-	-	17	100
Other Grants	-	-	52	14	66	24
	<u>30</u>	<u>140</u>	<u>441</u>	<u>16</u>	<u>627</u>	<u>584</u>

Notes (continued)

5 Charitable activities

	Unrestricted Funds		Restricted	Endowment	Total funds	Total funds
	General	Designated	Funds	Funds	2016	2015
	£000	£000	£000	£000	£000	£000
Statutory fees; chaplaincy income	-	-	620	-	620	668
Church Commissioners -						
Guaranteed annuities	-	-	3	-	3	3
Suffragan Bishops' secretarial	31	-	-	-	31	27
Parish curate	-	-	38	-	38	34
Whalley Abbey Conference House	97	-	-	-	97	105
Social Responsibility projects fees	-	-	151	-	151	121
Sale of publications	-	22	-	-	22	25
Income for training courses	13	-	-	-	13	13
Other fees/sales	23	2	-	-	25	63
	<u>164</u>	<u>24</u>	<u>812</u>	<u>-</u>	<u>1,000</u>	<u>1,059</u>

6 Other trading activities

	Unrestricted funds		Restricted	Endowment	Total funds	Total funds
	General	Designated	Funds	Funds	2016	2015
	£000	£000	£000	£000	£000	£000
Rental Income	82	-	119	210	411	383
Whalley Abbey Conference House	153	-	-	-	153	177
Accounting service	17	-	-	-	17	17
	<u>252</u>	<u>-</u>	<u>119</u>	<u>210</u>	<u>581</u>	<u>577</u>

7 Investment Income

	Unrestricted funds		Restricted	Endowment	Total funds	Total funds
	General	Designated	Funds	Funds	2016	2015
	£000	£000	£000	£000	£000	£000
Dividends receivable	168	23	431	28	650	544
Interest receivable	7	1	14	-	22	24
Rents receivable	-	-	30	-	30	29
	<u>175</u>	<u>24</u>	<u>475</u>	<u>28</u>	<u>702</u>	<u>597</u>

Notes (continued)

8 Other income

	Unrestricted funds		Restricted	Endowment	Total funds	Total funds
	General	Designated	Funds	Funds	2016	2015
	£000	£000	£000	£000	£000	£000
Gains on disposal of fixed assets	-	-	418	321	739	1,121
Whalley Abbey Insurance Claim	266	-	-	-	266	-
Realised Gain on Investments	-	-	-	-	-	3
Loan interest	7	1	-	-	8	13
New Funds	-	-	-	-	-	2
	<u>273</u>	<u>1</u>	<u>418</u>	<u>321</u>	<u>1,013</u>	<u>1,139</u>

9 Cost of raising funds

	Unrestricted funds		Restricted	Endowment	Total funds	Total funds
	General	Designated	Funds	Funds	2016	2015
	£000	£000	£000	£000	£000	£000
Social Responsibility Team	-	-	17	-	17	10
Parish share						
Secretariat	7	-	-	-	7	6
Archdeacons	-	-	6	-	6	5
Bishop's Harvest Appeal	-	-	1	-	1	-
Investment Management Costs	4	-	1	-	5	10
Whalley Abbey Rents	19	-	-	-	19	-
Fundraising Trading Whalley Abbey	320	-	-	-	320	238
	<u>350</u>	<u>-</u>	<u>25</u>	<u>-</u>	<u>375</u>	<u>269</u>

Notes (continued)

10 Charitable Activities

	Unrestricted funds		Restricted	Endowment	Total funds	Total funds
	General	Designated	Funds	Funds	2016	2015
	£000	£000	£000	£000	£000	£000
Contributions to Archbishops' Council						
Training for ministry	281	-	-	-	281	276
National Church responsibilities	212	-	-	-	212	208
Grants and provisions	27	-	-	-	27	27
Mission Agency pension contributions	16	-	-	-	16	16
Retired clergy housing costs (CHARM)	91	-	-	-	91	88
Pooling of ordinand candidates costs	47	-	-	-	47	-
General Synod expenses	13	-	-	-	13	15
	<u>687</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>687</u>	<u>630</u>
Parish ministry						
Stipends & National Insurance	-	-	4,172	-	4,172	4,307
Pension contributions	124	-	928	-	1,052	1,076
Housing costs	-	-	185	1,303	1,488	1,470
Community Centre Impairment Removal, resettlement and other grants	-	-	262	-	262	-
Other expenses	-	16	37	-	53	22
	<u>124</u>	<u>16</u>	<u>5,790</u>	<u>1,303</u>	<u>7,233</u>	<u>7,053</u>
Support for ministry						
Departments	1,534	100	25	-	1,659	1,554
DBF Housing	40	-	-	-	40	24
Whalley Abbey Conference House	291	-	-	-	291	196
Whalley Abbey House Renovation	-	-	132	-	132	61
Redundant churches	-	-	67	-	67	25
Debt Provision	-	-	-	-	-	131
Social Responsibility Projects	-	-	210	-	210	275
Sale of Publications	-	25	-	-	25	27
Miscellaneous Expenses	-	-	20	-	20	23
	<u>1,865</u>	<u>125</u>	<u>454</u>	<u>-</u>	<u>2,444</u>	<u>2,316</u>
Expenditure on education						
Grants for the work of the Board	371	-	6	-	377	329
	<u>371</u>	<u>-</u>	<u>6</u>	<u>-</u>	<u>377</u>	<u>329</u>
Expenditure on Diocesan projects						
Grants to Clergy	-	-	6	-	6	5
Grants to Parishes	-	39	146	-	185	105
Grants to Retired Clergy and Widows	-	-	30	-	30	31
Grant to Christian Aid and Mothers Union	-	-	27	-	27	23
Grants to Churches Together in Lancashire	6	-	-	-	6	11
Other Grants	6	-	2	-	8	6
	<u>12</u>	<u>39</u>	<u>211</u>	<u>-</u>	<u>262</u>	<u>181</u>
Charitable activities	<u>3,059</u>	<u>180</u>	<u>6,461</u>	<u>1,303</u>	<u>11,003</u>	<u>10,509</u>

Notes (continued)

11 Analysis of expenditure including allocation of support costs

	Activities undertaken directly £000	Grant funding of Activities £000	Manage- ment Admin Support £000	Total 2016 £000	Total 2015 £000
Fundraising Trading Whalley Abbey	320	-	-	320	238
Cost of raising funds	42	-	13	55	31
Contributions to Archbishops' Council	-	687	-	687	630
Resourcing ministry and mission	8,991	-	686	9,677	9,369
Education	-	377	-	377	329
Diocesan projects	-	262	-	262	181
	<u>9,353</u>	<u>1,326</u>	<u>699</u>	<u>11,378</u>	<u>10,778</u>

Analysis of support costs

	Unrestricted funds		Restricted Funds	Endowment Funds	Total funds 2016 £000	Total funds 2015 £000
	General £000	Designated £000	£000	£000	£000	£000
Raising Funds	7	-	6	-	13	11
Central Administration	554	-	-	-	554	589
Governance costs						
Secretariat	46	-	-	-	46	43
Accounting and Finance Office	33	-	-	-	33	31
Audit fees	41	-	-	-	41	16
Diocesan Synod expenses	10	-	-	-	10	13
DBF Executive and Bishop's Council Meetings	2	-	-	-	2	3
	<u>693</u>	<u>-</u>	<u>6</u>	<u>-</u>	<u>699</u>	<u>706</u>

Notes (continued)

12 Analysis of transfers between funds

	Unrestricted funds		Restricted	Endowment	Total	Total
	General	Designated	Funds	Funds	2016	2015
	£000	£000	£000	£000	£000	£000
Parish share	(4,656)	-	3,705	951	-	-
Grant from Bishop's Fund for Mixed mode Ordinands	31	-	(31)	-	-	-
HR Support Cost transfer to Stipends Fund	36	-	(36)	-	-	-
Rural Affairs Officer and DAC volunteer expenses funded by Allchurches Grant	5	(5)	-	-	-	-
Vision Coordinator post funded by Vision 2016 fund and Church Commissioners Grant	57	(15)	(42)	-	-	-
Designated for Church Workers Pension Deficit	(20)	20	-	-	-	-
Designation of Legacy	(17)	17	-	-	-	-
Release balance of fund designated to LCTP	5	(5)	-	-	-	-
From Grant fund to Healthy Churches	5	-	(5)	-	-	-
Parsonages sold – transfer book value from Parsonages Fund to Pastoral Fund	-	-	301	(301)	-	-
Parsonages additions – transfer asset value from Pastoral Fund to Parsonages Fund	-	-	(666)	666	-	-
Pastoral scheme to transfer redundant parsonage	-	-	78	(78)	-	-
	<u>(4,554)</u>	<u>12</u>	<u>3,304</u>	<u>1,238</u>	<u>-</u>	<u>-</u>

The funds that have been transferred have been used in line with any applicable restrictions and have been transferred to make the presentation of the expenditure more transparent. The spending of the funds has extinguished any restrictions. The fund transfers are:

Parish Share

Total share is received into general funds and an allocation made to stipends fund (restricted) and parsonages fund (expendable endowment), according to net expenditure of those funds.

Parsonage Stock Transfer

Since 2001, parsonages for sale have been transferred from Parsonages Houses Fund to the Pastoral Fund at no charge and sales proceeds deposited in the Pastoral Fund. Replacement parsonage purchases have been paid for out of the Pastoral Fund.

Other Transfers

The recharge of part of the cost of HR resources (£35,758) to Stipends Income Account.

Notes (continued)

13 Net income for the year

	2016 £000	2015 £000
<i>These are stated after charging:</i>		
Auditor's Remuneration – audit of prior year financial statements	18	16
Auditor's Remuneration – audit of 2016 financial statements	17	-
Whalley Abbey Conference House Trading Deficit	51	89

14 Summary of fund movements

	Balances at 1 January 2016 £000	Income £000	Expenditure £000	Transfers £000	Gains and (losses) £000	Balances at 31 December 2016 £000
Unrestricted funds						
General	1,831	8,309	(3,409)	(4,554)	979	3,156
Designated	2,887	189	(180)	12	115	3,023
	<u>4,718</u>	<u>8,498</u>	<u>(3,589)</u>	<u>(4,542)</u>	<u>1,094</u>	<u>6,179</u>
Restricted funds						
Pastoral Account	5,414	730	(467)	(432)	-	5,245
Parish Pastoral Fund	588	3	-	145	-	736
Social Responsibility Projects	301	156	(229)	-	-	228
Stipends Income Account	-	1,855	(5,524)	3,669	-	-
Opportunity Fund	420	173	(152)	(4)	-	437
Ordinands Fund	121	54	(4)	(31)	-	140
Bishop's Harvest Appeal	27	25	(28)	-	-	24
Bishop's Clergy Widows and Retired Clergy Fund	523	81	(43)	-	(12)	549
Bishop's Clergy Fund	37	-	-	-	-	37
Other Funds	41	106	(39)	(43)	-	65
	<u>7,472</u>	<u>3,183</u>	<u>(6,486)</u>	<u>3,304</u>	<u>(12)</u>	<u>7,461</u>
Endowment funds						
Stipends Fund capital	10,106	320	-	78	392	10,896
Parsonage houses	29,742	353	(1,303)	1,160	72	30,024
Endowment Investments	3,027	-	-	-	286	3,313
	<u>42,875</u>	<u>673</u>	<u>(1,303)</u>	<u>1,238</u>	<u>750</u>	<u>44,233</u>
Total funds	<u>55,065</u>	<u>12,354</u>	<u>(11,378)</u>	<u>-</u>	<u>1,832</u>	<u>57,873</u>

Notes (continued)

15 Staff numbers and costs

The average number of people employed during the year was 63 (2015: 67.5) of this 6.5 (2015: 12) were sessional workers employed at Whalley Abbey and in Social Responsibility Projects.

The full-time equivalent employees during the year, including sessional workers, has been analysed by department.

	2016	2015
Central Services Department - General	17.9	18.0
Central Services Department - Whalley Abbey	10.5	10.7
Vision 2026 Coordinator	1.0	-
Clergy related costs (Suffragan Bishops' Secretaries, Archdeacons' Secretaries and others)	1.4	2.3
Discipleship and Ministry Department	4.7	5.3
Parish Mission Support Department - General	4.7	5.4
Parish Mission Support Department - Social Responsibility Projects	4.9	5.5
	<hr/>	<hr/>
	45.1	47.2
	<hr/>	<hr/>

Certain of the costs with reference to the staff numbers analysis by department above, are recovered from Social Responsibility project funding (4.9), the Church Commissioners (1.9), DBE Services Ltd (0.4) and Blackburn Diocesan Board of Education (1.1). The Social Responsibility projects also contribute a management charge towards the costs of the SR lead officer and the finance provision (0.7).

The aggregate payroll costs of all employees were as follows:

	2016 £000	2015 £000
Wages and salaries	1,340	1,296
Redundancy and settlement payments	6	-
Social security costs	120	110
Other pension costs	199	193
	<hr/>	<hr/>
	1,665	1,599
	<hr/>	<hr/>

There was one employee whose salary was in excess of £60,000 (2015: one employee), in the band £60,000 to £70,000. Pension contributions in respect of this employee were £21,055 (2015: £20,584).

Remuneration of key management personnel

Key management personnel are deemed to be those having authority and responsibility, delegated to them by the trustees, for planning, directing and controlling the activities of the diocese. During 2016 they were:

Diocesan Secretary and Company Secretary:	Canon Graeme Pollard
Discipleship and Ministry Department Leader:	Revd Canon Dr Susan Penfold
Parish Mission Support Department Leader:	Revd Canon David Banbury

Remuneration, pensions and expenses for these 3 employees amounted to £247,100 (2015: £236,042).

Notes (continued)

15 Staff numbers and costs (continued)

In addition to the foregoing numbers of persons employed by the charitable company in 2016 there were 157.7 (2015: 165.5) full time equivalent stipendiary clergy in post in the Diocese. These may be analysed as follows:

	2016	2015
Archdeacons	1.9	1.6
Incumbents	134.9	138.2
Sector Ministers and Advisors	-	0.2
Assistant Curates	19.9	24.5
Lay Workers	1.0	1.0
	<hr/>	<hr/>
	157.7	165.5
	<hr/>	<hr/>

The average number of stipendiary clergy in post during 2016 were 167.0 (2015: 171.5).

Although not employed by the charitable company the payroll costs of the above persons are met by the charitable company and are included in the financial statements. The aggregate payroll costs of the above persons are as follows:

	2016 £000	2015 £000
Stipend	3,882	4,020
Redundancy and settlement payments	16	-
Social security costs	305	311
Pension costs - current year	933	952
- interest costs	124	123
	<hr/>	<hr/>
	5,260	5,406
	<hr/>	<hr/>

Trustees' emoluments

	Average number of directors	
	2016	2015
Directors	22.3	26.3
	<hr/>	<hr/>

No Trustee received any remuneration for services as Trustee. The Trustees received travelling and out of pocket expenses, totalling £15,392 (2015 - £19,193) in respect of General Synod duties, duties as archdeacon or area dean, and other duties as Trustees.

Trustees who are also licensed stipendiary clergy and archdeacons in the diocese were in receipt of a stipend and housing provided by the BDBF during the year. The BDBF is also responsible for the provision of housing for the suffragan bishop but excluding the diocesan bishop and cathedral staff.

16 Pension schemes

Church of England Funded Pension Scheme

The BDBF participates in the Church of England Funded Pensions Scheme for stipendiary clergy. This scheme is administered by the Church of England Pensions Board, which holds the assets of the schemes separately from those of the Employer and the other participating employers.

Each participating employer in the scheme pays contributions at a common contribution rate applied to pensionable stipends.

Notes (continued)

16 Pension schemes (continued)

The scheme is considered to be a multi-employer scheme as described in Section 28 of FRS 102. This means it is not possible to attribute the Scheme's assets and liabilities to specific employers and that contributions are accounted for as if the Scheme were a defined contribution scheme. The pensions costs charged to the SoFA in the year are contributions payable towards benefits and expenses accrued in that year, plus any impact of deficit contributions (see below).

A valuation of the Scheme is carried out once every three years. The most recent Scheme valuation completed was carried out at 31 December 2015. The 2015 valuation revealed a deficit of £236m, based on assets of £1,308m and a funding target of £1,544m, assessed using the following assumptions:

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

Following the 31 December 2015 valuation, a recovery plan was put in place until 31 December 2025 and the contribution rates (as a percentage of pensionable stipends) are as set out in the table below. Contributions since 2015 are shown for reference:

% of pensionable stipends	January 2015 to December 2017	January 2018 to December 2025
Deficit repair contributions	14.1%	11.9%

As at December 2014 and December 2015, the deficit repair contributions payable under the recovery plan in force were 14.1% of pensionable stipends until December 2025.

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

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

	2016 £	2015 £
Balance sheet liability at 1 January	5,228,000	5,649,000
Deficit contribution paid	(542,000)	(565,000)
Interest cost (recognised in SoFA)	124,000	123,000
Remaining change to the balance sheet liability* (recognised in SoFA)	(870,000)	21,000
Balance sheet liability at 31 December	3,940,000	5,228,000

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

Notes (continued)

16 Pension schemes (continued)

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

	December 2016	December 2015	December 2014
Discount rate	1.5% pa	2.5% pa	2.3% pa
Price inflation	3.1% pa	2.4% pa	2.7% pa
Increase to total pensionable payroll	1.6% pa	0.9% pa	1.2% pa

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

Group Personal Pension Plan

The BDBF participates in a defined contribution pension scheme. The assets of the pension scheme are held separately from those of the BDBF in an independently administered fund. The pension cost charge for the year represents contributions payable by the BDBF to the fund.

Church Workers Pension Fund

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

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

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

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

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

It is not possible to attribute the scheme's assets and liabilities to specific employers, since each employer, through the Life Risk Pool, is exposed to actuarial risks associated with the current and former employees of other entities participating in the DBS. The scheme is considered to be a multi-employer scheme as described in Section 28 of FRS 102 and as such contributions are accounted for as if the Scheme were a defined contribution scheme. The pensions costs charged to the SoFA in the year are contributions payable towards benefits and expenses accrued in that year (2016: £49,269, 2015: £47,739), plus any impact of deficit contributions (see below).

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

A valuation of the DBS is carried out once every three years, the most recent having been carried out as at 31 December 2013. In this valuation, the Life Risk Section was shown to be in deficit by £4.9m and £4.3m was notionally transferred from the employers' sub-pools to the Life Risk Pool. This increased the Employer contributions that would otherwise have been payable. The overall deficit in the DBS was £12.9m.

Following the valuation, the Employer has entered into an agreement with the Church Workers Pension Fund to pay a contribution rate of 30.5% of pensionable salary and expenses of £2,300 per year.

The BDBF and the Blackburn Diocesan Board of Education (BDBE) are jointly in the scheme and the Directors will agree a split of the liability.

Notes (continued)

16 Pension schemes (continued)

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

Joint Movement	2016 £	2015 £
Balance sheet liability at 1 January	-	-
Deficit contribution paid	-	-
Interest cost (recognised in SoFA)	-	-
Remaining change to the balance sheet liability*(recognised in SoFA)	-	-
Balance sheet liability at 31 December	-	-

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

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

	December 2016	December 2015	December 2014
Discount rate	0.00%	0.00%	0.00%

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

The next valuation of the scheme is being carried out as at December 2016.

Parsonages Board Retirement Benefit Schemes

The Parsonages Board Retirement Benefit Schemes contains one scheme with one member. It is a defined benefit scheme with the Ecclesiastical Insurance Group.

The schemes is not considered material within the assets of the Blackburn Diocesan Board of Finance and due to the cost to the charity of obtain information on the scheme the Blackburn Diocesan Board of Finance have not complied in full with the requirements of FRS102.

The deficit was recognised at 1 January 2014 based on the triannual valuation (2013) of £94,200. The SOFA has been charged with the future service contribution rate with the past service deficit reducing the balance sheet liability in the intervening years. The balance sheet deficit has been adjusted on receipt of the latest triannual valuation report (2016). The deficit recognised at 31 December 2016 is £196,800.

17 Grants paid

	2016 £000
Unrestricted Fund	
National Church Responsibilities	346
National Church – Training	328
General Synod Expenses	13
Blackburn Diocesan Board of Education	371
Churches together in Lancashire	
CTL Ecumenical Officer	6
Other Organisations	
Manchester DBF (Archdeacons' Visitations)	5
3 grants of £300 or less	1
Total Unrestricted Fund	1,070

Notes (continued)

17 Grants paid (continued)

	2016 £000
Designated Fund	
Growth Fund	
Accrington St Peters PCC	5
Mill Hill St Aidan PCC	5
Eccleston St Mary PCC	5
Bilsborrow St Hilda PCC	5
Whalley Deanery	5
Lower Darwen St James PCC	5
8 grants of £1,500 and less	7
Allchurches Fund	
Computer Grants (Parishes) 2 Grants	1
InterDiocesan Counselling Service	1
Total Designated Fund	39
Restricted Funds	
Grant Fund (Restricted)	
Goosnargh St Mary PCC	50
Clitheroe St James	20
Shevington St Annes	8
Layton St Mark	6
Leyland St John	9
Leyland St Andrew	7
Blackpool Christ Church	18
Bispham All Hallows	4
Blackburn St Barnabas	6
Preston The Risen Lord	9
Blackburn Diocesan Board of Education	5
Blackburn Cathedral	10
Pastoral Fund (Restricted)	
Blackburn St Stephens PCC	
Clergy Widows and Retired Clergy (Restricted)	
Grants to individuals	
194 grant of £150 or less	29
1 grant of £1,000	1
Bishop's Harvest Appeal (Restricted)	
Christian Aid and Tear Fund	27
Other Restricted Funds	
Grants to Individuals	
12 grants to clergy at £500 (Clergy Stipends fund)	6
3 grants to ordinands at £610 or less	1
4 grants to individuals at £120 or less	1
Total Restricted Funds	217
TOTAL GRANTS PAID	1,326

Notes (continued)

18 Realised gains on disposal of houses and glebe

Total sales proceeds were £1,793,917. These were allocated to the Pastoral Fund (£1,119,111) and the Stipends Capital Fund (£674,806), from the sale of the following property:

	2016
Sales	£000
3 Parsonages	816
Parsonages land	44
5 Non Parsonage Houses	934
	<hr/>
	1,794
	<hr/>

19 Tangible fixed assets

	Parsonages £000	Non Parsonages/ Land £000	Total Freehold land and buildings £000	Long leasehold buildings £000	Fixtures, fittings and office equipment £000	Total £000
<i>Cost or valuation</i>						
At beginning of year	29,056	9,891	38,947	316	315	39,578
Additions	666	1,508	2,174	-	51	2,225
Disposals	(379)	(706)	(1,085)	-	(170)	(1,255)
Impairments	-	(262)	(262)	-	-	(262)
Transfers	(78)	78	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At end of year	29,265	10,509	39,774	316	196	40,286
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<i>Depreciation</i>						
At beginning of year	-	628	628	225	232	1,085
Charge for year	-	66	66	10	20	96
Disposals	-	-	-	-	(165)	(165)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At end of year	-	694	694	235	87	1,016
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<i>Net book value</i>						
At 31 December 2016	29,265	9,815	39,080	81	109	39,270
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2015	29,056	9,263	38,319	91	83	38,493
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

Parsonage houses are legally vested in the incumbent (an "ecclesiastical corporation sole") as freeholder during his incumbency. Three features of the incumbent's freehold have significantly influenced the accounting treatment adopted in these financial statements. Firstly, the freeholder is not free to dispose of the house for personal benefit and is not responsible for maintaining the house. Secondly, proceeds of any sale, following a pastoral reorganisation which makes the house surplus, normally revert to the Diocesan Pastoral Account or Diocesan Stipends Fund. Thirdly, the Diocese is responsible for repair and maintenance, a responsibility which is currently carried out by the Diocesan Property Committee. The Diocese therefore carries both the benefits and obligations of ownership, and accordingly the financial statements include the parsonage houses together with other Diocesan land and buildings.

Parsonage houses and other Diocesan residential houses have been included in tangible fixed assets at cost, or valuation where cost was not available for houses purchased prior to 1998. The valuation attributed to each house was the mid-point (low point for the top two bands) of the council tax valuation banding applied to the house. The aggregate value of the houses valued in this way amounted to £22,175,000 (2015: £22,632,000).

Notes (continued)

19 Tangible fixed assets (continued)

Heritage Asset

Whalley Abbey was bought from the Diocese of Manchester in 1926. It comprises of substantial remains of a Cistercian Abbey founded in 1296 and dissolved in 1537.

The Abbey of St Mary the Virgin, also known as Locus Benedictus de Whalley was founded by Henry de Lacy, third Earl of Lincoln on the 4th April 1296. The Abbey had moved from the unfavourable site of Stanlaw into the Parsonage and other temporary buildings at Whalley in 1283, when there were 20 monks.

Excavation has uncovered the outlines of the church, surviving as foundations, as does the eastern claustral range and the polygonal Chapter House.

The standing Abbey buildings and Conference House

The following notes are extracted from the Conservation Plan prepared in 2002.

The Conservation Plan was compiled under the direction of John Prichard (Lloyd Evans Prichard), architect accredited in building conservation, with architectural history advice from James Anderson and Clare Hartwell (Architectural History Practice), and archaeological advice from Jason Wood (Heritage Consultancy Services).

North-East Gatehouse

The North-East Gatehouse dates to circa 1480, and was constructed to provide an impressive entrance to the Abbot's Lodging and *Clausum*, the sacred precinct. It echoes the earlier North-West Gatehouse with its two entrance ways, but is embellished with diagonal buttresses, crenellation, and a statue niche.

Courtyard North Range

The Courtyard North Range may include some medieval content, but the present structures are principally seventeenth century, with nineteenth-century additions, and substantial late twentieth-century alterations to create the tea room, kitchen, and exhibition room. It is excluded from the scheduling.

The Conference House

The Conference House is excluded from the scheduling, but it deserves its Grade I status and is of national significance. The individual components are considered below, and elements of significance discussed.

The central block includes original medieval fabric, such as the arch adjacent to the chapel, as well as medieval stonework which has probably been re-used from demolished structures, such as the window between the Dining Room and the kitchen. The nineteenth century interiors are a very good example of Gothic Revival/Arts and Crafts work; particularly noteworthy is the roof and fireplace in the Great Hall and the staircase decorated windows.

The East Wing

The East Wing extends south from the chapel and comprises inter alia the Paslew Suite and the Peter of Chester room on the ground floor, and seven bedrooms on the first floor. The Paslew Suite and Peter of Chester room may incorporate medieval material, but they, and the bedrooms immediately above, were substantially rebuilt in the late sixteenth century, as evidenced by the mullioned windows in the east wall, the date stone (not always a true indicator and the dating of Forrest Historic by English Heritage during the 21stC refurbishment works. An extension was added in the mid-nineteenth century, with bedrooms above.

The West Wing

The West Range was added in the 1860s, and was well designed externally to blend with the late seventeenth-century gabled north extension, and the remains of the Abbot's Kitchen and Long Gallery Range on the west.

The BDBF recognises its responsibility to preserve the heritage asset and is currently looking to raise funds to be able to undertake work on the ruins. It does not intend to acquire other heritage assets. Whalley Abbey grounds are open to the public to view the ruins but access is restricted to the buildings on the site.

The current asset value for Whalley Abbey is £0.9m after a major refurbishment of the house in 2004. The asset is being depreciated over 15 years to £0.5m. The depreciated value represents the value in the accounts of the whole site and is based on an indication made by a local surveyor. It is difficult to obtain an accurate valuation for the site as the ruins represent a continued liability for their maintenance and upkeep which considerably reduces the value of the asset if sold in its entirety.

Notes (continued)

20 Investments and investment property

	Investment Property £000	Unlisted CBF investments £000	Others investments £000	Total investments £000
<i>At valuation</i>				
At beginning of year (restated)	1,886	13,846	15	15,747
Additions	-	260	-	260
Increase in market value	74	1,024	-	1,098
	<hr/>	<hr/>	<hr/>	<hr/>
At end of year	1,960	15,130	15	17,105
	<hr/>	<hr/>	<hr/>	<hr/>
<i>At historic cost</i>	660	8,846	15	9,521

Investment property is Diocesan glebe land vested in the DBF under the Endowments and Glebe Measure 1976 that is held for the purposes of producing income for clergy stipends. The glebe land is measured at fair value at the year end by an independent RICS registered valuer. The valuation has been undertaken in accordance with International and RICS Valuation Standards and has been based upon the valuer's experience in the valuation of agricultural, institutional and amenity land within the Lancashire and wider north-west region.

Unlisted investments are made up of Central Board of Finance investments in Church of England Investment Fund shares, Property Fund shares and Fixed Interest Securities. Other investments are made up of government treasury stock with various maturity dates.

21 Stocks

	2016 £000	2015 £000
Goods for resale	6	6
	<hr/>	<hr/>

22 Debtors

	2016 £000	2015 £000
<i>Amounts receivable within one year</i>		
Prepayments and accrued income	272	68
Other debtors	266	126
Amount owed by related parties (Cidari Education)	3	5
Amount owed by related parties (BDBE)	-	76
Loans to parishes	13	288
Loans to individuals	3	4
	<hr/>	<hr/>
	557	567
	<hr/>	<hr/>
	£000	£000
<i>Amounts receivable after more than one year</i>		
Loans to parishes	467	479
Loans to individuals	2	2
Amount owed by related parties (Cidari Education)	31	31
	<hr/>	<hr/>
	500	512
	<hr/>	<hr/>

Notes (continued)

23 Deposits and cash at bank and in hand

	2016	2015
	£000	£000
Deposits with Central Board of Finance	4,750	2,894
Cash at Bank and in hand	745	771
Direct Reserve Account Nat West	371	933
Special Interest Account Nat West	-	1,445
	<u>5,866</u>	<u>6,043</u>

24 Creditors

	2016	2015
	£000	£000
<i>Amounts falling due within one year</i>		
Other loans	6	6
Trade creditors	240	160
Other creditors (taxation and social security)	40	48
Other creditors	68	60
Accruals	132	84
Amounts owed to related parties (BDBE)	56	-
	<u>542</u>	<u>358</u>
<i>Amounts falling due after more than one year</i>		
CCLA loans	550	550
Due to Churches Conservation Trust	202	95
Provisions for liabilities: Pension deficit	4,137	5,300
	<u>4,889</u>	<u>5,945</u>

The long term loans from CCLA are flexible loan facilities subject to a maximum repayment term of 10 years. There are no current plans to make any payments in the next 12 months.

The amount owed to Churches Conservation Trust is due on disposal of two redundant church buildings.

25 Commitments

Commitments at 31 December 2016, for which no provision has been made in these accounts, were as follows:

	2016	2015
	£000	£000
Authorised, but not contracted:		
Grant Fund	146	234
Allchurches Grant Fund	78	13
Pastoral and Stipends Capital Fund	25	626
Clergy Housing Fund	170	188
	<u>419</u>	<u>1,061</u>

Notes (continued)

26 Net assets analysed by fund

	General Fund £000	Designated Fund £000	Total Unrestricted Funds £000	Pastoral Account £000	Other Restricted Funds £000	Total Restricted Funds £000	Parsonage Houses Fund £000	Stipends Capital / Housing Fund £000	Other Endowment Funds £000	Total Endowment Funds £000	Total Net Assets £000
Tangible Fixed Assets	2,415	-	2,415	5,297	158	5,455	29,266	2,134	-	31,400	39,270
Fixed Asset Investment	3,898	1,362	5,260	-	262	262	758	7,517	3,308	11,583	17,105
Net Current Assets	1,398	1,661	3,059	282	1,796	2,078	-	1,245	5	1,250	6,387
Long term Creditor	(4,555)	-	(4,555)	(334)	-	(334)	-	-	-	-	(4,889)
Net assets as at 31 December 2016	3,156	3,023	6,179	5,245	2,216	7,461	30,024	10,896	3,313	44,233	57,873

27 Called up share capital

The charitable company is limited by guarantee, registered in England and does not have an authorised or allotted share capital.

Notes (continued)

28 Unrestricted funds

Unrestricted funds comprise those funds which are available for application for the general purposes of the charity as set out in its governing document. Movements on this fund are as follows:

	At 1 January 2016 £000	Income £000	Expenditure, gains, losses and transfers £000	At 31 December 2016 £000
Board of Finance General and Designated Reserves	4,718	8,498	(7,037)	6,179

General reserve

The general reserve represents those assets held by the Board for carrying out its general activities. It provides the assets and liquidity for the Board to carry out its objectives, including statutory compliance, administration of funds and some housing. The Board's policy is to maintain sufficient levels of cash and liquid assets to cover short term fluctuations in incoming resources. The Board were satisfied that the general reserves at the year end were within acceptable levels compared to this policy.

29 Restricted funds

The income funds of the charity include restricted funds comprising the following unexpended balances of donations, grants and investment income held on trust to be applied for specific purposes:

	At 1 January 2016 £000	Income £000	Expenditure, gains, losses and transfers £000	At 31 December 2016 £000
Social Responsibility Projects	301	156	(229)	228
Diocesan Pastoral Account	5,414	730	(899)	5,245
Diocesan Stipends Fund Income Account	-	1,855	(1,855)	-
Grant Fund	420	173	(156)	437
Bishops Clergy Widows Fund	523	81	(55)	549
Ordination Fund	121	54	(35)	140
Bishop's Harvest Appeal	27	25	(28)	24
Bishop's Clergy in Need Fund	37	-	-	37
Other Restricted Funds	41	106	(82)	65
Parish Pastoral Fund	588	3	145	736
	7,472	3,183	(3,194)	7,461

Notes (continued)

29 Restricted funds (continued)

The specific purposes for which the funds are to be applied are as follows:

Fund	Application/purpose
Social Responsibility Projects	The Social Responsibility section of the Parish Mission Support Department receives funding for specific projects and for its general costs relating to those projects. Project funding is restricted to the project it has been requested for and approved expenditure is applied against the funding in accordance with the funders rules. The individual funders usually monitor the expenditure of these projects. Donations are occasionally received which are for project work but not restricted to a specific project. These are applied against the central costs of the project work.
Diocesan Pastoral Account	Purposes are laid down in Section 78 of the Pastoral Measure 1983, the main purposes being: <ul style="list-style-type: none"> • Costs incurred for the purposes of the Measure or any scheme or order made by the measure except for salaries of regular diocesan employees • Costs of disposing of or maintaining houses or churches vested in the DBF or Commissioners • For the benefit of another diocese • Transfer to the DSF Capital or Income Funds
Diocesan Stipends Fund Income Account	Subject to any charges imposed by the scheme or order the fund shall be applied to: <ul style="list-style-type: none"> • Provide or augment stipends of incumbents, assistant curates and others engaged in the cure of souls in the Diocese • Meet expenses incurred in repairing and maintaining parsonage houses • Paying secondary Class 1 contributions in respect of ministers not employed under a contract of service • Defray sequestrators' expenses
Grant Fund	The Grant Fund exists to enable parishes to fulfil mission opportunities, normally through the appointment of lay workers.
Bishops Clergy Widows Fund	The Bishop's Clergy Widows Fund is used to help clergy widows and retired clergy in cases of financial hardship, particularly with housing costs. It funds the cost of social events and the cost of the Diocesan Officer and Bishop's visitors.
Ordination Fund	The Ordination Fund is used to assist with meeting the costs of Ordinands in training.
Bishop's Harvest Appeal	Each year the Bishop selects a charity to benefit from his Harvest Appeal. Parishes, Schools and individuals within the Diocese collect money in support of this charity and the monies are distributed by the Diocese in accordance with the appeal.
Bishop's Clergy Fund	The fund was established by transfer of some of the Extra Mission and Ministry funds received from the Archbishops' Council 2008 – 2010. Grants from the fund are awarded at the discretion of the Bishop, to serving clergy in the Diocese.
Parish Pastoral Fund	This fund reflects monies ring fenced from the sale of a vicarage in a parish where no scheme for pastoral re-organisation is currently in place. The monies must be held until either a vicarage is purchased or a scheme is put in place.

Notes (continued)

30 Endowment funds

The endowment funds are held on trust to be retained for the benefit of the charity as a capital fund. Where the whole of the fund must be permanently maintained it is known as permanent endowment. Where there is power of discretion to convert endowed funds into income, the fund is classified as expendable endowment.

	At 1 January 2016 £000	Income £000	Expenditure, gains, losses and transfers £000	At 31 December 2016 £000
Expendable endowment				
Diocesan Stipends Fund Capital Account	10,106	320	470	10,896
Parsonage Houses Fund	29,742	353	(71)	30,024
	<hr/>	<hr/>	<hr/>	<hr/>
	39,848	673	399	40,920
Permanent endowment				
Bishops Clergy Widows Fund	1,486	-	155	1,641
Maintenance of the Ministry	206	-	22	228
General purposes	256	-	27	283
Whalley Abbey	112	-	12	124
Other endowments	53	-	6	59
Stipends	914	-	64	978
	<hr/>	<hr/>	<hr/>	<hr/>
	3,027	-	286	3,313
	<hr/>	<hr/>	<hr/>	<hr/>
	42,875	673	685	44,233
	<hr/>	<hr/>	<hr/>	<hr/>

Expendable endowments

The Diocesan Stipends Fund Capital Account

This fund represents the value of glebe property and investments at the balance sheet date.

The account is governed by the Diocesan Stipends Fund Measure 1953 as amended by the Endowments and Glebe Measure 1976, the National Institutions Measure 1998, and the Miscellaneous Provisions Measure 1992.

Income arises from the sale of glebe assets, the transfer of parsonage sale money, transfers from the DSF Income account, as well as gifts, bequests and donations.

The main function of the fund is to produce income for the stipends, but it may also be used for other purposes including: acquiring glebe property, investing in a subsidiary, developing and protecting glebe amenities, investment, discharging loans and levies on glebe, improving parsonage houses and discharging any loans made by the Church Commissioners under the Endowments and Glebe Measure 1976.

Parsonages Houses fund

This fund represents the value of benefice houses at the balance sheet date, together with the Parsonages Building Fund held by the Church Commissioners and investments held by the Parsonages Board. The houses are used to provide accommodation for the parochial clergy.

The diocese is not free to dispose of the houses except in accordance with the appropriate measure. There is provision for the net proceeds of sale to be applied to either the DPA or DSF Capital once a disposal has been effected.

Permanent endowments

The permanent endowments are established under a variety of trust deeds and documents which require the funds to be held in perpetuity. The income of the funds is to be applied to the Bishops Clergy Widows fund, Maintenance of the Ministry fund, General purposes fund, Diocesan Stipends Income fund, Whalley Abbey fund and other smaller endowment funds.

Notes (continued)

31 Related parties transactions

During the year the company shared office space with the Blackburn Diocesan Board of Education, Cidari Education Ltd and Blackburn Cathedral. Shared expenditure has been recharged at cost.

	2016 Recharges (excl. VAT)	2016 Grants made to related parties	2015 Recharges (excl. VAT)	2015 Grants made to related parties
	£	£	£	£
Blackburn Diocesan Board of Education	19,043	276,648	35,197	329,517
Cidari Education Ltd	13,280	-	25,443	-
Blackburn Cathedral	7,139	10,000	8,390	13,000

At the year end the balances due from related parties were as follows:

	Outstanding Trade Balances at 31/12/2016	Outstanding Loan Balances at 31/12/2016	Outstanding Trade Balances at 31/12/2015	Outstanding Loan Balances at 31/12/2015
	£	£	£	£
Blackburn Diocesan Board of Education	-	-	75,632	-
Cidari Education Ltd	34,201	-	36,479	-
Blackburn Cathedral	3,286	425,340	4,415	510,340

At 31 December 2016 there was a balance due to the Blackburn Diocesan Board of Education of £56,496.

During the year donations received from trustees amounted to £1,980 (2015: £210). Donations received from key management personnel were £6,900 (2015: £4,500).

32 Financial instruments

	2016 £000	2015 £000
Financial assets measured at fair value	17,105	15,747
Financial assets measured at amortised cost	6,923	7,122
Financial liabilities measured at amortised cost	5,229	6,208
Financial liabilities measured at fair value	202	95

Financial assets measured at fair value comprise investments.

Financial assets measured at amortised cost comprise cash, trade debtors, other debtors and receivables and parish loans.

Financial liabilities measured at amortised cost comprise accruals, other creditors, the Clergy Pension Scheme liability and amounts held for other bodies.

Financial liabilities measured at fair value comprise value linked loans.

Notes (continued)

33 Prior year comparative Statement of Financial Activities

	Unrestricted funds	Designated	Restricted	Endowment	Total funds
	General	funds	funds	funds	2015
	£000	£000	£000	£000	£000
Income and endowments from:					
Donations and legacies					
Parish contributions	7,185	-	-	-	7,185
Archbishops' Council	123	-	837	101	1,061
Other	125	128	314	17	584
Charitable activities: statutory fees, chaplaincy and other income	208	25	826	-	1,059
Other trading activities	248	-	125	204	577
Investments	144	32	391	30	597
Other	6	2	769	362	1,139
Total	8,039	187	3,262	714	12,202
Expenditure on:					
Raising funds	253	-	16	-	269
Charitable activities	2,747	120	6,477	1,165	10,509
Total	3,000	120	6,493	1,165	10,778
Net income/(expenditure) before investments	5,039	67	(3,231)	(451)	1,424
Net gains on investments	104	45	22	163	334
Net income/(expenditure) before transfers	5,143	112	(3,209)	(288)	1,758
Transfers between funds	(3,703)	(409)	3,575	537	-
Net income/(expenditure) before other recognised gains and losses	1,440	(297)	366	249	1,758
Other recognised gains/(losses)					
Gains on revaluation of fixed assets	-	-	-	31	31
Losses on defined benefit pension schemes	(21)	-	-	-	(21)
Net movement in funds	1,419	(297)	366	280	1,768
Reconciliation of funds					
Total funds at 1 January 2015	412	3,184	7,106	42,595	53,297
Total funds at 31 December 2015	1,831	2,887	7,472	42,875	55,065