



The Blackburn Diocesan Board of
Finance Limited

Annual report and financial statements

Date: 31 December 2019

MADE SIMPLE

INTRODUCTION

The Blackburn Diocesan Board of Finance (BDBF) accounts are prepared in accordance with the Charity Accounts Statement of Recommended Practice and Company Accounts Regulations. This can make the accounts difficult to understand so this guide aims to help with the understanding of these accounts.

FUND ACCOUNTING

All charities use a fund accounting format for their accounts. The BDBF has the following funds:

- Unrestricted
 - General
 - Designated
- Restricted
 - Restricted income funds
 - Endowment
 - Permanent
 - Expendable

These funds are shown in a column format in the Statement of Financial Activities (SOFA) (BDBF Trustees Report and Accounts, 2019, p. 19). This sheet shows the resources of the charity and how they have been used in the year.

GENERAL

The funds shown in this column are those that the charity can freely use and haven't been allocated to any other purpose.

DESIGNATED

These funds have been allocated by the Directors/ Trustees to specific projects or purposes of the charity.

RESTRICTED INCOME FUNDS

These are funds restricted by the donor who gave them or which were fundraised for a specific purpose. They can only be used for these restricted purposes.

PERMANENT ENDOWMENT

These are funds given to the charity to be held as permanent capital which cannot be spent. The income from the fund can be spent by the charity but its use may be restricted.

EXPENDABLE ENDOWMENT

These funds have been given to the charity as capital, but the Trustees have discretion to spend the capital. There are usually restrictions on what the capital can be used for.

Details of all the BDBF's funds are in the accounts on pages 41 to 44 within notes 25 to 27.

READING THE DIRECTORS' REPORT

The first place to start in the Directors' Report is the beginning.

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These first pages within the report provide information on what the charity can do, is doing and will do. They are specifically tailored for the BDBF each year and are the most important sections for the Directors to be familiar with. The Financial Review includes the Reserves Policy (pg 8) which explains what funds the BDBF are retaining and the financial risks it is covering.

This year we are required to make various disclosures about the impact of Covid 19 and the going concern status of the Company and these can be found in a number of sections in the Report and Accounts (pg 6, 8 (in reserves policy), 9 (in key risks), 23 (in Accounting policies; basis of preparation)

The final sections of the Report contain information about how the charity is set up, what the Directors are responsible for and some administrative details. The wording is largely prescriptive.

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The final item before the numbers is the report from the auditors. This confirms that the auditors are issuing a "clean" or unmodified report on the financial statements.

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STATEMENT OF FINANCIAL ACTIVITIES (SOFA)

The SOFA on page 19 summarises all the movements on all funds in the year. The table below shows the movements on the unrestricted general and designated funds only, presented in a slightly different order to show clearly the operational deficit for the year.

OPERATIONAL SURPLUS/ (DEFICIT)

	General £'000	Designated £'000	Total Unrestricted £'000
Total Income	8,270	157	8,427
Total Direct Expenditure	(3,303)	(127)	(3,430)
Net income/(expenditure) before investments	4,967	30	4,997
Expenditure relating to other funds covered by unrestricted funds	(4,675)	(51)	(51)
Payments for defined benefit pensions deficit	(429)		(429)
Operational deficit	(137)	(21)	(158)
Revaluation of defined benefit pension scheme	2,148		
Revaluation of investments	790	59	849
Net movement in unrestricted funds per SOFA	2,801	38	2,839

The operational deficit of £137K on the General Fund relates to the parish share budget set each year at Diocesan Synod. For 2019 it was agreed the BDBF could overspend in the year by £389,000. The parish share received was £7,585,000 against a budget requirement of £7,986,000 and, whilst the parish share contributions did not meet the budget set, additional income on rents and investments and expenditure savings on property costs and repairs, as well as a positive variance in staffing, curate and ordinand levels held the loss to £137,000. Included in this loss was the budget deficit for Whalley Abbey. The actual loss was £183,000 compared with a budgeted loss of £120,000; the additional loss was due to delays in appointing the Guardian who would have restructured the staffing to match the reduction in income from more business activities and supported the transition to increasing the retreat income. The Steering Group, set up in the spring of 2019, have now taken on this role.

Whilst the General Fund increased overall by £2.8M this was a result of unrealised revaluations of investments and the pension scheme liability. The investments have reduced in value after the year end. The total reduction across all funds in investments by 12 May 2020 was £936,000 (Note 31), including a general fund reduction of £277,000. The pension liability is based on the valuation of the scheme at 31 December 2018 and the movement is the deficit contribution paid, interest, the change in agreed deficit recovery plan and the change in discount rates between year ends. The pension details are in note 16.

The Designated Fund in column 2 relates to funds set aside for specific purposes. Within this fund is some of the expenditure to fund Vision projects (Outer Estates and Preston Resourcing Church) which were agreed by Diocesan Synod. The expenditure in the year exceeded the income received by £21K, but there are unspent balances carried forward of £2.5M.

BALANCE SHEET

The balance sheet on page is a snapshot at 31 December 2019 of the Company's total assets less liabilities. This sheet in the accounts does not provide a breakdown of the balance sheet by fund, but this detail is provided in Note 24 of the accounts.

NET ASSETS ANALYSED BY FUND

	Tangible Fixed Assets	Fixed Asset Investment	Net Current Assets	Long term Creditor	Net assets as at 31 December 2019
	£000	£000	£000	£000	£000
General Fund	2,392	6,056	227	**(1,466)	7,209
Designated Funds	-	480	2,064	-	2,544
Total Unrestricted Funds	2,392	6,536	2,291	(1,466)	9,753
Pastoral Account	9,280	-	820	(289)	9,811
Other Restricted Funds	-	272	1,383	-	1,655
Total Restricted Funds	9,280	272	2,203	(289)	11,466
Parsonage Houses Fund	25,996	970	-	-	26,966
Stipends Capital / Housing Fund	1,786	11,345	1,362	-	14,493
Other Endowment Funds	-	4,203	5	-	4,208
Total Endowment Funds	27,782	16,518	1,367	-	45,667
Total	39,454	23,326	5,861	(1,755)	66,886

** Comprising £1,048K pension liability and £418K other

The BDBF had significant reserves and, therefore net assets, of nearly £67m at 31 December. However, only £7.2m was attributable to the General Fund and available for general operating purposes. £45.6m was tied up in Endowment Funds (mostly property and investments) and £11.5m in Restricted Funds (mostly property). A further £2.5m was allocated to designated projects, mainly for supporting the Strategic Development Funding from National Church.

58% of total funds (£39m) was tied up in fixed assets. These include:

- Parsonage houses
- Curate houses
- BDBF share of Clayton House offices
- Computers
- Office furniture and equipment

The BDBF needs these assets to house the clergy and to operate the charity.

A further £23m was held for investment, with only £6.5m of this available for unrestricted purposes.

Only £5.8m was held in net current assets, with approximately £2.2m in unrestricted general and designated funds.

FREE RESERVES

One of the most important figures for Trustees to monitor in order to assess the resilience and sustainability of a charity is the level of free reserves. This is the level of funds held which can be used for general purposes, are not designated to specific projects and not tied up in fixed assets. At 31 December 2019 the BDBF's free reserves were £5.8m made up as follows:

	£'000
General Fund total	7,209
Less: General Fund fixed assets	(2,392)
Add: Long term pension scheme deficit	1,048
Free reserves	5,865

This is the free reserves figure referred to on page 8 of the Report, where it is noted that the Directors have set a policy of aiming to hold £4.5m in free reserves. The excess of £1.365m is expected to be used to fund a deficit in 2020, including any impact of a fall in the value of investments.