



DURHAM DIOCESAN BOARD OF FINANCE

ANNUAL REPORT

YEAR ENDED 31 DECEMBER 2021

**DURHAM DIOCESAN BOARD OF FINANCE
REPORT AND FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2021**

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REFERENCE AND ADMINISTRATIVE DETAILS

YEAR ENDED 31 DECEMBER 2021

Ex officio Members of the Board

The Bishop of Durham – Right Reverend PR Butler (Chair)
The Bishop of Jarrow – Right Reverend SE Clark
The Dean of Durham – Very Reverend A Tremlett
The Archdeacon of Auckland – Venerable RL Simpson
The Archdeacon of Durham – Venerable EM Wilkinson
The Archdeacon of Sunderland – Venerable RG Cooper
The Chair of the House of Laity – Mr FA Rogers (term of office ended 31 October 2021)
The Chair of the House of Laity – vacant from 1 November 2021
The Chair of the House of Clergy – Canon S Clark (from 14 November 2021)
The Chair of the Finance Group – Ms ML Vaughan

Elected Members of the Board

Reverend P Arnold (from 5 November 2021)
Mrs Alison Blackburn (from 1 November 2021)
Reverend J Barron (term of office ended 31 October 2021)
Mrs J Benson (term of office ended 31 October 2021)
Reverend WE Braviner (term of office ended 31 October 2021)
Mr Francis Drake (from 1 November 2021)
Mr S Gardiner
Reverend T Glover (resigned 31 March 2021)
Mr J Hall (from 1 November 2021)
Dr JH Harrison
Mr C Hawkes (resigned 9 July 2021)
Mr P Hobbs (from 1 November 2021)
Mrs R Hicks
Mrs LM Jordan (term of office ended 31 October 2021)
Mr SL Pickering (term of office ended 31 October 2021)
Dr AC Price
Mr FA Rogers (from 1 November 2021)
Mrs F Stenlake (from 1 November 2021)
Reverend L Sutherland (from 22 December 2021)
Reverend D Tolhurst (from 1 November 2021)
Mr N Wyrley-Birch (term of office ended 31 October 2021)

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Secretary to the Board

Mr JJG Morgan

Diocesan Chancellor

The Worshipful Adrian Iles
56 North Bondgate
Bishop Auckland
DL14 7PG

Diocesan Registrar

Mr P Wills
Smith Roddam
56 North Bondgate
Bishop Auckland
DL14 7PG

Independent Auditor

UNW LLP
Chartered Accountants
Citygate
St James' Boulevard
Newcastle upon Tyne
NE1 4JE

Glebe Property Agents

Savills
Helix
The Lumen
St James' Boulevard
Newcastle upon Tyne
NE4 5BZ

Registered Office

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DH1 3RY

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Company registration number

00192018

Registered charity number

248287

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The trustees of the Durham Diocesan Board of Finance ('the DDBF'), who are the members of the company and are directors for the purposes of company law, present their report together with the audited financial statements, for the year ended 31 December 2021.

This report satisfies the legal requirements for the Directors' Report of a charitable company; a Strategic Report under the Companies Act 2006; and a Trustees' Annual Report under the Charities Act 2011.

Objectives of the DDBF

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

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

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

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

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

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

Strategic Aims and Objectives

The Diocese of Durham has adopted a vision to be:

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

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

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

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Achievements and performance

Operational Review

The Christian Presence

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

Leadership in its many forms is essential and we are delighted to have had real success in developing both lay and ordained vocations. Numbers of those in training for ordained ministry continue to grow year on year. By the end of the year we had 41 Durham sponsored candidates in training for ordained ministry (2020: 35). With this increase the Diocese of Durham will move from being a diocese that imports candidates for ordination from other regions, to one that exports candidates in 2023.

The numbers in training for Reader ministry have also started to increase. At the end of the year there were 15 Readers in training (2020: 13). Vocations to Lay Pastoral Ministry found expression through the advent of the Lay Pastoral Ministry programme in 2018, with the first nine participants completing the course in 2019, 13 completing the course in 2020, and a further three in training in 2021. There has been further diversification of vocational options in this past year, with a Lay Chaplaincy training offer being developed in conjunction with Lindisfarne College of Theology alongside those in training for Lay Pastoral Ministry. The first six candidates have completed that training programme in 2021. A further five people have started the Lay Pastoral Ministry/Lay Chaplaincy programme in 2021.

Following Covid-19 delays, the Bishop of Durham led prayer walks along four new pilgrimage routes each leading to Durham Cathedral in 2021, involving around 30 churches in the dioceses of Durham and Newcastle.

Engaging with Children, Young People and 18-25s

Many of the plans for 2021, as in the previous year, had to be put on hold due to Covid restrictions, however we adapted to the new circumstances and found different ways of working. Much of our focus has been providing support, encouragement and advice to parishes, and children's and youth leaders.

Youth ministry

Our Growing Young Leaders course re-started in the autumn with 15 young people aged 14-18 from across the Diocese. Our leadership team has welcomed a Cranmer ordinand placement and we completed the Growing Young Leaders course at Ian Ramsey Academy.

The termly youth event 'The Pulse' continued online into 2021, but our first 'live' event for 2 years was held in the Cathedral in October, just before COP26. The theme was Creation and Climate Justice, and was set under the 'Museum of the Moon'. Bishop Paul spoke and Rev. Danie Lindley, one of the Diocesan Environment Champions, presided at our first Pulse Eucharist, with the Youth Council band providing music.

The Youth Council has had a challenging year. Many of the members are now at university during term and without a Growing Young Leaders course we were unable to recruit more members. However, they have still contributed to the life of the Diocese in many ways, including their livestreamed Youth Council Conversations, Instagram posts during Lent, Easter and Advent, contributing to the Pulse and a session at Diocesan Synod in November. James Hall, as a member of Youth Council, now serves on Bishop's Council.

The Bishop's Certificate for Youth Ministry course (a 6 week course) ran online again in 2021 and in the future we will continue to run some courses online and some in person.

Children's ministry

2021 saw the return of some of our children's ministry in person plus a hybrid approach with some groups also meeting online. This has been a huge encouragement to our leaders and to the children themselves as they have re-engaged in various ways. Some 'Open the Book' teams have returned to schools, providing a welcome presence and many Messy Churches have re-started, some now offering both online and in person options. Toddler groups are by far the largest area of ministry that has returned to in person meetings, and are highly valued by the families they serve.

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Growing Faith continues with our input both nationally and locally, continuing as one of six 'Trailblazer Dioceses' helping to shape the future and share good practice. Our focus on chaplaincy in educational settings throughout the Diocese has begun in some of our primary and secondary schools. Funding is sought to support this vital work further into 2022 and beyond.

Training continues with many strands, our online conference in May, 'Re-Emerging' gave participants the opportunity to hear from various practitioners how their ministries had begun to re-emerge after lockdowns. The conference was very well received.

Bishop's Certificate in Children's Ministry ran in 2021 and the new Bishop's Certificate in Exploring Chaplaincy in Education was also piloted, both with excellent feedback. Employed children's workers are supported individually and through our network of termly meetings. Specific training has taken place both online and in person for churches in their contexts throughout the year.

Children's Council has new members and has begun its 'Homegrown' mission project with plans for the first event to be held at Easter 2022. The Council contributed to Diocesan Synod in November and continues to be an incredible asset to our Diocese.

The Durham Diocesan Board of Education, through the Joint Education Team continued to work with all 107 schools throughout the second year of the Covid-19 pandemic and the many challenges that it presented for our schools. School visits continued where appropriate and a hybrid form of working has been a great success. All of our schools received twice weekly calls from a member of the team throughout lockdown periods and school support has been a constant. We have received incredibly positive feedback during this time from both our headteachers and our governors who have greatly appreciated our support. The Assistant Director for Legal and Governance provided regular summary briefings on key guidance and the team delivered a series of online meetings to support wider groups of chairs and ex-officio governors, with up to 100 in attendance at once. These chairs and ex-officio briefings are to continue on a termly basis in order to continue engaging remotely with our governors collectively in a way that was previously not possible 'in person'. Whilst the pandemic has left its emotional and physical mark on our schools, our leaders and their teams of staff have been resilient. During the year the Durham and Newcastle Diocesan Learning Trust (DNDLT) remained at 9 schools although the team has worked towards a trust comprising two further schools joining the DNDLT. The Diocesan Director of Education has, as part of this transition, undertaken an 'Acting CEO Role' for this small trust and these two additional schools have subsequently joined the DNDLT as of 1 April 2022 bringing the total number of schools currently in the DNDLT to 11. Many more conversations are taking place with interested schools. School building work continued and all projects planned were completed although some slightly behind the expected timetable.

Energising Growth

The Diocese aims to grow in three key dimensions: in reach and influence; in depth by strengthening discipleship; and in breadth and number. This mission is shared with every parish, chaplaincy and other expressions of faith in the Diocese, and takes place through many different routes. Some of these projects are outlined below:

Growing Durham Diocese: We have continued to track the outcomes and trajectory of the 2018/19 Strategic Development Fund ('SDF') project alongside reassessment of expectations in the light of Covid-19. It became apparent that one of the five Resource Churches was not in a position to regain momentum and following a review, Strategic Development Funding was withdrawn from this project in mid-October.

We undertook a Covid impact analysis of the other four Resource Churches. This demonstrated that while one was expected to become sustainable despite Covid-19 primarily due to this project beginning two years earlier than the others, and achieving significant pre-pandemic growth, the other three were not likely to do so under the pre-Covid funding arrangements. As a result, funding has been restructured to defer the point at which these three projects are expected to reach financial sustainability, whilst keeping the total project cost within the overall original project budget.

Progress continued to be overseen by the project monitoring board chaired by the Bishop of Durham. The board enabled a Bishop's Mission Order to be put in place to support planting from St. George's in other parts of Gateshead.

The learning community, which provides support for leaders and teams, continues to meet and returned to meeting in person in 2021.

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The mixed mode ordinand training programme did not recruit any new students for the 2021/22 academic year. A review was undertaken in conjunction with Cranmer Hall, in order to attract more students in future.

Growing Hope: This SDF project includes several different approaches to church growth, including Communities of Hope (projects centred on bringing people to faith through social enterprise), Resource Churches and Church Plants. In Hartlepool, Murton, Thornley, Pennywell, and North Wearside (Communities of Hope) St. Paul's Stockton (Church Plant), Harton and Cleadon Park (Resource Church) and Wynyard (Church Plant) teams are now largely in place and missional activities are engaging their communities. In Wynyard the Diocese purchased a vicarage and the leaders moved in during the spring of 2021. Wynyard and St Paul's have experienced significant growth, Harton and Cleadon Park recruited in the Autumn of 2021 so are now beginning to put their strategy into action. In Seaham progress has been made, a suitable property has been located and staff recruitment completed in December 2021. Activities are expected to begin during early 2022.

Support and process: Our SDF funded project support team, which includes two project managers and a sustainability manager, has continued to work with parish-based project teams to bring the projects to fruition. Additionally, 'The Action Course' which supports those looking to develop their skills and understanding of missional work, was launched in 2021 with the first Cohort graduating early 2022.

Cultivate: We have developed our growth strategy to focus on church planting as a key vehicle for growth. The Cultivate training program has been developed to grow this in local churches with lay and ordained leads. Benefact Trust (formerly known as Allchurches Trust) have agreed to provide £200,000 towards this programme and we hope to receive further funding for this project from the national church.

Missional Leadership for Growth (MLG) has come to an end, with the 8th Cohort of clergy completing the course at the end of 2021. We are grateful for the opportunity of resourcing our clergy in such a comprehensive and well-structured way. We are clear that MLG has helped to shift the culture in terms of mission, but ongoing work is needed to reinforce this and build on it. We will build this culture into our first incumbents' course, and explore pastoral supervision possibilities to support our clergy. We recognise there is a need for ongoing work such as Action Learning Sets, Reflective Practice Groups, mentoring, coaching, individual support and challenge, and conflict resolution.

Challenging Poverty

In 2021 we refreshed our strategic approach to challenging poverty in all its forms to focus on:

- working together to address child and youth poverty;
- responding to isolation, particularly among the elderly; and
- reaching out and responding to the needs and gifts of asylum seekers and refugees.

The work of the Bridge Project and our involvement in Communities Together Durham continued. Established groups began to develop less stigmatising ways of tackling food poverty, fostering self-esteem through, for example, a community supermarket or take away model. New volunteers have been trained to deliver money and debt advice, and the use of these services remains high. Many activities, including holiday clubs, ESOL classes for asylum seekers and refugees and social gatherings, adapted innovatively to the constraints of the pandemic.

As restrictions ease, groups are re-starting slowly, encouraging both in person social activity and volunteering, but levels of anxiety remained high. A small group has begun to consider how best to support those experiencing isolation and the associated mental health issues in rural communities. We are also exploring a more co-ordinated approach to supporting asylum seekers and refugees across the Diocese.

The work continued to be supported by Lord Crewe's Charity and we are very grateful for the amount of £150,000 awarded by them in 2021 in support of the diocesan priority of challenging poverty to transform lives and communities.

Lord Crewe's Charity celebrated its Tercentenary by offering a generous additional grant funding opportunity, and during 2021 we secured funding for three projects:

- The Ten10 bus – a mobile youth centre, popup café and workshop space in Oxclose, Washington;
- 'Free Help with Debt': a new partnership in Jarrow and Simonside offering debt advice and mental health first aid through a network of 'Places of Welcome' drop-ins; and
- Additional support for vulnerable learners and their families in Hartlepool to return to full time in person education.

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

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Caring for God's Creation

Following the adoption of this new priority, the Diocese registered its intention to work towards 'Eco-diocese' status with the charity A Rocha UK, which works with churches and dioceses to support engagement with environmental issues. We continue to encourage our parishes to register for Eco-Church status and are pleased to see several having been awarded Eco-Church status already.

Diocesan Synod acknowledged the existence of a climate emergency in November 2021 coinciding with the COP 26 talks in Glasgow, and became the sixth Church of England diocese to commit to divestment from fossil fuel companies, supporting the ecumenical 'Bright Now' fossil fuel divestment campaign.

The Diocese launched a scheme to support clergy by facilitating the installation of electric vehicle charging points at clergy housing and at Cuthbert House. Early steps have been taken towards developing a plan to meet the Net Zero target for our church buildings and housing, and the Diocese made a loan of £100k towards the installation of a ground source heat pump as part of the renovation of St Paul's Church, Stockton.

Safeguarding

During 2021 our safeguarding training programme has continued, in spite of the challenges of the pandemic. This meant that much training continued online due to physical distancing requirements. Very positive feedback on training, whether in person or online, has been received, and this is pleasing, as the modules were substantially revised in 2020. Safer Recruitment and People Management and Raising Awareness of Domestic Abuse have now been launched as e-learning modules. This is a significant development and will greatly assist compliance with these modules.

Past Cases Review 2 (PCR 2) was launched in early in 2020, but Covid-19 restrictions delayed the completion date to December 2021, in line with the revised national deadline. All relevant parish and diocesan records, including the personnel files of every living member of clergy, were reviewed independently. This was a substantial project and the reviewers did not find any cases where a safeguarding concern had been missed or not dealt with appropriately, although some lessons are to be learned from a limited number of cases. These have been considered very carefully, and have helped to form the basis of recommendations arising from the report. These local recommendations, along with recommendations that will be formed at a national level based on all the diocesan PCR 2 reports, will inform the development of our work going forward, and the Diocese has begun to develop its response to engagement with survivors of abuse.

In the autumn we prepared and disseminated materials to help parishes implement the new Safer Recruitment and People Management process (SRPM), which became mandatory national safeguarding guidance on 4 January 2022. This has required revision of policy and practice at parish and diocesan level.

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

Joint Working Practices

In the interests of delivering the best support services possible for our Diocese, we identified some new opportunities to work in collaboration with other regional Church of England bodies, in addition to our existing Joint Education Team, aspects of ministerial training and retreat house. This led to the creation of a joint Newcastle and Durham diocesan communications team in Summer 2021 creating a regional voice to promote Church of England news and views aligned geographically to regional media organisations. As well as developing communications channels, this team has focussed much of its first six months on developing a new diocesan website, which was launched in January 2022. This provides a platform for the Diocese to disseminate support and guidance and to celebrate achievements.

We have also developed our support services in collaboration with Durham Cathedral, establishing a shared Human Resources team that now serves both the Cathedral and the DDBF.

Looking ahead

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

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A recent theme has been that of 'healthy church' – of encouraging churches to ask themselves that, given who they are, where they are, and the resources they have, what is the healthiest that they can be? We have looked at this in various ways, to suit individual settings, such as PCC away days and, for all churches in vacancy, the development of a process to prepare vacant parishes for new appointments.

This process and associated tools were developed by a joint team of clergy, diocesan staff and lay representatives to provide a facilitator and common framework to support vacant parishes to evaluate their needs, opportunities, resources and missional readiness ahead of developing a person specification and discerning what work a PCC may need undertaking during vacancy in order to fulfil its missional potential. At the end of our pilot year the process has been successfully used in six parishes and has served to strengthen central support for parishes in vacancy and make for a more informed and missionally focussed appointment process, in order to benefit both newly appointed clergy and parishes looking to make appointments. These materials have been shared with three other dioceses who are in the process of adopting the process and tools.

Financial review

Financial conditions in 2021 remained challenging for parishes due to the effects of Covid-19, and despite many parishes using reserves to fund parish share, the DDBF's parish share receipts recovered by only 4%, remaining over 10% below the amount received in 2019. Covid-19 restrictions also led to certain activities being delayed, including parish recruitment and project work. The DDBF agreed an unrestricted budget operating deficit of £0.6m for 2021. In addition, there were a number of planned investments from reserves (including £150k to deliver clergy housing improvements, £50k for grants to support parishes with church building projects, and £0.2m commitments to a number of ongoing growth projects).

The net movement in funds was a surplus of £5.8m (2020: £3.5m), which included a £4.1m (2020: £1.6m) gain on investments, a gain of £1.3m (2020: £1.2m) on disposal of property and a decrease of £0.4m (2020: £0.4m) in pension deficit reduction liabilities. Excluding these adjustments which are outside of the DDBF's operational budget, and also excluding non-recurrent sustainability funding received from the Archbishops' Council in response to the effect of the pandemic of £0.3m (2020: £0.8m), leads to an underlying operating deficit of £0.3m (2020: £0.5m).

- Income (after adjusting for income received on the sale of property) was £11.5m, including:
 - Contributions from parishes – "Parish Share" – of £4.4m (2020: £4.2m), £0.2m less than budget. The Diocese is grateful to parishes for their contributions to parish share during a challenging year;
 - £2.2m (2020: £2.3m) of Lower Income Communities Funding, £1.3m (2020: £1.0m) of Strategic Development Funding grants, £0.3m (2020: £0.8m) of Sustainability Funding and other funding streams from the Archbishops' Council;
 - £0.4m (2020: £0.2m) from Lord Crewe's Charity to fund poverty alleviation, counselling and other projects.
 - Contributions were received from donors such as Benefact Trust (formerly known as Allchurches Trust), Hild Bede Trust, Marshalls Charity and Mercers Trust.
- The largest area of expenditure was on supporting parish ministry, which was made up of the stipends and housing costs of clergy:
 - Stipend and salary related costs were £6.6m (2020: £6.7m).
 - Costs of providing clergy housing were £1.3m (2020: £1.2m).
- Net assets at the balance sheet date were £75.2m (2020: £69.4m). The DDBF's investments are held across several funds managed by CCLA. The DDBF administers a number of restricted and endowment funds which together comprise 92% (2020: 94%) of the assets.

Investment performance

The total value of investments (excluding short-term cash deposits) at the balance sheet date was £35.6m (2020: £27.7m).

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

The Board is custodian trustee for trust investment assets with a market value of £14.3m (2020: £12.9m). Detailed certificates of holdings are provided to parishes and other managing trustees of the respective charities annually. The Board also acts as custodian trustee for certain Parochial Church Council (PCC) property. Each PCC is an independent charity and these assets are not recognised on the balance sheet of the DDBF.

Grant-making (beneficiary-selection) policy

Grants are made to the National Church in accordance with an agreed formula, to cover a proportion of its central costs and also to cover the cost of training for ministry. The total paid to the National Church was £0.7m (2020: £0.7m).

Grants are paid to charities and to other charitable projects which appeal to the Board to support the furtherance of DDBF's objectives. These are set out in note 16.

Investment policies

The Memorandum and Articles of Association of the charity permit wide powers of investment. DDBF's investment policies are based on two key policies:

- *Ethical investment*

This includes ensuring that investments are held in companies which have high standards of corporate governance and act in a responsible way towards stakeholders.

- *Long-term responsibilities*

The directors are aware of their long-term responsibilities in respect of endowed funds and as a result follow a prudent approach to investment decisions.

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

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

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

Reserves policy

The DDBF has agreed a reserves policy to maintain available free reserves within a range of one to three months' average expenditure in the form of unrestricted (including designated) net current assets. The Board estimated that for 2021 this would equate to a range between £0.95m and £2.85m. At 31 December 2021, DDBF's unrestricted (including designated) available free reserves were £2.1m (2020: £2.4m), which is within this range.

Future prospects

The trustees have approved a budget for 2022, which after allowing for further planned investment from restricted reserves, leaves a net unrestricted operating deficit of £0.5m.

Parish share pledges for 2022 of £4.5m have been received, which is 10% below the pre-Covid pledges made for 2020 (ie. pre-pandemic) and is in line with the pledge income received in respect of 2021. This has caused increased financial pressures and has required a recognition that not all posts identified in deanery plans can

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be filled whilst maintaining a balanced budget. Trustees have therefore agreed several work streams to improve financial management, examine expenditure, identify new sources of income, maximise return from investments, and identify cost-sharing opportunities. These pieces of work will continue during 2022.

The national church has made transitional funding available to help Dioceses restructure their operations and finances as part of the Renewal and Reform agenda, and this funding stream is expected to come to an end during 2022. The Diocese will use the remainder of this funding to facilitate best use of its resources and to provide support to parishes. During 2021, the Diocese began exploring the potential of a Transformation funding application, with the appointment of a Project Lead and a Business Support Manager, funded by Strategic Capacity Funding from the national church. In November 2021, the Bishop of Durham's presidential address to Diocesan Synod focussed on the challenges currently faced by the Diocese and in 2022, we will explore the possibilities available to the Diocese through a Transformation project, in consultation with our stakeholders. Sustainability funding has also been made available by the national church in order to partially mitigate losses arising from Covid-19. In addition to the £0.75m received in 2020, the Diocese received £0.25m from this fund during 2021. It is not yet clear whether the Diocese will be eligible for further sustainability funding in 2022.

Against this challenging financial background, the Diocese continues to deliver and develop the mission and ministry of the church, and during 2022 will continue to fund ministry at parish level across the Diocese with the intention of meeting the levels identified by deaneries in their deanery plans. However, in the 2022 budget, it was recognised that unless parish share income returns towards pre-Covid levels, it will be necessary to hold a number of posts vacant, appointing to these posts only when further vacancies emerge. The continuing effect of Covid-19 on parish finances indicates that pledge income will not return to pre-Covid levels in the short term, and the prospects of a medium to long term recovery to pre-Covid levels remain uncertain.

The Diocese continues to pursue the Resourcing Churches and Communities of Hope projects whilst exploring two further locations for Resourcing Church, in order to deliver growth in parishes in partnership with the national church.

There will also be increased activity to support clergy and lay leaders to develop their ministry and discipleship and to encourage and nurture those exploring a vocation for public ministry in the Church of England with new training pathways being developed in order to support the four priorities. This will have oversight from Bishop's Council operating through the ACES (Advice, Challenge, Encouragement and Support) groups which will monitor the work of the priorities.

Effects of Covid-19

The virus control measures brought in by the government in response to the Covid-19 pandemic led to some very significant changes to the operations of the Diocese. Government restrictions and high rates of Covid-19 have led to many churches holding some services online in the interests of public health. Numbers able to attend worship inside churches have also fluctuated according to social distancing restrictions which has led to several challenges:

- Ensuring that the well-being of clergy and staff is maintained;
- Providing ministry and support to the ill and the bereaved whilst adopting social distancing measures and complying with national guidance around occasional offices;
- Communicating with the public to convey our message of faith leadership through new channels;
- Adapting church services and faith-based activities to comply with social distancing regulations and guidance, often through online provision;
- Postponing or cancelling events and activities which cannot be carried out safely; and
- Ensuring business continuity in our governance and critical support functions such as safeguarding, finance, and property.

The social disruption from Covid-19 also has financial implications for both the Diocese and its parishes. Parish incomes have in most cases fallen, in some cases dramatically, and this is seen in lower levels of pledges and parish share. Whilst it is not yet possible to quantify the longer-term financial effects of the crisis, any recovery appears to be slow.

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In response to the reduction in parish share, the Archbishops' Council continued to support diocesan and cathedral finances which has assisted the liquidity of the Diocese. This led to the advancement of £2.1m of Lower Income Communities Funding and Transitional Funding for the 2021 financial year in January 2021. The Board would like to express its gratitude to the Council for this support.

The Diocese has taken steps to manage the financial implications of the crisis, initially through postponing non-urgent work, conserving cash and reserves, and encouraging dialogue with parishes to understand the extent to which their finances are affected, and has offered support to parishes with parish giving to help them to mitigate their direct financial effects through the encouragement of use of online giving and contactless giving in church buildings. Communication with parishes is ongoing, in order to ascertain the likely future effect on levels of parish reserves and parish share.

Going concern

The trustees have considered the availability of reserves and cash upon the going concern basis of preparation of these financial statements. Although uncertainty remains, particularly over the rate of recovery in parish income from the effects of Covid-19 restrictions, it is anticipated that reserves will remain within the level set out in the reserves policy. The trustees are comfortable that with the current levels of cash and short-term deposits are sufficient to allow the DDBF to continue to operate as a going concern for the foreseeable future.

Risk management

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

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

During 2021 the most significant risks related to the operations of the DDBF were:

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

Church attendance and long-term financial sustainability

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

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

This system was designed to mitigate the decline in parish share that has been seen in real terms over the preceding decade. Parish share pledges have remained constant at £4.5m 2021 to 2022, however this is £0.5m lower than pre-pandemic levels, and does not keep pace with rising levels of inflation.

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

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

During the year, despite a number of stipendiary and staff posts remaining vacant, there was a continuing operational deficit although financial restraint led to this being within the budgeted deficit. Recruitment has taken place, subject to the limitations of the budget. However, the trustees are aware that holding vacancies can place

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strain on clergy and staff, and this is closely monitored.

Safeguarding

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

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

Other risks

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

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

Structure, governance and management

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

The Church of England is episcopally led (there are 108 bishops) and synodically governed. The General Synod consists of three houses, one of which comprises diocesan bishops and elected representatives from suffragan and area bishops, and two of which are elected from the laity and clergy of each diocese. It meets in London or York at least twice annually to consider legislation for the good of the Church.

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

The Diocese of Durham stretches from the Tyne to the Tees and the Dales to the Sea covering an area of 2,530 square kilometres. There are 257 Anglican churches across 209 parishes and these are grouped into 14 deaneries and three archdeaonries. The mission of the Church of England is mainly carried out at parish level and the DDBF provides pastoral and financial support to the parishes. Each parish is governed by a Parochial Church Council (PCC), which is a corporate charity. Therefore, except where indicated otherwise, the transactions of PCCs do not form part of these financial statements.

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

Governance

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

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Committee structure

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

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

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

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

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

- Finance Group

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

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

- Audit and Risk Committee

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

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

- Investment Committee

DDBF has responsibility for the management of glebe property and investments which generate income to support the cost of stipends. It is also the diocesan authority for parochial and other trusts and incorporates the functions and responsibilities of the Diocesan Parsonages Board. With the exception of major transactions, the DDBF delegates these responsibilities to the Investment Committee, which was established in 2016.

- Church Buildings Panel

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

- Closed Churches Uses Panel

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

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

- Diocesan Advisory Committee

The Diocesan Advisory Committee advises on matters affecting churches and places of worship in the Diocese, such as; the granting of faculties; architecture, archaeology, art and the history of places of worship; the use and care of places of worship and their contents; and the care of churchyards.

- Diocesan Board of Patronage

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

- Board of Education

The Diocesan Board of Education has responsibility for 58 church schools across the Diocese (14 of which are Voluntary Aided, 22 are Voluntary Controlled, 21 are Academies, and one is an Independent School). It provides pastoral and professional support to all its schools and has a particular commitment to enhancing the quality of provision for religious education, collective worship and the spiritual, moral, social, and cultural development of all pupils. The Board of Education is not incorporated and therefore financial accountability for the education agenda rests with the DDBF. During 2021, preparations were made for compliance with the Diocesan Boards of Education Measure 2021, under which a new scheme must come into operation by 1 January 2023, including the agreement in principle of a new scheme.

Public benefit statement

The directors and trustees are aware of the Charity Commission's guidance on public benefit in The Advancement of Religion for the Public Benefit and have had regard to it in their administration of the DDBF. The directors believe that, by promoting the work of the Church of England in the Diocese of Durham, it helps to promote the whole mission of the Church (pastoral, evangelistic, social and ecumenical) more effectively, both in the Diocese as a whole and in its individual parishes, and that in doing so it provides a benefit to the public by:

- Providing facilities for public worship, pastoral care and spiritual, moral and intellectual development, both for its members and for anyone who wishes to benefit from what the Church offers; and
- Promoting Christian values, and service by members of the Church in and to their communities, to the benefit of individuals and society as a whole.

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

Trustee recruitment, selection and induction

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

Remuneration of key management personnel

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

Related parties

During 2021 the DDBF had one wholly owned subsidiary, the Diocese of Durham Educational Trust. It did not trade during the year.

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

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

- General Synod, Church Commissioners and Archbishops' Council

The DDBF has to comply with Measures passed by the General Synod of the Church of England and is required to make certain annual payments to the Archbishops' Council towards the running costs of the National Church. The DDBF is a recipient of funding from several different grant funding streams operated by the Archbishops' Council. The stipends and certain other costs of the Diocesan and Suffragan Bishops are borne by the Church Commissioners.

- Parochial Church Councils (PCCs)

The DDBF is required by Measure to be custodian trustee in relation to PCC property, but the company has no control over PCCs, which are independent charities. The accounts of PCCs do not form part of these financial statements. PCCs are able to influence the decision-making within DDBF and at Diocesan Synod level through representations to those bodies and through the input of their Deanery Synods.

- Multi Academy Trusts (MATs)

The DDBF is a member of a number of MATs, including the Durham and Newcastle Diocesan Learning Trust (formerly the Durham Diocesan MAT). The Diocesan Director of Education and members of his team are directors of the Durham and Newcastle Diocesan Learning Trust during the year.

- Newcastle Diocesan Education Board Limited

The Newcastle Diocesan Education Board Limited (NDEB) has responsibility for 49 church schools (plus 2 affiliated schools with an anglican foundation) across the Diocese of Newcastle. Unlike its counterpart in Durham, NDEB is an incorporated charitable company and registered charity. The two dioceses operate a joint education team to manage the delivery of their objectives across the two dioceses, and at 31 December 2021 this team comprised 8 employees working jointly for NDEB and the DDBF.

- Stirling Newall Trust

A registered charity whose objective is the advancement of the Christian religion by the provision of a house of retreat (Shepherds Dene Retreat House at Riding Mill, Northumberland) for members of the Church of England whether clerical or lay who are resident or working in the area comprising the dioceses of Durham and Newcastle.

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

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

- Northumbrian Industrial Mission

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

- Hospital of God at Greatham

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

- Lord Crewe's Charity

A registered charity, one of whose principal aims is to assist necessitous clergy and their dependents in the dioceses of Durham and Newcastle, particularly for the education of their children, and to assist them in other demonstrable financial need.

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- St Hild and St Bede Trust

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

- Communities Together Durham

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

- Durham Lesotho Diocesan Link

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

- North East Churches Acting Together

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

- North East Religious Learning Resource Centre

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

Political contributions

No political contributions have been made during the year (2020: none).

DURHAM DIOCESAN BOARD OF FINANCE

DIRECTORS' AND TRUSTEES' ANNUAL REPORT

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Statement of directors' and trustees' responsibilities

The trustees are responsible for preparing the Annual Report which incorporates the Strategic 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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the trustees must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of the 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 apply them consistently;
- Observe the methods and principals 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;
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charitable company will continue in business;

The directors 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 are also responsible for safeguarding the assets of the charitable company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Statement of disclosure to the auditor

So far as the trustees are aware:

- a) there is no relevant audit information of which the charitable company's auditor is unaware, and
- b) we have taken all the steps that we ought to have taken as trustees in order to make ourselves aware of any relevant audit information and to establish that the charitable company's auditor is aware of that information.

Auditor

A resolution to reappoint UNW LLP as auditor for the 2021 financial year was tabled at the Board's Annual General Meeting.

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

On behalf of the Board



Rt. Revd. Paul Butler
Chair

25 April 2022

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF DURHAM DIOCESAN BOARD OF FINANCE

Opinion

We have audited the financial statements of Durham Diocesan Board of Finance for the year ended 31 December 2021 which comprise the statement of financial activities, the income and expenditure account, the balance sheet, the statement of cash flows and the notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the charitable company's affairs as at 31 December 2021, and of its incoming resources and application of resources, including its income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

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

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

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

Other information

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

We have nothing to report in this regard.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF DURHAM DIOCESAN BOARD OF FINANCE (continued)

Opinion on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

- adequate accounting records have not been kept by the charitable company, 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 directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of trustees

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

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF DURHAM DIOCESAN BOARD OF FINANCE (continued)

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

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

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF DURHAM DIOCESAN BOARD OF FINANCE (continued)

Use of our report

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

Anne Hallowell

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

25 April 2022

DURHAM DIOCESAN BOARD OF FINANCE

STATEMENT OF FINANCIAL ACTIVITIES

YEAR ENDED 31 DECEMBER 2021

	Notes	Unrestricted Funds £000	Restricted Funds £000	Endowment Funds £000	Total funds 2021 £000	Total funds 2020 £000
Income and endowments from:						
Donations						
Parish contributions	3	4,373	-	-	4,373	4,205
Archbishops' Council	4	2,526	1,415	-	3,941	4,154
Other	5	216	916	-	1,132	903
Charitable activities	6	667	-	-	667	690
Other trading activities	7	529	33	-	562	438
Investments	8	708	72	-	780	665
Other income	9	396	137	774	1,307	1,198
Total income and endowments		9,415	2,573	774	12,762	12,253
Expenditure on:						
Raising funds	10	18	-	6	24	11
Charitable activities						
Contributions to Archbishops' Council	11	702	-	-	702	728
Resourcing ministry and mission	12	7,604	2,282	150	10,036	9,378
Resourcing education	13	281	23	-	304	205
Total expenditure		8,605	2,305	156	11,066	10,322
Net income before investment gains		810	268	618	1,696	1,931
Net gains on investments		34	461	3,605	4,100	1,598
Net income		844	729	4,223	5,796	3,529
Transfers between funds	18	537	1,270	(1,807)	-	-
Net movement in funds		1,381	1,999	2,416	5,796	3,529
Total funds brought forward		4,492	8,995	55,874	69,361	65,832
Total funds carried forward	26	5,873	10,994	58,290	75,157	69,361

The notes on pages 26 to 56 form part of the financial statements.

DURHAM DIOCESAN BOARD OF FINANCE

INCOME AND EXPENDITURE ACCOUNT

YEAR ENDED 31 DECEMBER 2021

	Notes	2021 £000	2020 £000
Total income		11,988	11,055
Total expenditure		(10,910)	(10,094)
Gross income for the year		<u>1,078</u>	<u>961</u>
Net gains on investments		495	142
Net income for the year		<u>1,573</u>	<u>1,103</u>
Other comprehensive income			
Net assets transferred from endowments	18	1,807	1,684
Net comprehensive income for the year		<u><u>3,380</u></u>	<u><u>2,787</u></u>

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 2021

	Note	2021 £000	2020 £000
Fixed assets			
Tangible assets	20	33,540	34,678
Investments	21	35,635	27,720
		<u>69,175</u>	<u>62,398</u>
Current assets			
Debtors	22	1,045	895
Cash on deposit	23	1,837	1,533
Cash at bank and in hand		3,763	5,498
		<u>6,645</u>	<u>7,926</u>
Creditors: amounts falling due within one year	24	<u>(562)</u>	<u>(526)</u>
Net current assets		<u>6,083</u>	<u>7,400</u>
Total assets less current liabilities		75,258	69,798
Creditors: amounts falling due after more than one year	25	<u>(101)</u>	<u>(437)</u>
Net assets		<u>75,157</u>	<u>69,361</u>
Funds			
Endowment funds	26	58,290	55,874
Including revaluation reserve £2,368,832 (2020: £1,991,601)			
Including fair value reserve £6,670,849 (2020: £4,364,659)			
Restricted funds	26	10,994	8,995
Including fair value reserve £1,282,159 (2020: £480,947)			
Unrestricted funds			
General funds	26	5,848	4,467
Including fair value reserve £528,342			
Designated funds	26	25	25
		<u>5,873</u>	<u>4,492</u>
Total funds		<u>75,157</u>	<u>69,361</u>

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

The financial statements were approved and authorised for issue by the trustees on 25 April 2022 and signed on their behalf by:



Rt. Revd. Paul Butler
Chair

The notes on pages 26 to 56 form part of the financial statements.

DURHAM DIOCESAN BOARD OF FINANCE

CASH FLOW STATEMENT

YEAR ENDED 31 DECEMBER 2021

	2021	2020
	£000	£000
Reconciliation of net income to net cash flow from operating activities		
Net income for the year	5,796	3,529
Adjustments for:		
Depreciation	48	87
Gains on investments	(4,100)	(1,598)
Interest and dividends receivable	(725)	(620)
(Increase)/ decrease in debtors	(50)	(316)
Increase/(decrease) in creditors	82	(125)
Profit on sale of fixed assets	(1,307)	(1,198)
Pension revaluation	(119)	(466)
Contributions to pension scheme	(264)	(17)
Net cash used in operating activities	(639)	(724)
Cash flows from investing activities		
Interest and dividends received	725	620
Interest payable	1	10
Purchase of tangible fixed assets	(1,504)	-
Proceeds from sale of tangible fixed assets	3,901	3,233
Purchases of investments	(5,229)	(3,133)
Proceeds from sale of investments	1,229	-
Net cash provided by/(used in) investing activities	(877)	730
Cash flows from financing activities		
New loans advanced	(115)	(68)
Repayment of loans advanced	200	200
Net cash provided by financing activities	85	132
Change in cash and cash equivalents in reporting period	(1,431)	138
Cash and cash equivalents at the beginning of the year	7,031	6,893
Cash and cash equivalents at the end of the year (note 30)	5,600	7,031
Analysis of cash and cash equivalents		
Cash at bank and in hand	3,763	5,498
Notice deposits (less than 3 months)	1,837	1,533
	5,600	7,031

DURHAM DIOCESAN BOARD OF FINANCE

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

1. Accounting policies

a) General information

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

b) Basis of preparation of the financial statements

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

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

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

c) Exemption from preparing group accounts

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

d) Going concern

The trustees have considered the availability of reserves and cash upon the going concern basis of preparation of these financial statements. Whilst there remains some uncertainty over the rate of recovery in parish finances from Covid-19, the financial position and liquidity of the DDBF is such that currently anticipated future deficits can be absorbed using available reserves. Work continues with parishes and other stakeholders to improve the long-term financial prospects of the Diocese. The trustees are comfortable that the measures taken to date, and the managed budget deficit for 2022, along with the current levels of cash and short-term deposits, are sufficient to allow the Diocese to continue to operate as a going concern for the foreseeable future notwithstanding the current restrictions.

e) Income

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

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

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

DURHAM DIOCESAN BOARD OF FINANCE

NOTES TO THE FINANCIAL STATEMENTS (continued)

YEAR ENDED 31 DECEMBER 2021

1. Accounting policies (continued)

e) Income (continued)

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

Selective allocations from the Church Commissioners are credited to the Stipends and General Fund on a monthly basis and recognised in the SOFA as incoming resources.

Legacies, contributions and other donations are accounted for when conditions for their receipt have been met. Investment income is accounted for when receivable. Rental income for glebe and other property is shown separately. Incoming resources from charitable activities including clergy fees, chaplaincy income and guaranteed annuities are receivable on a monthly basis.

Other sundry income, including gains on disposal of properties, is recognised in the SOFA in the accounting period in which monies are receivable.

f) Expenditure

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

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

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

Payments in support of services provided by the Archbishops' Council are regarded as grants and the annual amounts payable are divided into monthly instalments.

Resourcing ministry and mission costs are the costs incurred by the Board in maintaining resident clergy in numerous parishes throughout the Diocese. These include stipends, national insurance, housing, relocation, and a range of support costs.

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

g) Pension contributions

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

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

DURHAM DIOCESAN BOARD OF FINANCE

NOTES TO THE FINANCIAL STATEMENTS (continued)

YEAR ENDED 31 DECEMBER 2021

1. Accounting policies (continued)

h) Tangible fixed assets and depreciation

Tangible fixed assets are recognised at cost.

Freehold and leasehold buildings

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

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

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

School buildings

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

Depreciation on other tangible fixed assets

Depreciation is provided in order to write off the cost (less any residual value) of other fixed assets over their currently expected useful economic lives at the following initial rates:

Freehold and leasehold property	shorter of 50 years or lease term
Furniture and office equipment	33.3% per annum straight line

i) Investments

Investments in agricultural holdings, commercial properties, and investment securities are shown at their market value on the date of the balance sheet. All gains and losses on investments are recognised in the SOFA. Investments held by the DDBF as custodian trustee are not included in these accounts. Investments in unlisted investments and subsidiary costs are stated at cost less provision for diminution in value. Investments also include long term loans made by the DDBF under concessionary terms which are recognised and measured as set out in Note 1(j).

DURHAM DIOCESAN BOARD OF FINANCE

NOTES TO THE FINANCIAL STATEMENTS (continued)

YEAR ENDED 31 DECEMBER 2021

1. Accounting policies (continued)

j) Financial instruments - assets and liabilities

Loans

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

Debtors

Debtors are recognised at the settlement amount due.

Cash and cash equivalents

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

Creditors and provisions

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

Equity share loan

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

k) Operating leases

Rentals paid under operating leases are charged to the SOFA on a straight line basis over the lease term.

l) Funds

Balances are split between general, designated, restricted and endowment funds.

- **General** funds represent funds which are expendable at the discretion of the directors' in the furtherance of the objectives of the charity. Such funds may be held in order to finance both working capital and capital investment.
- **Designated** funds are amounts which have been put aside at the discretion of the directors and are therefore not available for other purposes. All of the unrestricted funds apart from the General Fund are now regarded as designated. These are included with the unrestricted funds column in the SOFA.
- **Restricted** funds represent grants, donations, legacies and assets which are allocated by the donor for specific purposes. The largest restricted fund is the Pastoral Account.
- **Endowment** funds are those held on trust to be retained for the benefit of the charity as a capital fund. In the case of the endowment funds administered by the Board (Stipends Capital Fund, and Parsonage Houses Fund), there are discretionary powers to convert capital into income and, as a result, these funds are classified as expendable endowment. Endowment funds where there is no provision for expenditure of capital are classified as permanent endowment

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

DURHAM DIOCESAN BOARD OF FINANCE

NOTES TO THE FINANCIAL STATEMENTS (continued)

YEAR ENDED 31 DECEMBER 2021

2. Critical accounting judgements and estimates

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

Key areas subject to estimation are as follows:

Fair value of investment property

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

Fair values estimated for equity share loan

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

Valuation of defined benefit pension scheme deficit recovery liabilities

The present values of the deficit recovery liabilities in respect of the Church Workers Pension Fund and the Church of England Funded Pensions Scheme defined benefit pension schemes depend on a number of factors that are determined on an actuarial basis using a variety of assumptions. These include the discount rate, inflation rate and the increase to the total pensionable payroll, and the DDBF has adopted the values determined by the Church of England Pensions Board. Any changes in these assumptions, which are disclosed in note 29, will impact the carrying amount of the pension deficit recovery liabilities. Furthermore a roll forward approach which projects results from the latest full actuarial valuations performed has been used by the actuary in valuing the pension deficit recovery liabilities at 31 December 2020. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would affect the carrying amount of the pension deficit recovery liabilities.

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

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

3. Parish contributions

	Total funds 2021 £000	Total funds 2020 £000
Unrestricted general fund - parish share		
Contributions pledged and paid	4,336	4,138
Contributions from previous years	37	67
	<u>4,373</u>	<u>4,205</u>
Current year parish share receipts (excluding contributions from prior years) as a proportion of total amounts pledged	<u>94.3%</u>	<u>83.6%</u>

DURHAM DIOCESAN BOARD OF FINANCE

NOTES TO THE FINANCIAL STATEMENTS (continued)

YEAR ENDED 31 DECEMBER 2021

4. Archbishops' Council

	Unrestricted funds £000	Restricted funds £000	Endowment funds £000	Total funds 2021 £000
Lower income communities' funds	2,180	-	-	2,180
Strategic development fund	-	1,257	-	1,257
Renewal & reform fund	-	158	-	158
Sustainability fund	250	-	-	250
Strategic ministry funding	96	-	-	96
	<u>2,526</u>	<u>1,415</u>	<u>-</u>	<u>3,941</u>
	<u>2,526</u>	<u>1,415</u>	<u>-</u>	<u>3,941</u>
	Unrestricted funds £000	Restricted funds £000	Endowment funds £000	Total funds 2020 £000
Lower income communities' funds	2,256	-	-	2,256
Strategic development fund	-	951	-	951
Renewal & reform fund	-	173	-	173
Sustainability fund	750	-	-	750
Strategic ministry funding	24	-	-	24
	<u>3,030</u>	<u>1,124</u>	<u>-</u>	<u>4,154</u>
	<u>3,030</u>	<u>1,124</u>	<u>-</u>	<u>4,154</u>

5. Other donations

	Unrestricted funds £000	Restricted funds £000	Endowment funds £000	Total funds 2021 £000
Benefact Trust	178	-	-	178
Grants	12	849	-	861
Other	26	67	-	93
	<u>216</u>	<u>916</u>	<u>-</u>	<u>1,132</u>
	<u>216</u>	<u>916</u>	<u>-</u>	<u>1,132</u>
	Unrestricted funds £000	Restricted funds £000	Endowment funds £000	Total funds 2020 £000
Benefact Trust	176	-	-	176
Grants	6	551	-	557
Other	56	114	-	170
	<u>238</u>	<u>665</u>	<u>-</u>	<u>903</u>
	<u>238</u>	<u>665</u>	<u>-</u>	<u>903</u>

DURHAM DIOCESAN BOARD OF FINANCE

NOTES TO THE FINANCIAL STATEMENTS (continued)

YEAR ENDED 31 DECEMBER 2021

6. Income from charitable activities

	Unrestricted funds £000	Restricted funds £000	Endowment funds £000	Total funds 2021 £000
Statutory fees and chaplaincy	597	-	-	597
Miscellaneous income	70	-	-	70
	<u>667</u>	<u>-</u>	<u>-</u>	<u>667</u>
	<u><u>667</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>667</u></u>
	Unrestricted funds £000	Restricted funds £000	Endowment funds £000	Total funds 2020 £000
Statutory fees and chaplaincy	612	-	-	612
Miscellaneous income	77	1	-	78
	<u>689</u>	<u>1</u>	<u>-</u>	<u>690</u>
	<u><u>689</u></u>	<u><u>1</u></u>	<u><u>-</u></u>	<u><u>690</u></u>

7. Income from other activities

	Unrestricted funds £000	Restricted funds £000	Endowment funds £000	Total funds 2021 £000
Rental income from parsonages	367	-	-	367
Education service level agreements	155	33	-	188
Miscellaneous income	7	-	-	7
	<u>529</u>	<u>33</u>	<u>-</u>	<u>562</u>
	<u><u>529</u></u>	<u><u>33</u></u>	<u><u>-</u></u>	<u><u>562</u></u>
	Unrestricted funds £000	Restricted funds £000	Endowment funds £000	Total funds 2020 £000
Rental income from parsonages	318	-	-	318
Education service level agreements	119	-	-	119
Miscellaneous income	1	-	-	1
	<u>438</u>	<u>-</u>	<u>-</u>	<u>438</u>
	<u><u>438</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>438</u></u>

DURHAM DIOCESAN BOARD OF FINANCE

NOTES TO THE FINANCIAL STATEMENTS (continued)

YEAR ENDED 31 DECEMBER 2021

8. Income from investments	Unrestricted funds £000	Restricted funds £000	Endowment funds £000	Total funds 2021 £000
Income from UK listed investments	572	63	-	635
Interest receivable	81	9	-	90
Rents receivable	55	-	-	55
	<u>708</u>	<u>72</u>	<u>-</u>	<u>780</u>
	<u><u>708</u></u>	<u><u>72</u></u>	<u><u>-</u></u>	<u><u>780</u></u>
	Unrestricted funds £000	Restricted funds £000	Endowment funds £000	Total funds 2020 £000
Income from UK listed investments	557	23	-	580
Interest receivable	31	9	-	40
Rents receivable	45	-	-	45
	<u>633</u>	<u>32</u>	<u>-</u>	<u>665</u>
	<u><u>633</u></u>	<u><u>32</u></u>	<u><u>-</u></u>	<u><u>665</u></u>
	Unrestricted funds £000	Restricted funds £000	Endowment funds £000	Total funds 2021 £000
9. Other incoming resources				
Gain on disposal of properties	396	137	774	1,307
	<u>396</u>	<u>137</u>	<u>774</u>	<u>1,307</u>
	<u><u>396</u></u>	<u><u>137</u></u>	<u><u>774</u></u>	<u><u>1,307</u></u>
	Unrestricted funds £000	Restricted funds £000	Endowment funds £000	Total funds 2020 £000
Gain on disposal of properties	-	-	1,198	1,198
	<u>-</u>	<u>-</u>	<u>1,198</u>	<u>1,198</u>
	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>1,198</u></u>	<u><u>1,198</u></u>

DURHAM DIOCESAN BOARD OF FINANCE

NOTES TO THE FINANCIAL STATEMENTS (continued)

YEAR ENDED 31 DECEMBER 2021

10. Fundraising costs	Unrestricted funds £000	Restricted funds £000	Endowment funds £000	Total funds 2021 £000
Glebe agent's fees	7	-	-	7
Glebe investment costs	11	-	6	17
	<u>18</u>	<u>-</u>	<u>6</u>	<u>24</u>
	<u><u>18</u></u>	<u><u>-</u></u>	<u><u>6</u></u>	<u><u>24</u></u>
	Unrestricted funds £000	Restricted funds £000	Endowment funds £000	Total funds 2020 £000
Glebe agent's fees	8	-	-	8
Glebe investment costs	3	-	-	3
	<u>11</u>	<u>-</u>	<u>-</u>	<u>11</u>
	<u><u>11</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>11</u></u>
11. Contributions to Archbishops' Council	Unrestricted funds £000	Restricted funds £000	Endowment funds £000	Total funds 2021 £000
Training for ministry	224	-	-	224
National Church responsibilities	268	-	-	268
Grants and provisions	205	-	-	205
Pooling of ordinand candidates	5	-	-	5
	<u>702</u>	<u>-</u>	<u>-</u>	<u>702</u>
	<u><u>702</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>702</u></u>
	Unrestricted funds £000	Restricted funds £000	Endowment funds £000	Total funds 2020 £000
Training for ministry	276	-	-	276
National Church responsibilities	224	-	-	224
Grants and provisions	144	52	-	196
Pooling of ordinand candidates	32	-	-	32
	<u>676</u>	<u>52</u>	<u>-</u>	<u>728</u>
	<u><u>676</u></u>	<u><u>52</u></u>	<u><u>-</u></u>	<u><u>728</u></u>

DURHAM DIOCESAN BOARD OF FINANCE

NOTES TO THE FINANCIAL STATEMENTS (continued)

YEAR ENDED 31 DECEMBER 2021

12. Expenditure on resourcing ministry and mission

	Unrestricted funds £000	Restricted funds £000	Endowment funds £000	Total funds 2021 £000
Stipends and national insurance	3,659	168	-	3,827
Clergy pension	1,027	58	-	1,085
Pensions deficit creditor movement (note 29)	5	-	-	5
Housing costs	1,169	-	135	1,304
Removal, resettlement and other grants	125	-	-	125
Central mission stipendiary, staff and activity costs	379	1,200	-	1,579
Training for ministry	50	442	-	492
Strategic Development costs	-	19	-	19
Other expenses and grants	386	30	-	416
	<u>6,800</u>	<u>1,917</u>	<u>135</u>	<u>8,852</u>
Support for parish ministry (see note 15)	804	365	15	1,184
	<u>7,604</u>	<u>2,282</u>	<u>150</u>	<u>10,036</u>
	Unrestricted funds £000	Restricted funds £000	Endowment funds £000	Total funds 2020 £000
Stipends and national insurance	3,750	76	-	3,826
Clergy pension	876	26	-	902
Pensions deficit creditor movement	(11)	-	-	(11)
Housing costs	979	-	191	1,170
Removal, resettlement and other grants	133	-	-	133
Central mission stipendiary, staff and activity costs	360	886	-	1,246
Training for ministry	90	246	-	336
Strategic Development costs	-	47	-	47
Other expenses and grants	324	160	-	484
	<u>6,501</u>	<u>1,441</u>	<u>191</u>	<u>8,133</u>
Support for parish ministry (see note 15)	862	346	37	1,245
	<u>7,363</u>	<u>1,787</u>	<u>228</u>	<u>9,378</u>

DURHAM DIOCESAN BOARD OF FINANCE

NOTES TO THE FINANCIAL STATEMENTS (continued)

YEAR ENDED 31 DECEMBER 2021

13. Expenditure on education	Unrestricted funds £000	Restricted funds £000	Endowment funds £000	Total funds 2021 £000
Administration	281	-	-	281
Closed schools	-	23	-	23
	<u>281</u>	<u>23</u>	<u>-</u>	<u>304</u>
	<u><u>281</u></u>	<u><u>23</u></u>	<u><u>-</u></u>	<u><u>304</u></u>
	Unrestricted funds £000	Restricted funds £000	Endowment funds £000	Total funds 2020 £000
Administration	266	-	-	266
Closed schools	-	(61)	-	(61)
	<u>266</u>	<u>(61)</u>	<u>-</u>	<u>205</u>
	<u><u>266</u></u>	<u><u>(61)</u></u>	<u><u>-</u></u>	<u><u>205</u></u>

14. Analysis of expenditure including allocation of support costs

	Activities undertaken directly £000	Grant funding of activities £000	Support costs £000	Total funds 2021 £000
Raising funds	24	-	-	24
<u>Charitable activities:</u>				
Contributions to Archbishops' Council	-	702	-	702
Resourcing ministry and mission	8,185	667	1,184	10,036
Education	304	-	-	304
	<u>8,513</u>	<u>1,369</u>	<u>1,184</u>	<u>11,066</u>
	<u><u>8,513</u></u>	<u><u>1,369</u></u>	<u><u>1,184</u></u>	<u><u>11,066</u></u>
	Activities undertaken directly £000	Grant funding of activities £000	Support costs £000	Total funds 2020 £000
Raising funds	11	-	-	11
<u>Charitable activities:</u>				
Contributions to Archbishops' Council	-	728	-	728
Resourcing ministry and mission	7,615	518	1,245	9,378
Education	205	-	-	205
	<u>7,831</u>	<u>1,246</u>	<u>1,245</u>	<u>10,322</u>
	<u><u>7,831</u></u>	<u><u>1,246</u></u>	<u><u>1,245</u></u>	<u><u>10,322</u></u>

DURHAM DIOCESAN BOARD OF FINANCE

NOTES TO THE FINANCIAL STATEMENTS (continued)

YEAR ENDED 31 DECEMBER 2021

15. Analysis of support costs

	Unrestricted funds £000	Restricted funds £000	Endowment funds £000	Total funds 2021 £000
Central staff costs	428	223	-	651
Movement on CWPf deficit creditor	(123)	-	-	(123)
Central office and premises	74	-	-	74
Technology and communication	164	8	-	172
Depreciation	5	29	15	49
Other support costs	71	-	-	71
Governance				
External audit	20	-	-	20
Legal and registry costs	131	-	-	131
Synod, Board and Committee expenses	29	-	-	29
Other costs	5	105	-	110
	<u>804</u>	<u>365</u>	<u>15</u>	<u>1,184</u>
	<u>804</u>	<u>365</u>	<u>15</u>	<u>1,184</u>
	Unrestricted funds £000	Restricted funds £000	Endowment funds £000	Total funds 2020 £000
Central staff costs	445	257	-	702
Movement on CWPf deficit creditor	4	-	-	4
Central office and premises	61	-	-	61
Technology and communication	131	-	-	131
Depreciation	22	28	37	87
Other support costs	20	-	-	20
Governance				
External audit	20	-	-	20
Legal and registry costs	125	-	-	125
Synod, Board and Committee expenses	30	-	-	30
Other costs	4	61	-	65
	<u>862</u>	<u>346</u>	<u>37</u>	<u>1,245</u>
	<u>862</u>	<u>346</u>	<u>37</u>	<u>1,245</u>

DURHAM DIOCESAN BOARD OF FINANCE

NOTES TO THE FINANCIAL STATEMENTS (continued)

YEAR ENDED 31 DECEMBER 2021

16. Analysis of grants made	Number	Individuals £000	Institutions £000	Total 2021 £000
From unrestricted funds for				
National Church responsibilities:				
Contributions to Archbishops' Council	1	-	497	497
Other grants made:				
NECAT	1	-	8	8
Northumbrian Industrial Mission	1	-	2	2
Lesotho	1	-	25	25
Training for Ministry Grants	68	61	411	472
Resettlement and First Appointment Grants	22	88	-	88
Ordinands' Grants	28	205	-	205
Basic Clergy Development Grants	41	6	-	6
Special CMD & Sabbatical Grants	17	11	-	11
Mission Fund Grants	9	23	-	23
Church building committee grants	15	32	-	32
	<u>204</u>	<u>426</u>	<u>943</u>	<u>1,369</u>
	<u><u>204</u></u>	<u><u>426</u></u>	<u><u>943</u></u>	<u><u>1,369</u></u>
	Number	Individuals £000	Institutions £000	Total 2020 £000
From unrestricted funds for				
National Church responsibilities:				
Contributions to Archbishops' Council	1	-	532	532
Other grants made:				
NECAT	1	-	8	8
Northumbrian Industrial Mission	1	-	2	2
Lesotho	1	-	25	25
Training for Ministry Grants	60	44	292	336
Resettlement and First Appointment Grants	25	98	-	98
Ordinands' Grants	27	144	-	144
Basic Clergy Development Grants	50	6	-	6
Special CMD & Sabbatical Grants	10	3	-	3
Mission Fund Grants	33	41	-	41
Church building committee grants	18	-	51	51
	<u>227</u>	<u>336</u>	<u>910</u>	<u>1,246</u>
	<u><u>227</u></u>	<u><u>336</u></u>	<u><u>910</u></u>	<u><u>1,246</u></u>

DURHAM DIOCESAN BOARD OF FINANCE

NOTES TO THE FINANCIAL STATEMENTS (continued)

YEAR ENDED 31 DECEMBER 2021

17. Staff costs	2021	2020
	£000	£000
Employee costs during the year were as follows:		
Wages and salaries	1,414	1,328
National insurance contributions	136	129
Pension costs – current year contributions	203	138
Movement on pension deficit creditor (see Note 29)	(123)	4
	1,630	1,599
	1,630	1,599

Included in staff costs are termination payments totalling £nil (2020: £2,000).

The average monthly number of employees during the year were as follows:	2021	2020
	Number	Number
Staff – full time equivalents	43	36
	43	36
	43	36

The numbers of staff whose emoluments (including benefits in kind but excluding Pension contributions) amounted to more than £60,000 were as follows:	2021	2020
	Number	Number
£60,001 - £70,000	1	1
	1	1
	1	1

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 2021 they were:

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

Remuneration, pensions and employer's national insurance contributions for the above employees amounted to £209,448 (2020: £171,000).

Trustees' emoluments

No trustee received any remuneration for services as trustee. During the year, 6 trustees (2020: 6) received travelling, subsistence and incidental costs, totalling £9,000 (2020: £10,000) in respect of General Synod duties, duties as archdeacon or area/rural dean, and other duties as trustees.

During the year the Board made contributions to the Church Commissioners at the standard rate agreed by Diocesan Synod towards the stipends, national insurance and pension contributions of the licensed clergy who are directors of the Board and provided houses, including payment of council tax and maintenance costs, as part of normal clergy remuneration.

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

	Stipend	Housing
Right Reverend SE Clark	No	Yes
Venerable RL Simpson	Yes	Yes
Venerable RG Cooper	Yes	Yes
Venerable EM Wilkinson	Yes	Yes
Reverend P Arnold	Yes	Yes
Reverend J Barron	Yes	Yes
Reverend WE Braviner	Yes	Yes
Reverend T Glover	Yes	Yes
Reverend L Sutherland	Yes	Yes
Reverend D Tolhurst	Yes	Yes

DURHAM DIOCESAN BOARD OF FINANCE

NOTES TO THE FINANCIAL STATEMENTS (continued)

YEAR ENDED 31 DECEMBER 2021

17. Staff costs (continued)

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

The DDBF paid an average of 142 (2020: 145) stipendiary clergy and lay ministers as office-holders holding parochial or diocesan appointments in the Diocese, and the costs were as follows:

	2021 £000	2020 £000
Stipends	3,501	3,515
National insurance contributions	298	295
Pension costs – current year contributions	1,392	1,356
Movement on pension deficit creditor (see Note 29)	5	(11)
	<u>5,196</u>	<u>5,155</u>

Included in stipend costs are termination payments totalling £nil (2020: £53,000).

18. Analysis of significant transfers between funds	Unrestricted funds £000	Restricted funds £000	Endowment funds £000	Total funds 2021 £000
Transfer of Parsonage Property to Pastoral Fund	-	995	(995)	-
Transfer of Parsonage Property to Parsonage Building Fund	-	267	(267)	-
Transfer of Glebe costs to Transitional Fund	-	8	(8)	-
Transfer of Parsonage Property to Unrestricted Funds	758	-	(758)	-
Transfer from general funds to Stipend Capital Fund in respect of reduction in clergy pension scheme deficits payments creditor	(243)	-	243	-
Reallocation of Housing costs	22	-	(22)	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

	Unrestricted funds £000	Restricted funds £000	Endowment funds £000	Total funds 2020 £000
Transfer in respect of closed school funds	-	1,944	(1,944)	-
Transfer of Parsonage Property to DBF Property Fund	-	155	(155)	-
Transfer in respect of released restricted funds	315	(315)	-	-
Transfer from general funds to Stipend Capital Fund in respect of reduction in clergy pension scheme deficits payments creditor	(415)	-	415	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

19. Net incoming/(outgoing) resources for the year	2021 £000	2020 £000
This is stated after charging:		
Depreciation	48	87
Auditor's remuneration:		
- audit of the financial statements	18	18
- non-audit services	2	2
	<u> </u>	<u> </u>

DURHAM DIOCESAN BOARD OF FINANCE

NOTES TO THE FINANCIAL STATEMENTS (continued)

YEAR ENDED 31 DECEMBER 2021

20. Tangible assets	Unrestricted & Restricted		Endowment		Total £000
	Property £000	Office Equipment £000	Parsonages £000	Glebe Property £000	
At cost or valuation					
At 1 January 2021	3,940	95	22,157	9,392	35,584
Additions	-	-	362	1,142	1,504
Disposals	(1,167)	-	(1,096)	(402)	(2,665)
Transfers	765	-	(636)	(129)	-
At 31 December 2021	<u>3,538</u>	<u>95</u>	<u>20,787</u>	<u>10,003</u>	<u>34,423</u>
Accumulated depreciation					
At 1 January 2021	99	89	485	233	906
Charge for the year	29	5	6	8	48
Depreciation eliminated on disposal	(14)	-	(52)	(5)	(71)
Transfers	7	-	(5)	(2)	-
At 31 December 2021	<u>121</u>	<u>94</u>	<u>434</u>	<u>234</u>	<u>883</u>
Net book value					
At 31 December 2021	<u>3,417</u>	<u>1</u>	<u>20,353</u>	<u>9,769</u>	<u>33,540</u>
At 31 December 2020	<u>3,841</u>	<u>6</u>	<u>21,672</u>	<u>9,159</u>	<u>34,678</u>
21. Investments		Agricultural Land £000	Long Term Loans £000	Listed Investments £000	Total £000
At 1 January 2021		2,398	400	24,922	27,720
Additions		-	15	5,229	5,244
Disposals/repayments		-	(200)	(1,142)	(1,342)
Revaluation		377	-	3,636	4,013
At 31 December 2021		<u>2,775</u>	<u>215</u>	<u>32,645</u>	<u>35,635</u>
Historic cost at year end		<u>407</u>	<u>215</u>	<u>24,944</u>	<u>25,566</u>

Agricultural Land held as investment properties

The estimate of the value of Glebe land and properties held as investments at the end of the year has been prepared by Savills on a desktop valuation basis as at 31 December 2021.

Long term loans

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

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

DURHAM DIOCESAN BOARD OF FINANCE

NOTES TO THE FINANCIAL STATEMENTS (continued)

YEAR ENDED 31 DECEMBER 2021

21. Investments (continued)

Subsidiary undertakings

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

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

22. Debtors	2021 £000	2020 £000
Due within one year		
Parish share debtors	12	17
Church Buildings loans	2	15
Other debtors	302	240
Prepayments and accrued income	487	482
	<u>803</u>	<u>754</u>
Due after one year		
Church Buildings loans	108	7
Equity share loan	134	134
	<u>242</u>	<u>141</u>
Total debtors	<u>1,045</u>	<u>895</u>

The historic cost of the equity share loan is £16,000.

23. Short-term investments	2021 £000	2020 £000
CBF Deposit Fund	<u>1,837</u>	<u>1,533</u>

DURHAM DIOCESAN BOARD OF FINANCE

NOTES TO THE FINANCIAL STATEMENTS (continued)

YEAR ENDED 31 DECEMBER 2021

24. Creditors: amounts falling due within one year	2021	2020
	£000	£000
Trade creditors	231	123
Other creditors	11	13
Accruals and deferred income	80	104
Pension deficit payments creditor (Note 29)	240	286
	<u>562</u>	<u>526</u>
	£000	
Deferred income at 1 January 2021	24	
Resources deferred during the year	51	
Amounts released from previous years	(24)	
	<u>51</u>	
	<u>51</u>	
25. Creditors: amounts falling due after more than one year	2021	2020
	£000	£000
Loans	101	101
Pension deficit payments creditor (Note 29)	-	336
	<u>101</u>	<u>437</u>
	<u>101</u>	<u>437</u>

Loans included in creditors due in more than one year comprise £101,000 2020: (£101,000) owing to Church Commissioners relating to property purchased to house clergy spouses, which become repayable on sale of the property once it falls vacant.

DURHAM DIOCESAN BOARD OF FINANCE

NOTES TO THE FINANCIAL STATEMENTS (continued)

YEAR ENDED 31 DECEMBER 2021

26. Summary of fund movements – current year

	Balance at 1 Jan 2021 £000	Incoming Resources £000	Outgoing Resources £000	Gains and Losses £000	Transfers £000	Balance at 31 Dec 2021 £000
Unrestricted funds						
General	4,467	9,415	(8,605)	34	537	5,848
Designated funds:						
Stonebridge office	-	-	-	-	-	-
Bequests Fund	25	-	-	-	-	25
Mission Development Fund	-	-	-	-	-	-
Church Buildings Fund	-	-	-	-	-	-
DBF Property Fund	-	-	-	-	-	-
Mission Priority Fund - Lent for Everyone	-	-	-	-	-	-
Designated Fund for Educational Purposes	-	-	-	-	-	-
	25	-	-	-	-	25
Restricted funds						
Parsonages Building Fund	1,685	33	-	167	266	2,151
Durham Closed Schools Fund	412	42	(22)	137	11	580
Board of Education Training Fund	11	-	-	-	(11)	-
Pastoral Account	5,496	48	(192)	157	995	6,504
Ministry & Preordination Training Fund	136	475	(442)	-	-	169
Faith in the Community	3	-	-	-	-	3
Lord Crewe's Charity	4	356	(242)	-	-	118
Strategic Development Fund – Resourcing Churches	28	640	(640)	-	-	28
Strategic Development Fund – MLG	-	19	(19)	-	-	-
Restructuring Fund	181	158	(140)	-	9	208
Strategic Development Fund – Communities of Hope	-	500	(500)	-	-	-
Other	1,039	302	(108)	-	-	1,233
	8,995	2,573	(2,305)	461	1,270	10,994
Endowment funds						
Parsonages Houses Funds	21,696	-	(7)	466	(1,892)	20,263
Stipends Capital Fund	34,178	774	(149)	3,139	85	38,027
	55,874	774	(156)	3,605	(1,807)	58,290
	69,361	11,457	(11,066)	5,405	-	75,157

DURHAM DIOCESAN BOARD OF FINANCE

NOTES TO THE FINANCIAL STATEMENTS (continued)

YEAR ENDED 31 DECEMBER 2021

26. Summary of fund movements – prior year

	Balance at 1 Jan 2020 £000	Incoming Resources £000	Outgoing Resources £000	Gains and Losses £000	Transfers £000	Balance at 31 Dec 2020 £000
Unrestricted funds						
General	1,316	9,233	(8,316)	-	2,234	4,467
Designated funds:						
Stonebridge office	40	-	-	-	(40)	-
Bequests Fund	25	-	-	-	-	25
Mission Development Fund	104	-	-	-	(104)	-
Church Buildings Fund	19	-	-	-	(19)	-
DBF Property Fund	2,134	-	-	-	(2,134)	-
Mission Priority Fund - Lent for Everyone	6	-	-	-	(6)	-
Designated Fund for Educational Purposes	31	-	-	-	(31)	-
	<u>2,359</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,334)</u>	<u>25</u>
Restricted funds						
Parsonages Building Fund	1,471	13	-	46	155	1,685
Durham Closed Schools Fund	237	114	61	-	-	412
Board of Education Training Fund	11	-	-	-	-	11
Pastoral Account	4,980	10	(190)	96	600	5,496
Ministry & Preordination Training Fund	105	330	(299)	-	-	136
Faith in the Community	5	1	(3)	-	-	3
Lord Crewe's Charity	(36)	219	(179)	-	-	4
Strategic Development Fund – Resourcing Churches	28	617	(617)	-	-	28
Strategic Development Fund – MLG	(3)	50	(47)	-	-	-
Restructuring Fund	227	173	(219)	-	-	181
Strategic Development Fund – Communities of Hope	-	284	(284)	-	-	-
Other	-	11	(1)	-	1,029	1,039
	<u>7,025</u>	<u>1,822</u>	<u>(1,778)</u>	<u>142</u>	<u>1,784</u>	<u>8,995</u>
Endowment funds						
Parsonages Houses Funds	22,956	870	(29)	-	(2,101)	21,696
Stipends Capital Fund	32,176	328	(199)	1,456	417	34,178
	<u>55,132</u>	<u>1,198</u>	<u>(228)</u>	<u>1,456</u>	<u>(1,684)</u>	<u>55,874</u>
	<u>65,832</u>	<u>12,253</u>	<u>(10,322)</u>	<u>1,598</u>	<u>-</u>	<u>69,361</u>

DURHAM DIOCESAN BOARD OF FINANCE

NOTES TO THE FINANCIAL STATEMENTS (continued)

YEAR ENDED 31 DECEMBER 2021

27. Summary of assets per fund

As at 31 December 2021	Tangible fixed assets £000	Investments £000	Net current assets £000	Long term liabilities £000	Net assets £000
Unrestricted funds					
General	1,739	2,034	2,176	(101)	5,848
Designated funds:					
Stonebridge office	-	-	25	-	25
Bequests Fund	-	-	-	-	-
Mission Development Fund	-	-	-	-	-
Church Buildings Fund	-	-	-	-	-
DBF Property Fund	-	-	-	-	-
Mission Priority Fund - Lent for Everyone	-	-	-	-	-
Designated Fund for Educational Purposes	-	-	-	-	-
	-	-	25	-	25
Restricted Funds					
Parsonages Building Fund	-	1,331	821	-	2,152
Durham Closed Schools Fund	-	-	580	-	580
Education Training Fund	-	-	-	-	-
Pastoral Account	1,680	2,507	2,317	-	6,504
Ministry & Preordination	-	-	169	-	169
Faith in the Community	-	-	3	-	3
Lord Crewe's Charity	-	-	118	-	118
Strategic Development Fund – Resourcing Churches	-	-	28	-	28
Strategic Development Fund – MLG	-	-	-	-	-
Restructuring Fund	-	-	208	-	208
Strategic Development Fund – Communities for Hope	-	-	-	-	-
Other	-	1,112	120	-	1,232
	1,680	4,950	4,364	-	10,994
Endowment Funds					
Parsonages Houses Fund	20,354	-	(91)	-	20,263
Stipends Capital Fund	9,768	28,652	(393)	-	38,027
	30,122	28,652	(727)	-	58,290
	33,540	35,635	6,083	(101)	75,157

The funds may only be applied for the purposes specified in the measures, trust deeds and the ecclesiastical statutory regulations. They are only generally available for the above specified purposes.

DURHAM DIOCESAN BOARD OF FINANCE

NOTES TO THE FINANCIAL STATEMENTS (continued)

YEAR ENDED 31 DECEMBER 2021

27. Summary of assets per fund (continued)

General fund	The general fund is available for any purpose within the objects of the Board. It is principally used for payment of stipends, national insurance, pension contributions and housing costs of clergy and licensed lay-workers in parish ministry. It also provides the assets and liquidity for the DDBF to carry out its objectives, including statutory compliance and administration of funds.
Stonebridge Office Fund	This fund represents funds held for the five year QI costs relating to Cuthbert House.
Bequests Fund	This fund represents the balance from an anonymous donor during 2019 which the Board decided should be held within a separate designated fund for the alleviation of Diocesan poverty. The trustees anticipate that this reserve will be expended by the end of 2021.
Mission Development Fund	This fund represents monies received from the Archbishops' Council to support mission work in the Diocese.
Church Buildings Fund	The Church Buildings Fund represents funds designated by the Diocesan Synod for the repair of churches. The Church Buildings Committee makes grants or loans to parishes from this fund.
DBF Property Fund	This is set up to hold properties that are neither parsonages nor glebe.
Mission Priority Fund - Lent for Everyone	This fund represents the balance from an anonymous donor during 2019 which the Board decided should be held within a separate designated fund.
Designated fund for educational purposes	The Designated Fund for Educational Purposes holds funds designated by the DDBF for use by the Diocesan Board of Education for educational purposes which are not subject to the restrictions imposed by the Education Act 1993.
Parsonages Buildings fund	The Parsonages Buildings fund is held by the DDBF to pay for repairs and maintenance of parsonage houses. This fund also holds the net proceeds from the sale of any previous parsonages which have been ring fenced for the provision of a replacement parsonage as and when necessary.
Durham Closed Schools Fund	The Closed Schools Improvements Fund represents the pooled sale proceeds of closed church schools in the Diocese in accordance with Section 287 (2) of the Education Act 1993. The capital and income can be used for the building, extension and maintenance of church schools. The income alone can be spent on the management and administration of church schools.
Education Training Fund	The Education Training Fund is a restricted fund held by the DDBF for the Diocesan Board of Education and it represents funds for educational purposes.
Pastoral Account	<p>The pastoral account includes the proceeds of redundant churches and parsonages and was set up under the provisions of the Pastoral Measure 1983. The restricted purposes for which the account may be used are:</p> <ul style="list-style-type: none">- to defray costs incurred for the purposes of the Measure or any scheme or order made under the Measure except for salaries of regular diocesan employees- to make loans or grants for the provision, restoration, improvement or repair of churches and parsonage houses in the Diocese- other purposes of the Diocese or any benefice or parish in the Diocese- to make grants or loans to any other diocese- to transfer funds to the diocesan stipends fund income or capital accounts.

DURHAM DIOCESAN BOARD OF FINANCE

NOTES TO THE FINANCIAL STATEMENTS (continued)

YEAR ENDED 31 DECEMBER 2021

27. Summary of assets per fund (continued)

Ministry and Preordination Training Fund	This is a restricted fund set up to provide assistance for ministry and training.
Faith in the Community	This fund is to support the partnership project which funds salaries of support workers, office costs, training, events and projects.
Lord Crewe's Charity Restricted Fund	This fund provides support for necessitous clergy and gives resources for the mission and ministry of parishes in the most deprived parts of the Diocese.
Strategic Development Fund	This restricted fund relates to grants received from the Church Commissioners to develop and deliver the strategic plans of the DDBF.
Restructuring Fund	The Church Commissioners awarded the Diocese a one-off allocation to allow the Diocese to adapt to a reduction in funding resulting from the replacement of Selective Allocation by Lower Income Communities Funding. This funding is restricted as it must be used in line with an agreed plan.
Miscellaneous Restricted Income Fund	This restricted fund relates to grants received for one off smaller activities which have been made available for specific restricted activities within the Diocese.
Parsonage Houses Fund	The Parsonage Houses Fund represents the value of the benefice houses (parsonages) in the Diocese after deducting loans outstanding in respect of such houses.
Stipends Capital Fund	The Stipends Capital Fund is governed by the Diocesan Stipends Measure 1953. The income of the fund can only be used for clergy stipends but, since 1993, capital can be applied for improvements to parsonage houses.

DURHAM DIOCESAN BOARD OF FINANCE

NOTES TO THE FINANCIAL STATEMENTS (continued)

YEAR ENDED 31 DECEMBER 2021

27. Summary of assets per fund (continued)

Summary of assets per fund – prior year

As at 31 December 2020	Tangible fixed assets £000	Investments £000	Net current assets £000	Long term liabilities £000	Net assets £000
Unrestricted funds					
General	2,139	-	2,443	(115)	4,467
Designated funds:					
Stonebridge office	-	-	25	-	25
Bequests Fund	-	-	-	-	-
Mission Development Fund	-	-	-	-	-
Church Buildings Fund	-	-	-	-	-
DBF Property Fund	-	-	-	-	-
Mission Priority Fund - Lent for Everyone	-	-	-	-	-
Designated Fund for Educational Purposes	-	-	-	-	-
	-	-	25	-	25
Restricted funds					
Parsonages Building Fund	-	1,164	521	-	1,685
Durham Closed Schools Fund	-	-	412	-	412
Education Training Fund	-	-	11	-	11
Pastoral Account	1,708	1,410	2,378	-	5,496
Ministry & Preordination	-	-	136	-	136
Faith in the Community	-	-	3	-	3
Lord Crewe's Charity	-	-	4	-	4
Strategic Development Fund – Resourcing Churches	-	-	28	-	28
Strategic Development Fund – MLG	-	-	-	-	-
Restructuring Fund	-	-	181	-	181
Strategic Development Fund – Communities for Hope	-	-	-	-	-
Other	-	-	1,039	-	1,039
	1,708	2,574	4,713	-	8,995
Endowment funds					
Parsonages Houses Fund	21,947	-	22	-	21,696
Stipends Capital Fund	8,884	25,146	197	(322)	34,178
	30,831	25,146	219	(322)	55,874
	34,678	27,720	7,400	(437)	69,361

DURHAM DIOCESAN BOARD OF FINANCE

NOTES TO THE FINANCIAL STATEMENTS (continued)

YEAR ENDED 31 DECEMBER 2021

28. Operating leases

Total commitments under non-cancellable operating leases are as follows:

	2021 £000	2020 £000
Other operating leases where the lease expires:		
Within one year of the balance sheet date	10	10
In the second to fifth years inclusive of the balance sheet date	2	2

29. Pensions

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

These schemes are multi-employer defined benefit pension schemes (referred to as "last man standing" schemes) for which the DBF is unable to identify its share of the underlying assets and liabilities as each employer is exposed to actuarial risks associated with the current and former employees of other entities participating in the scheme. For multi-employer schemes where this is the case, paragraph 28.11 of FRS102 requires the DBF to account for pension costs on the basis of contributions actually payable to the scheme in the year and, where contributions are affected by a surplus or deficit in the scheme, to disclose information about the surplus or deficit and the implications of the surplus or deficit for the DBF. A valuation of each scheme is carried out once every three years.

Church of England Funded Pension Scheme

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

The scheme is considered to be a multi-employer scheme as described in Section 28 of FRS102. This means it is not possible to attribute the Scheme's assets and liabilities to each specific Responsible Body, and this means contributions are accounted for as if the Scheme were a defined contribution scheme. The pension costs charged to the SoFA in the year are contributions payable towards benefits and expenses accrued in that year (2021: £1,392,000 (2020: £1,356,000), plus the figures highlighted in the table below as being recognised in the SoFA, giving a total charge of £1,397,000 for 2021 (2020: £1,345,000). The scheme is accounted for within the Stipends Capital Fund.

A valuation of the Scheme is carried out once every three years. The most recent Scheme valuation completed was carried out at as 31 December 2018. The 2018 valuation revealed a deficit of £50m, based on assets of £1,818m and a funding target of £1,868m, assessed using the following assumptions:

- An average discount rate of 3.2% p.a;
- RPI inflation of 3.4% p.a. (and pension increases consistent with this);
- Increase in pensionable stipends of 3.4% p.a;
- Mortality in accordance with 95% of the S3NA_VL tables, with allowance for improvements in mortality rates in line with the CM12018 extended model with a long term annual rate of improvement of 1.5%, a smoothing parameter of 7 and an initial addition to mortality improvements of 0.5% pa.

DURHAM DIOCESAN BOARD OF FINANCE

NOTES TO THE FINANCIAL STATEMENTS (continued)

YEAR ENDED 31 DECEMBER 2021

29. Pensions (continued)

Church of England Funded Pension Scheme (continued)

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

As at 31 December 2019, 31 December 2020 and 31 December 2021 the deficit recovery contributions under the recovery plan in force were set out as above.

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

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

	2021 £000	2020 £000
Balance sheet liability as at 1 January	483	898
Contributions paid	(248)	(404)
Interest cost (recognised in SOFA)	1	8
Re-measurement of the balance sheet liability (recognised in SOFA)*	4	(19)
Balance sheet liability as at 31 December	240	483

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

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

	2021	2020	2019
Discount rate	0.0% pa	0.2% pa	1.1% pa
Price inflation	n/a	3.1% pa	2.8% pa
Increase to total pensionable payroll	-1.5% pa	1.6% pa	1.3% pa

No price inflation assumption is needed since pensionable stipends for the remainder of the recovery plan are known.

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

Church Workers Pension Fund

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

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

Defined Benefits Scheme

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

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

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

DURHAM DIOCESAN BOARD OF FINANCE

NOTES TO THE FINANCIAL STATEMENTS (continued)

YEAR ENDED 31 DECEMBER 2021

29. Pensions (continued)

The scheme is a multi-employer scheme as described in Section 28 of FRS 102. It is not possible to attribute DBS assets and liabilities to specific employers, since each employer, through the Life Risk Section, is exposed to actuarial risks associated with the current and former employees of other entities participating in DBS. This means that contributions are accounted for as if DBS were a defined contribution scheme. The pension costs charged to the SoFA during the year are contributions payable towards benefits and expenses accrued in that year, 2021: £203,000 (2020: £138,000) plus the figures in relation to the DBS deficit highlighted in the table below as being recognised in the SoFA, giving a total charge of £80,000 for 2021 (2020: £142,000). The scheme is accounted for within the general unrestricted fund.

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

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

The next actuarial valuation is due at 31 December 2022.

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

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

	2021 £000	2020 £000
Balance sheet liability as at 1 January	139	197
Contributions paid	(16)	(62)
Interest cost (recognised in SOFA)	-	2
Re-measurement of the balance sheet liability (recognised in SOFA)*	(123)	2
Balance sheet liability as at 31 December	-	139

* Comprises changes in agreed deficit recovery plan and discount rate, and assumptions between year ends.

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

	2021	2020	2019
Discount rate	0.00% pa	0.30% pa	1.20% pa

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

Pension Builder Scheme

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

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

DURHAM DIOCESAN BOARD OF FINANCE

NOTES TO THE FINANCIAL STATEMENTS (continued)

YEAR ENDED 31 DECEMBER 2021

29. Pensions (continued)

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

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

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

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

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

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

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

30. Analysis of net debt

	Balance at 1 Jan 2021 £000	Cash flow £000	Balance at 31 Dec 2021 £000
Cash and cash equivalents			
Cash	5,498	(1,735)	3,763
Cash on deposit	1,533	304	1,837
	<u>7,031</u>	<u>(1,431)</u>	<u>5,600</u>
Borrowings			
Loans	(101)	-	(101)
	<u>6,930</u>	<u>(1,431)</u>	<u>5,499</u>

DURHAM DIOCESAN BOARD OF FINANCE

NOTES TO THE FINANCIAL STATEMENTS (continued)

YEAR ENDED 31 DECEMBER 2021

31. Comparative statement of financial activities

	Notes	Unrestricted funds £000	Restricted funds £000	Endowment funds £000	Total funds 2020 £000
Income and endowments from:					
Donations					
Parish contributions	3	4,205	-	-	4,205
Archbishops' Council	4	3,030	1,124	-	4,154
Other	5	238	665	-	903
Charitable Activities	6	689	1	-	690
Other Trading Activities	7	438	-	-	438
Investments income	8	633	32	-	665
Other	9	-	-	1,198	1,198
Total income		9,233	1,822	1,198	12,253
Expenditure on:					
Raising funds	10	11	-	-	11
Charitable activities					
Contributions to Archbishops' Council	11	676	52	-	728
Resourcing ministry and mission	12	7,363	1,787	228	9,378
Resourcing education	13	266	(61)	-	205
Total expenditure		8,316	1,778	228	10,322
Net income before investment gains		917	44	970	1,931
Net gains on investments		-	142	1,456	1,598
Net income		917	186	2,426	3,529
Transfers between funds	18	(100)	1,784	(1,684)	-
Net movement in funds		817	1,970	742	3,529
Total funds brought forward		3,675	7,025	55,132	65,832
Total funds carried forward	26	4,492	8,995	55,874	69,361

DURHAM DIOCESAN BOARD OF FINANCE

NOTES TO THE FINANCIAL STATEMENTS (continued)

YEAR ENDED 31 DECEMBER 2021

32. Transactions with charities with common trustees	Financial year	Income £000	Expenditure £000	Debtor £000	Creditor £000
Archbishops' Council					
<i>Common trustees, grant funding received and services provided</i>	2021	4,316	498	65	-
	2020	4,137	538	-	-
Lindisfarne Centre of Theology					
<i>Common trustees, training provision for ordinands and clergy</i>	2021	-	153	-	-
	2020	-	137	-	-
Stirling Newall Trust					
<i>Common trustees, receipt of grants and fees</i>	2021	-	24	15	-
	2020	-	4	-	-
Durham Cathedral					
<i>Common trustees, services provided and loan balance</i>	2021	12	55	200	-
	2020	05	-	400	1
The Durham Lesotho Diocesan Link					
<i>Common trustees</i>	2021	-	25	-	-
	2020	-	25	-	-
Newcastle Diocesan Education Board					
<i>Operation of a Joint Education Team through NDEB to deliver objectives of the DDBE.</i>	2021	100	283	-	-
	2020	71	303	-	-
Lord Crewe's Charity					
<i>Common trustees, receipt of grant funding</i>	2021	400	242	-	-
	2020	219	179	5	45
St John's College (Cranmer Hall)					
<i>Common trustees, training provision for ordinands and clergy</i>	2021	9	186	-	-
	2020	4	132	-	-
St Hild and St Bede Trust					
<i>Common trustees, contribution received in respect of chaplaincy costs</i>	2021	53	-	-	-
	2020	44	-	7	-
Communities Together Durham					
<i>Common trustees, staff seconded from DDBF to carry out operations.</i>	2021	-	85	-	-
	2020	-	-	-	-
Newcastle Diocesan Board of Finance					
<i>Managing employer for staff employed under joint employment arrangements</i>	2021	-	57	-	-
	2020	-	35	-	-
Northumbrian Industrial Mission (NIM)					
<i>Support for linked organisations</i>	2021	5	26	-	-
	2020	-	21	-	-
North East Churches Acting Together (NECAT)					
<i>Support for linked organisations</i>	2021	-	8	-	-
	2020	-	8	-	-
		<u> </u>	<u> </u>	<u> </u>	<u> </u>

DURHAM DIOCESAN BOARD OF FINANCE

NOTES TO THE FINANCIAL STATEMENTS (continued)

YEAR ENDED 31 DECEMBER 2021

33. Custodian funds

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

	2021	2020
	£000	£000
Balance at 1 January	12,945	12,449
Funds received	374	386
Payments made	(568)	(465)
Revaluation of investments held	1,524	575
Balance at 31 December	<u>14,275</u>	<u>12,945</u>

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