



DURHAM DIOCESAN BOARD OF FINANCE

ANNUAL REPORT

YEAR ENDED 31 DECEMBER 2023

Company Number: 00192018

Charity Number: 248287

Durham Diocesan Board of Finance

(A company limited by guarantee)

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Reference and administrative details Year ended 31 December 2023

Ex officio members of the board

The Bishop of Durham – Right Reverend PR Butler (Chair) (until 29 February 2024)

The Bishop of Jarrow – Right Reverend SE Clark

The Dean of Durham – Very Reverend Dr P Plyming (from 16 September 2023)

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 – Canon F Stenlake

The Chair of the House of Clergy – Canon S Clark (until 28 August 2023)

The Chair of the Finance Group – Canon ML Vaughan

Elected members of the board

Mrs A Blackburn

Mr Francis Drake

Mr S Gardiner

Mr J Hall

Canon Dr JH Harrison

Mr P Hobbs

Mrs R Hicks

Dr AC Price

Canon FA Rogers

Mr J Wilders

Reverend P Arnold

Reverend L Sutherland

Canon D Tolhurst

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Reference and administrative details (continued) Year ended 31 December 2023

Company registered number	00192018
Charity registered number	248287
Registered office	Cuthbert House Stonebridge Durham DH1 3RY
Company secretary	Canon JJ Morgan
Independent auditor	UNW LLP Chartered Accountants Citygate St James' Boulevard Newcastle upon Tyne NE1 4JE
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
Glebe property agents	Savills Helix The Lumen St James' Boulevard Newcastle upon Tyne NE4 5BZ

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Trustees' report (continued) Year ended 31 December 2023

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 2023.

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 and a Deputy Director of Mission, Discipleship and Ministry 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 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 would like to thank all of those who have supported this work. In particular, the Board would like to thank its outgoing chair, The Rt Revd Paul Butler, who retired as Bishop of Durham on 29 February 2024.

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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Trustees' report (continued) Year ended 31 December 2023

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 remain high. By the end of the year, we had 23 Durham sponsored candidates in training for ordained ministry (2022: 36). The Diocese has now moved from being a diocese that imports candidates for ordination from other regions, to one that exports candidates.

The numbers in training for Reader ministry have also been sustained. At the end of the year there were 16 Readers in training (2022: 14). Numbers of vocations to Lay Pastoral Ministry have remained reasonably consistent, with seven in training (2022: nine). Those in training for Authorised Lay Ministry of the Word have also been sustained (4 in training this cycle). A new strand to our vocational offer this year is the Authorised Lay Children's Leader pathway, and we have eight people in training for that course. Most of the authorised and licensed lay ministries (Reader, Pastoral Ministry, Chaplaincy, and Ministry of the Word) are being trained through Lindisfarne College of Theology. Lay Children's Leaders are trained at courses provided by the DDBF.

Engaging with Children, Young People and 18-25s

Durham Diocesan Board of Education (DDBE)

The work of the DDBE covers a wide range of areas: representing the diocese on a variety of committees and statutory bodies; liaising with Local Authority and other officers; supporting schools by providing help and in-service training on a wide range of issues including religious education (RE) and school worship, supporting and training governors, legal, land management and governance. The DDBE aims to facilitate the working together of governors, teachers, parents, church and other partners to ensure that the quality of education offered to the children in our church schools is the best it can be.

The DDBE seeks to:

- promote education within the faith and practice of the Church of England;
- promote religious education and collective worship in schools;
- promote or assist in the promotion of church schools and advise the governors and trustees of church educational endowments and any other body or person concerned on any matter affecting church schools;
- promote co-operation with bodies or persons concerned in any respect with education in the diocese; and
- support parishes in all aspects of their work with children and young people.

The DDBE meets termly and receives updates from the Director of Education, who leads the Joint Education Team, which operates on behalf of both Durham and Newcastle Diocesan Boards of Education. The DDBE has a wide skill-set and brings together expertise from education, business and finance.

The DDBE has worked with all 57 church schools in the diocese throughout the year. These consist of 50 primary schools, two junior schools and five secondary schools, one of which has a sixth form. The landscape has continued to shift with more schools becoming academies and joining Church of England or Mixed Multi-Academy Trusts (MATs). There are nine Voluntary Aided Schools and 15 Voluntary Controlled Schools across the diocese, with 33 schools now in trusts. Of those who have academized, two remain as Single Academy Trusts and another as a single school within an 'empty MAT'.

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Trustees' report (continued) Year ended 31 December 2023

Inspection outcomes are extremely strong across the Diocese for both Ofsted and SIAMS (Statutory Inspection of Anglican and Methodist Schools) inspections. At the end of 2023, 96% of schools are outstanding or good (Ofsted) and 98% of church schools are excellent or good under the previous framework or "living up to their expectation as a church school" (SIAMS).

Professional development courses are made available both online and in person, and cover a wide range of subjects and topics, including termly support for chairs of governors and ex-officio governors, and termly training for new foundation governors. In addition, the annual conference in July was extremely well attended with delegates from both church and community schools. This year, the team has supported schools and governors with the new SIAMS format, including exploration of the school's Christian Vision and Christian Values, and how these are rooted in theology. Thrive training, Poverty Proofing, Courageous Advocacy, Christian Distinctiveness and subject leadership courses have also been offered. Uptake is strong for all aspects of continuous professional development (CPD) with many courses being repeated due to demand. The team has also accessed CPD, including training on Mental Health, Safeguarding, Equality, Diversity and Inclusion, and SIAMS and Ofsted updates.

Feedback from schools regarding the support from the Joint Education Team has been extremely positive, and the work of the Joint Education Team has been acknowledged in many external reports, for example:

*"The RE curriculum expresses the Christian vision of the school. The well-sequenced curriculum within Christianity is based on the 'Understanding Christianity' resource. **Teachers of RE have accessed the diocesan training. The training has enhanced professional development and subject knowledge.** This means that the curriculum is effective as staff knowledge and skills are current." Stanhope Barrington CE Primary School (Sept 23)*

*"**Strong and effective partnership with the local diocese provides valued support for RE.**" Belmont CE Primary School (Oct 23)*

*"**Collaborative work with the diocese ... ensures that the RE curriculum meets local needs.** The priority placed on RE at Prior's Mill reflects its key place in the curriculum of a Church school. Recent changes ensure that the curriculum is well-balanced, relevant and diverse." Prior's Mill CE Primary School (Oct 23)*

The Director of Education has also attended Bishop's Leadership Team, Diocesan Synod and Bishop's Council, sharing the views of school leaders and pupils. Current challenges for schools revolve around closing the achievement gap, poverty, recruitment of staff, and improving attendance, particularly for disadvantaged pupils. In addition, the Director of Education represents education on the Diocese of Durham's Net Zero Working Group (NZWG) who have produced a strategic action plan to enable all voluntary aided schools to move towards being carbon neutral by 2030. Linked to this there is ongoing work to support governors with Church School buildings issues and on the legal processes and land issues involved in academisation of schools.

Youth ministry

Several parish youth groups and activities have not managed to re-establish themselves since the pandemic, but there are some that are thriving as well as some new groups and conversations about new groups starting. Sunday church attendance has been affected, with the number of children and young people attending services significantly lower than in 2019. This picture is reflected across the country.

Training has been a significant aspect of our role during 2023, with regular teaching and training through the Initial Ministerial Education programme, Cranmer Hall Theological College and Lindisfarne College of Theology. Courses leading to the Bishop's Certificate in Youth Ministry have also been provided, mainly to volunteers.

The termly Pulse youth event, hosted mainly at Durham Cathedral, continues to flourish and with record numbers of young people and churches involved. In 2023, this included an evening with magician and comedian John Archer, the 'world's biggest escape room' and Bishop Paul giving a final address to the young people before his retirement. One of the cornerstones of the event is the participation of young people from

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different churches in leading music, prayer activities, welcome and serving.

The annual Growing Young Leaders course finished in April with a celebration presentation with Bishop Paul, and a new cohort of 14 young leaders aged 14-18 began the course in October. Many church leaders and parents have testified to the impact of this course on young people in terms of discipleship and confidence in taking up leadership challenges within their churches.

We continued to build on our strong links with the Church of England secondary schools in the diocese, and for the first time, we organised a school pilgrimage to Holy Island with 60 pupils from year 10 walking across the sands to Lindisfarne. This is in addition to bringing a similar number of pupils to the cathedral to lead the prayer activities for the Year 6 Leavers' services.

We continue our partnership with Scripture Union with a part-time 'Revealing Jesus' pioneer funded by Scripture Union encouraging churches to develop opportunities for growing faith communities among young people.

Children's ministry

Building on last year's increase in participation and engagement with children in our churches, children's ministry is flourishing in many areas throughout our diocese. Areas that are showing growth have refined their vision and worked on broadening their reach. As well as regular ministry through Messy Church; holiday clubs; Open the Book; toddler groups; Play and Praise; Sunday School groups and Intergenerational worship, many churches have explored new and creative options including: Muddy Church; Forest Church; sport and the Bible groups, cooking and Bible groups as well as creative arts, all engaging well with both children and families.

Training continues for those involved in children's ministry, for volunteers the Bishop's Certificate in Children's Ministry course alongside many bespoke training events for individual parishes as a response to the needs displayed in different contexts. Training with ordinands at Cranmer Hall takes place as part of Initial Ministerial Education. Employed children's workers are supported both individually and as part of a network. The Authorised Children's Leader Course was developed and is a nine-month course which recognises children's ministry alongside other authorised lay ministries in the diocese, which is due to begin in early 2024.

The Growing Faith programme continues both nationally and locally, encompassing our focus on chaplaincy in educational settings from primary to further education. The DDBF has contributed towards the national development of a 12-month pilot of the Growing Faith Strategic Leadership Course as well as creating new pathways for churches, schools and households to work together.

Children's Council continues in our diocese with 18 children aged 8-12 years old. They have been involved in peer evangelism, missional projects and more recently raising awareness and supporting school initiatives to provide coats for children in deprived areas. The council received support and encouragement from The Most Revd Justin Welby, Archbishop of Canterbury.

We continue to provide support for our primary school children with the Year Six Leavers' Transition Prayer Space and Service, held in Durham Cathedral. With over 2,700 children attending one of six services over three days in June, we marked the transition from the children's primary education to secondary education. Working collaboratively with the Joint Education Team to deliver these services, they are appreciated and valued by staff and pupils who attend.

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:

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Growing Durham Diocese: Our Resourcing Churches are continuing to show signs of growth, and all are moving towards planting new worshipping communities through engaging with the Cultivate programme. Each are working towards a plan for sustainability beyond the project funding, which has begun to taper and will end within the next two years. Progress continued to be overseen by the quarterly project monitoring board chaired by the Bishop of Durham.

Growing Hope: This project includes several different approaches to church growth, including Communities of Hope (projects centred on bringing people to faith through social action), Resource Churches and Church Plants. The Communities of Hope projects have benefited from integration with the Cultivate programme, offering them increased support in moving towards establishing new worshipping communities through their social justice/community transformation projects. Hope4All in Pennywell have developed excellent local partnerships with the NHS and council, both increasing the reach of their project and providing further routes to ongoing sustainability. Church plants into Wynyard and Thornley are both experiencing continued growth.

Transforming Growth: This project was established at the end of 2022 and encompasses one new Resourcing Church and a pilot project to provide seed funding to new church plants. The Resourcing Church in Darlington has started well, recruiting a strong central team which has enabled them to launch a number of initiatives to reach the local community and look towards establishing new worshipping communities. Two new church plants launched in Chopwell and Gainford in Summer 2023 with the seed funding investment and both are showing good early signs of growth.

Support and process: Projects are supported by a national church funded project team. Our new Deputy Director has added leadership capacity and we have now integrated the work of this team into all our growth projects, supported by the Cultivate staff.

Cultivate: The Cultivate training program has been developed to grow church planting from local churches with lay and ordained leads as a key part of our strategy for growth. Through funding from the Benefact Trust two posts of Cultivate Coach and Enabler were appointed to support and catalyse work in this area. We held the inaugural Cultivate Conference in October 2023, attended by more than 100 individuals representing 20 churches on a journey of church planting within the Diocese.

The Generous Giving team provide support and guidance in helping parishes to embed generosity into their culture. The team provide practical support in both giving and financial resources to enable parishes to better manage their finances. The team worked with 168 parishes this year on a range of operational and financial issues such as income generation, governance, training and developing a good theology of money. The team supported 56 churches with contactless giving devices as part of the Church of England Digital Rollout project in a bid to see half of all parishes across the country adopt digital giving.

Challenging Poverty

2023 saw little improvement in financial circumstances for many people in the diocese, and child poverty rates in the region remain the highest in the country at around 35%, with 71% of children living in poverty coming from working families.

We have continued to work with the Bridge Project and Communities Together Durham (CTD), using financial support from Lord Crewe's Charity to help churches address issues of poverty in their communities, focused on three main areas:

- Working together to address child and youth poverty
Food and fun holiday activities continued to be an important part of churches' work, and over 300 children participated in activities over the Summer. Churches and staff have put considerable time and resource into supporting the living wage campaign, which saw several more of the region's organisations accredit as real living wage employers or move towards doing so – including Durham University. We have worked in partnership with Children North East to poverty proof another 12 schools over the year. Three debt projects run by churches in the diocese have helped around 60 people work towards becoming debt free, this work is having an impact on their families as well as the

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individuals directly supported. Chronic food insecurity has risen over the past year, and churches continue to help address this. Three new 'cooking on a budget' courses have also been provided to help families and individuals make nutritious and economical use of low-cost food from pantries and food hubs. We have aimed to help those running existing food provision projects to develop models which offer greater choice and dignity for those accessing their support.

- Responding to isolation, particularly among the elderly
This year has seen churches build on their work around 'warm hubs', developing welcoming spaces for people to gather and support one another. It has become clear that these spaces are more about mutual support and building community, than providing somewhere warm, as they have continued and grown well beyond the winter period. Places of welcome continue to draw in isolated people in their communities, and two new parish nurses have now been appointed to work across Teesdale and Weardale to support mental health in isolated communities, and the partnerships between churches and local organisations in the Durham Dales are flourishing as this work gathers momentum. This year three parishes used the course Know Your Church Know Your Neighbourhood to engage in real listening in their communities. The course has not only strengthened pre-existing relationships in the community but has sparked new links too bringing the church and wider community closer together.
- Reaching out and responding to the needs and gifts of asylum seekers and refugees
We have worked closely with the local authorities and other agencies to support a co-ordinated approach to supporting asylum seekers and refugees. Three new drop-ins, for support and fellowship, have been started in communities where asylum seekers have been dispersed. CTD are leading on a new pathways programme that supports newly arrived asylum seekers in County Durham. An online session was held weekly for hosts of Ukrainian families, bringing them together to share experiences and information. Raising awareness of the challenges faced by those entering the country has been an important part of our work, training around the 'Right to Remain' toolkit and the asylum process were held and film showings of 'The Old Oak' accompanied by reflective discussion have helped congregations engage more with the issues faced by asylum seekers and refugees in practical and thoughtful ways. In total 10 community showings were held with more than 600 attending. A successful session of the Commission of Integration of Refugees was held in the region.

The work continued to be supported by Lord Crewe's Charity and we are very grateful for the funding awarded in support of the diocesan priority of challenging poverty to transform lives and communities, and for the generous additional funding for five specific projects as part of their tercentenary programme.

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

Caring for God's Creation

In the third year since our adoption of the Caring for God's Creation diocesan priority, we secured funding for a full-time Diocesan Environmental Officer (DEO) who was appointed in June.

As part of this role, the DEO encourages churches to register and work towards A Rocha Eco Churches. At present, we have 76 churches registered, including 27 bronze awards, five silver and one gold. In the summer we produced a video celebrating St Mary Magdalene, Hart church's Gold award, which encouraged other churches on their Eco Church journeys and resulted in some new church registrations.

The DEO works alongside our Environmental Champion and has attended several Deanery Synods and church meetings to promote the take-up of Eco Church and encourage positive environmental action in parishes.

The goal for Net Zero by 2030 remains high on the agenda. A Net Zero Working Group of representatives from across the diocese was formed in July and has met several times since to discuss diocesan action towards net zero. A Diocesan Net Zero Action Plan was written by the group in response to the national 'Routemap to Net Zero Carbon' and was approved at Diocesan Synod in November.

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A new Creation Care Officer was appointed, who will take up the role in early 2024 to make further progress on the diocesan priority. The role will be held alongside that of priest of the Escomb group of churches and will involve producing tools for churches and schools to think about creation care, attending meetings, assemblies and services to teach on the topic and assisting the DEO on other environmental matters.

Safeguarding

The parish dashboard system was promoted heavily during the year, resulting in over 80% of parishes using the dashboard. Following on from the dashboard, the diocese has begun the roll out of the safeguarding hub, a tool to support parishes with the requirements of Safer Recruitment and People Management. These systems enable the diocese to build up a clear picture of safeguarding compliance in parishes, identifying areas that may require more support from the safeguarding team.

Safeguarding Training continues to be delivered with a focus on the e-learning module Raising Awareness of Domestic Abuse.

A service level agreement with a locally based survivor organisation is now in place to help to develop the Survivor Engagement Strategy. This forms one part of our work to reflect the recently introduced National Safeguarding Standards. The Diocese prepared to join the National Safeguarding Case Management System, which is expected to go live during 2024.

Quality assurance processes were introduced and will continue as a regular part of our work. Independent scrutiny of casework and risk assessments was conducted. The parish safeguarding dashboards and hubs feed into our quality assurance programme as we plan for our independent safeguarding audit in 2025. The Safeguarding Management Group met monthly to ensure the co-ordination of safeguarding work while the Diocesan Safeguarding Advisory Board met quarterly to monitor progress.

Casework 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 and DDBF staff

In the interests of delivering the best support services possible for our Diocese, we have continued to develop opportunities to work in collaboration with other regional Church of England bodies. These include the well-established Joint Education Team, aspects of ministerial training and retreat house. The joint Newcastle and Durham diocesan communications team has now developed a regional voice to promote Church of England news and views aligned geographically to regional media organisations.

The number of staff employed by the DDBF was 44 (2022: 40) posts. This includes three (2022: three) chaplains who are employed by the DDBF on behalf of the organisations in which they serve. This also includes 18 (2022: 19) posts which are grant funded, and most of which are fixed term with renewal subject to further funding being available. This approach enables the DDBF to fulfil a wider range of provision than would be possible through its core staff, whilst allowing unrestricted funds to be focussed on ministry. Improvements have been made to several diocesan core systems and processes in order to maximise efficiency and keep costs to a minimum.

Following notification from the Church of England Pension Board of their intention to close the Church Workers Defined Benefit Pension Scheme to future accrual from 30 April 2024, consultation with seven affected members of staff was undertaken, and these members were transferred to the Church Workers Pension Builder Classic Scheme as of 31 January 2024.

The Equality, Diversity & Inclusion Enabler coordinates a team of advisers and advocates to help drive the Diocese forward in key areas including:

- Disability ministry (currently in vacancy);
- UKME;
- Gypsy, Roma and Traveller Ministry;
- Women's advocacy;

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- LGBT+ advocacy;
- Deaf ministry

Buildings for Mission and Diocesan Advisory Committee

The Diocese currently has 259 church buildings open for worship and of these 249 are under faculty jurisdiction. The DDBF is currently responsible for 10 closed churches of which three closed during the year

The Diocesan Advisory Committee (DAC) met 10 times during the year and discussed a total of 149 proposals from 102 churches. A total of 81 faculties were issued for work to church buildings and churchyards. This included six interim faculties that were issued for urgent work including roof repairs and failed heating systems. The Archdeacons also issued a total of 96 written notices for work that can be carried out without a faculty. 54 Quinquennial Inspections were conducted by parish architects.

During the year we have been awarded funding from the national church of over £300k to support church buildings within the diocese. This includes £187k from the Minor Repairs Grant Fund which will provide additional support for churches for repairs and maintenance to their buildings during 2024-25. The DDBF has also used grant funding to recruit a Church Building Support Officer who will work closely with churches to support maintenance and improvement work to their buildings.

Looking ahead

Our work on parish development continues, and the Mission, Discipleship, Ministry and Growth (MDMG) Team works across the Diocese to support parishes, clergy and lay people in the important work that they do. As a result of governance changes and our application to the national church the team will be restructured to work in a more integrated and intentional way with regard to diocesan priorities and strategy.

Following our successful bid to the national church in 2023 (Called to Fruitfulness), we have been able to progress a second phase of the bid (Called to Fruitfulness 2) during 2023. This was submitted in early 2024 and funding has now been awarded.

The six interrelated elements of the Called to Fruitfulness transformation strategy are:

- Missional Discipleship, Transforming Prayer;
- Church Planting and Revitalisation;
- Piloting Missional Hubs;
- Developing Missional Youth Chaplaincy;
- Resources for Local Change; and
- Support for Culture Change.

Together they are intended to catalyse a more collaborative and missionally focussed approach, to resource outreach to and the discipleship of young people in line with the national vision, to support a mixed ecology of approaches and to contribute to the national vision of planting 10,000 new worshipping communities by 2030.

The funding awarded is expected to cover this programme up to 2028 and will enable us to take significant steps towards our aim to:

- plant or revitalise 100 churches by 2030;
- establish and resource church based missional chaplaincy teams to work with the colleges of further education within our diocese connecting us to 130,000 local young adults;
- support clergy to focus more fully on mission;
- align appointments more explicitly to the Diocesan vision, and;

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- support new collaborative initiatives in places where developing mission in isolation would be otherwise impossible.

Financial review

Financial conditions remained challenging for parishes and the DDBF due to a period of high inflationary pressure, with no overall recovery in parish share observed since the pandemic. Despite many parishes using reserves to fund parish share, the cash value of the DDBF's parish share receipts remained at £4.3m (2022: £4.3m), being 96% (2022: 96%) of the amount originally pledged by parishes. This is £2.7m below the amount required to meet the full cost of diocesan ministry including housing and pension costs during the year.

The DDBF agreed a budgeted operating deficit of £0.8m for 2023, of which £0.7m was to be drawn from restricted reserves and which included a transfer of £0.7m from the Stipends Capital Fund under the newly adopted accounting policy of Total Return accounting. The budget included £500k of expenditure on clergy housing to improve energy efficiency, reducing energy bills for clergy and moving towards our net zero carbon 2030 target.

The net movement in funds was a surplus of £2.7m (2022: deficit of £3.1m), which included a £3.3m unrealised gain on investments (2022: £3.7m loss), and a gain of £0.3m (2022: £0.3m) on disposal of property. Following the final agreed contribution of £0.2m towards the reduction of the pension deficit in 2022, there is no outstanding liability to the DDBF at the balance sheet date. Excluding these adjustments which are outside of the DDBF's operational budget, there was an underlying operating deficit of £0.9m (2022: £0.2m). Under the total return accounting policy, which was applied for the first time to the Stipends Capital Fund in 2023, capital gains of £0.8m (2022: £nil) were released from the endowment to be applied to expenditure within the year.

Grant funding of £1.2m (2022: £0.2m) was received during the year and is yet to be disbursed. This follows a move towards funding in advance instead of funding in arrears from the National Church.

- Income (excluding income received on the sale of property) was £12.1m (2022: £12.3m), including:
 - Contributions from parishes – "Parish Share" – of £4.3m (2022: £4.3m), £0.2m less than budget. The Diocese is grateful to parishes for their contributions to parish share during a challenging year;
 - £2.1m (2022: £2.1m) of Lower Income Communities Funding, £1.9m (2022: £1.6m) of Strategic Development Funding grants, £0.04m (2022: £0.5m) of Energy Costs and Ministry Hardship Grants for onward disbursement, £0.4m of Strategic Ministry funding to support clergy (2022 £0.2m) and £0.3m towards training costs (2022 £0.5m) from Archbishops' Council;
 - £0.5m (2022: £0.5m) of Property Income;
 - £0.3m (2022: £0.3m) from Lord Crewe's Charity to fund poverty alleviation, counselling and other projects.
 - Contributions were received from donors such as Benefact Trust, Hild Bede Trust, Marshalls Charity and Mercers Trust.
- The largest area of expenditure was on supporting parish ministry, comprising the stipends, pension and housing costs of clergy:
 - Stipend and salary related costs were £7.0m (2022: £6.8m).
 - Costs of providing clergy housing were £1.9m (2022: £1.5m).
- Net assets at the balance sheet date were £74.7m (2022: £72.0m). The DDBF's investments are held across several funds managed by CCLA. The DDBF administers several restricted and endowment funds which together comprise 92% (2022: 92%) of the assets.

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Trustees' report (continued) Year ended 31 December 2023

Investment performance

The total value of investments (excluding short-term cash deposits) at the balance sheet date was £36.8m (2022: £34.2m). During the year, the net movement in value was a gain of £2.6m (2022: loss of £4.0m).

The glebe land held by the DDBF has been revalued upwards by £0.4m (2022: £0.2m) to reflect the market value at the balance sheet date.

The Board is custodian trustee for trust investment assets with a market value of £13.6m (2022: £12.8m). 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 the cost of training for ministry. The total paid to the National Church was £0.5m (2022: £0.5m).

Grants are paid to PCCs 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 and with deposit taking banks through an account managed through the Flagstone cash management platform.

Adoption of Total returns policy

Following a review by the trustees during 2022 of the risks with respect to adopting a total return approach to the stipends capital endowment funds, a resolution was passed at the meeting of the board in December 2022 adopting a total return approach to investments.

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Trustees' report (continued) Year ended 31 December 2023

At the time of the resolution, the trust for investment was determined at £10.443m based on the 1996 book value of endowed assets, adjusted for inflation and new capital received since that date to 31 December 2022, resulting in an unapplied total return balance of £24.765m on adoption of the policy on 1 January 2023.

Income from the endowment's investments has been allocated to the endowment fund.
An allocation of £833k has been made to the trust for investment during the year to ensure that the capital value of the Trust for investment is maintained over time.

The trustees have made an allocation of £769k from unapplied total return during the year towards the unrestricted running costs of the Diocese. This amount is shown as a transfer between funds within the statement of financial activities.

Other realised and unrealised gains and losses on the disposal and revaluations of investments and property amounted to a gain of £2.44m in the year which has been credited to the unapplied total return carried forward as at 31 December 2023.

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 2023 this would equate to a range between £1.0m and £3.1m. At the balance sheet date, the DDBF's unrestricted (including designated) available free reserves were £0.9m (2022: £1.7m), which is slightly below this range. However, the level of unrestricted investments which can be exchanged for cash mitigates the liquidity risk. Including these investments to the available free reserves of £0.9m gives a total of £3.9m.

Future prospects

The trustees and diocesan synod have approved a budget for 2024, which after allowing for further planned investment from restricted reserves, and after applying a transfer of £1.1m under the total return accounting policy from the Stipends Capital Fund, leaves a net operating deficit of £0.6m.

Parish share pledges for 2024 of £4.4m (2023: £4.4m) have been received, which have not increased compared to the 2023 despite CPI inflation of 4.0%. This increases financial pressures and has required a recognition that not all posts identified in deanery plans can be filled whilst maintaining a balanced budget. However, posts continue to be advertised notwithstanding challenges in recruiting.

Against this challenging financial background, the DDBF continues to deliver and develop the mission and ministry of the church, and during 2024 will continue to fund ministry at parish level across the Diocese. The lack of recovery in parish finances plus the inability of pledge income to keep pace with inflation means that prospects of a medium to long term recovery to pre-Covid levels remain uncertain and further iterations of deanery plans may be required.

The Diocese continues to try to address the decline in the value of parish income and the consequent effect upon share, supporting parishes in vacancy through the vacancy audit process, and offering support with stewardship through the generous giving team. Communication with parishes is ongoing, to ascertain the likely future levels of parish reserves and parish share.

The National Church has made transitional funding available to help Dioceses restructure their operations and finances as part of the Renewal and Reform agenda. This has funded the introduction of the Parish Giving Scheme, along with the work of the Head of Finance and Finance Resources Co-ordinator in supporting and streamlining both DDBF and parish finances. During 2023 progress was made in promoting the use of contactless giving and this is planned to continue throughout 2024.

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The Diocese will continue to benefit from the National Church's Strategic Development Fund through the Growing Durham Diocese and Growing Hope projects. Following its award in 2022, the initial stages of the Transforming Growth project comprising a Resource Church in Darlington and the Cultivate Church Planting programme are now underway. The DDBF has been successful in its application to the new Strategic Mission and Ministry Investment Board for funding for the first two phases of its 'Called to Fruitfulness' Transformation programme during 2023 and early 2024, alongside other newly available funding streams.

The DDBF intends to increase support for clergy and lay leaders developing 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 under development in conjunction with our local Theological Educational Institutions. Further curacies and posts of first responsibility are anticipated for through the Strategic Ministry Fund and Posts of First Responsibility Fund operated by the national church.

This is the first year in which the DDBF has applied the Total Return accounting policy to the Stipends Capital Fund as approved at the November 2022 synod. This approach allows the DDBF flexibility regarding the allocation of return on investments from this fund between capital growth and income. Synod agreed that, for 2023, income taken would be 5% of the average value of the fund over the past three years with the remainder treated as capital growth. This policy, in conjunction with the investment manager's growth target of CPI+5%, aims to ensure intergenerational equity.

During 2024 the DDBF will continue to promote the mission and ministry of the church within the Diocese. The funding streams described continue to support this work and provide an increasing proportion of staff support. Concerns remain over the level of share and around the sustainability of the current deanery plans and core services.

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 recovery in parish income and the real-terms reduction in the value of parish share, it is anticipated that reserves will remain within the level set out in the reserves policy.

Having reviewed forecasts for the forthcoming twelve months that are subject to a range of reasonably possible downside scenarios, 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.

Although there are several challenges ahead as outlined above the Diocese is confident that these can be managed and is enthusiastic about the changes that will take place over the next few years facilitated by the transformation process aided by funding from the National Church.

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 updated during the year, with input from all DDBF functions.

During 2023 the most significant risks related to the operations of the DDBF were:

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

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Trustees' report (continued) Year ended 31 December 2023

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 pledges and payments to the Diocese, which are financed through giving and fund-raising by church members, when PCCs are also facing increases in costs.

Alongside inflation, this has exacerbated the extent to which the level of contribution from parishes is insufficient to maintain the current cost base of the DDBF. The parish share system introduced during 2020 was reviewed during 2023, with some changes being introduced in time for 2024. This system continues 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 declined slightly from £4.5m in 2021 to £4.4m in 2023, however this is over £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, in particular the level of inflation, which leads to increases in stipends, salaries and building maintenance costs;

Despite some stipendiary and staff posts remaining vacant, there was a continuing operational deficit although financial restraint and challenges in recruitment for some posts led to this being within the budgeted deficit. Recruitment has taken place, following application of a vacancy audit process in the case of each parish vacancy. However, the trustees are aware that lengthy vacancies can place strain on clergy and staff, and efforts are being made to increase the rate of recruitment. The difficulty of recruitment is not limited to our Diocese; it is a challenge faced across much of the country. We are taking steps to support the welfare of our clergy who are having to operate in these difficult circumstances by providing advice and counselling as and when necessary.

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 documented to ensure compliance with the requirements of Safer Recruitment and People Management.

The Board continued to be aware of the potential for safeguarding matters to be raised due to increased reporting and awareness of safeguarding issues (both current and historical). The Diocesan 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 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. In 2023, risks were identified around the school building estate, however following the completion of surveys to identify Reinforced Aerated Autoclaved Concrete ('RAAC'), this risk has now receded somewhat. The DDBE effectively manages school standards through the Joint Education Team.

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

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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 255 Anglican churches across 207 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 Diocesan 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.

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 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;

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Trustees' report (continued) Year ended 31 December 2023

- 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.
- Diocesan Safeguarding Advisory Panel

The Diocesan Safeguarding Advisory Panel is chaired independently and monitors safeguarding practice, including casework and training within the Diocese. Its membership includes the Local Authority Designated Officer, Police and Victim/Survivor Voice representation.
- 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.

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.

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Trustees' report (continued) Year ended 31 December 2023

- Diocesan Board of Education

The Diocesan Board of Education has responsibility for 57 church schools across the Diocese (9 of which are Voluntary Aided, 15 are Voluntary Controlled, and 33 are Academies, with one academy being a Free School). It provides both educational and pastoral leadership 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. The Board of Education operates as a statutory committee of the DDBF.

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

The DDBF has one wholly owned subsidiary, the Diocese of Durham Educational Trust. It did not trade during the year.

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 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

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Trustees' report (continued) Year ended 31 December 2023

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 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 several MATs, including the Durham and Newcastle Diocesan Learning Trust. Until 1 September 2023, the Diocesan Director of Education was a director of the Durham and Newcastle Diocesan Learning Trust at which point he resigned as Director of Education to take up the role of CEO of the Trust as a full time role.

- 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 until 1 September 2023, when they were transferred to the Joint Education Team LLP, this charity employed a team of 9 employees working jointly for NDEB and the DDBF.

- Joint Education Team LLP

The Joint Education Team LLP is a Limited Liability Partnership between the DDBF and NDEB, which from 1 September 2023 jointly employs 9 employees to carry out the work of the diocesan boards of education in both Durham and Newcastle dioceses.

- 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 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, and which provides grant funding used by the Diocese to fund its

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Trustees' report (continued) Year ended 31 December 2023

Challenging Poverty priority and to provide a clergy counselling service.

- 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 (2022: none).

Disclosure of information to auditor

Each of the persons who are trustees at the time when this trustees' report is approved has confirmed that:

- so far as that trustee is aware, there is no relevant audit information of which the charity's auditor is unaware, and
- that trustee has taken all the steps that ought to have been taken as a trustee in order to be aware of any relevant audit information and to establish that the charity's auditor is aware of that information.

Auditor

The auditor, UNW LLP, has indicated his willingness to continue in office. A resolution to reappoint UNW LLP as auditor for 2024 will be proposed 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.

Approved by order of the members of the board of trustees and signed on their behalf by:

Rt. Revd. Sarah Clark
Chair

Date: 29 April 2024

+ Sarah Janew
Acting Bishop of Durham

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Statement of trustees' responsibilities Year ended 31 December 2023

The trustees (who are also the directors of the company for the purposes of company law) are responsible for preparing the trustees' report including the strategic report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Company law requires the trustees to prepare financial statements for each financial. Under company law, the trustees must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of its incoming resources and application of resources, including its income and expenditure, for that period. In preparing these financial statements, the trustees are required to:

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles of the Charities SORP (FRS 102);
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards (FRS 102) 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 company will continue in business.

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

Approved by order of the members of the board of trustees on 29 April 2024 and signed on its behalf by:

Rt. Revd. Sarah Clark
Chair

*+ Sarah Jarrold
Acting Bishop of Durham*



Independent auditor's report to the members of Durham Diocesan Board of Finance (continued)

Opinion

We have audited the financial statements of Durham Diocesan Board of Finance (the 'charitable company') for the year ended 31 December 2023 which comprise the Statement of financial activities, the Income and expenditure account, the balance sheet, the statement of cash flows and the related notes, 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 2023 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 United Kingdom, 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 charitable company'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 annual report other than the financial statements and our auditor's report thereon. The trustee 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' report including the Strategic report for the financial year for which the financial statements are prepared is consistent with the financial statements.
- the Trustees' report and the Strategic report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of our knowledge and understanding of the charitable company and its environment obtained in the course of the audit, we have not identified material misstatements in the Trustees' report including the Strategic report.

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

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

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 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.

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 extent to which our procedures 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.



Independent auditor's report to the members of Durham Diocesan Board of Finance (continued)

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, safe guarding 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 statement 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. This description forms part of our auditor's report.

Use of our report

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

Anne Hallowell BSc FCA DChA (Senior Statutory Auditor)
for and on behalf of UNW LLP, Statutory Auditor
Chartered Accountants
Newcastle upon Tyne
29 April 2024

Durham Diocesan Board of Finance

(A company limited by guarantee)

Statement of financial activities Year ended 31 December 2023

		Unrestricted funds 2023	Restricted funds 2023	Endowment funds 2023	Total funds 2023	Total funds 2022
	Note	£000	£000	£000	£000	£000
Income and endowments from:						
Donations:						
Parish Contributions	4	4,255	-	-	4,255	4,333
Archbishops' Council	5	2,115	2,597	-	4,712	4,945
Other	6	229	646	-	875	839
Charitable activities	7	641	-	-	641	628
Other trading activities	8	635	3	-	638	590
Investments	9	483	215	338	1,036	963
Other income	10	-	-	241	241	336
Total income and endowments		8,358	3,461	579	12,398	12,634
Expenditure on:						
Raising funds	11	79	-	-	79	24
Charitable activities:						
Contributions to Archbishops' Council	13	693	4	-	697	728
Resourcing ministry and mission	14	8,610	3,300	23	11,933	11,025
Resourcing education	15	278	10	-	288	265
Total expenditure		9,660	3,314	23	12,997	12,042
Net (expenditure)/income before net (losses)/gains on investments		(1,302)	147	556	(599)	592
Net gain/(losses) on investments		226	645	2,439	3,310	(3,740)
Net income/(expenditure)		(1,076)	792	2,995	2,711	(3,148)
Transfers between funds	27	1,017	(92)	(925)	-	-
Net movement in funds		(59)	700	2,070	2,711	(3,148)
Reconciliation of funds:						
Total funds brought forward		5,864	11,263	54,882	72,009	75,157
Net movement in funds		(59)	700	2,070	2,711	(3,148)
Total funds carried forward	27	5,805	11,963	56,952	74,720	72,009

The notes on pages 29 to 65 form part of these financial statements.

Durham Diocesan Board of Finance

(A company limited by guarantee)

Summary income and expenditure account Year ended 31 December 2023

	Total funds	Total funds
	2023	2022
Note	£000	£000
Income	11,819	12,298
Gains/(losses)/ on investments	871	(943)
Gross income in the reporting period	12,690	11,355
Less: Total expenditure	(12,974)	(11,851)
Net income/(expenditure) for the reporting period	(284)	(496)
Other comprehensive income		
Net assets transferred from endowments	30 925	756
Net comprehensive income for the year	641	260

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.

The notes on pages 29 to 65 form part of these financial statements.

Durham Diocesan Board of Finance

(A company limited by guarantee)

Balance sheet Year ended 31 December 2023

	Note	2023 £000	2022 £000
Fixed assets			
Tangible assets	20	35,758	33,580
Investments	21	36,812	34,169
		<u>72,570</u>	<u>67,749</u>
Current assets			
Debtors	22	1,368	1,080
Cash on deposit	23	634	1,003
Cash at bank and in hand		<u>1,731</u>	<u>2,683</u>
		<u>3,733</u>	<u>4,766</u>
Creditors: amounts falling due within one year	24	<u>(1,534)</u>	<u>(405)</u>
Net current assets		<u>2,199</u>	<u>4,361</u>
Total assets less current liabilities		<u>74,769</u>	<u>72,110</u>
Creditors: amounts falling due after more than one year	25	(49)	(101)
Total net assets		<u><u>74,720</u></u>	<u><u>72,009</u></u>
Charity funds			
Endowment funds	27	56,952	54,882
Restricted funds	27	11,963	11,263
Unrestricted funds			
Designated funds	27	7	25
General funds	27	5,798	5,839
Total unrestricted funds	27	<u>5,805</u>	<u>5,864</u>
Total funds		<u><u>74,720</u></u>	<u><u>72,009</u></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 29 April 2024 and signed on their behalf by:

Rt. Revd. Sarah Clark
Chair

+ Sarah Janaw
Acting Bishop of Durham.

Company registered number: 00192018

The notes on pages 29 to 65 form part of these financial statements.

Durham Diocesan Board of Finance

(A company limited by guarantee)

Statement of cash flows Year ended 31 December 2023

	Note	2023 £000	2022 £000
Cash flows from operating activities			
Net cash used in operating activities	31	<u>(990)</u>	<u>(802)</u>
Cash flows from investing activities			
Dividends, interests and rents from investments		1,036	911
Proceeds from the sale of tangible fixed assets		996	1,088
Purchase of tangible fixed assets		(2,738)	(837)
Proceeds from sale of investments		677	-
Purchase of investments		(10)	(2,474)
Net cash used in investing activities		<u>(39)</u>	<u>(1,312)</u>
Cash flows from financing activities			
New loans advanced		-	-
Repayment of loans advanced		(292)	200
Net cash provided by financing activities		<u>(292)</u>	<u>200</u>
Change in cash and cash equivalents in the year		(1,321)	(1,914)
Cash and cash equivalents at the beginning of the year		3,686	5,600
Cash and cash equivalents at the end of the year	32	<u><u>2,365</u></u>	<u><u>3,686</u></u>

The notes on pages 28 to 59 form part of these financial statements

Durham Diocesan Board of Finance

(A company limited by guarantee)

Notes to the financial statements Year ended 31 December 2023

1. 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.

2. Accounting policies

2.1 Basis of preparation of 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.

2.2 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 the position of the charitable company as a single entity and not as a group.

2.3 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 recovery in parish income and the real-terms reduction in the value of parish share, it is anticipated that reserves will remain within the level set out in the reserves policy.

Having reviewed forecasts for the forthcoming twelve months that are subject to a range of reasonably possible downside scenarios, 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.

Durham Diocesan Board of Finance

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Notes to the financial statements Year ended 31 December 2023

2. Accounting policies (continued)

2.4 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 receivable, although 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.

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.

2.5 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 year end are noted as a commitment, but not accrued as expenditure.

Durham Diocesan Board of Finance

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Notes to the financial statements Year ended 31 December 2023

2. Accounting policies (continued)

2.5 Expenditure (continued)

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.

2.6 Pension contributions

The DDBF's staff are members of the Church Workers Pension Fund and Clergy are members of the Church of England Funded Pension Scheme. The pension costs charged as resources expended represent the DDBF's contributions payable in respect of the accounting period, in accordance with FRS 102. 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.

2.7 Tangible fixed assets and depreciation

Tangible fixed assets are initially 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 as any provision 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 residual properties is in accordance with the Repair of Benefices Building 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.

Durham Diocesan Board of Finance

(A company limited by guarantee)

Notes to the financial statements Year ended 31 December 2023

2. Accounting policies (continued)

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 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% per annum straight line

2.8 Total return investment policy

The board passed a resolution on 1 December 2022 to adopt a total return policy in respect of the stipends capital endowed funds. This approach allows any increase in the value of an investment to be used as income. The decision was taken to ensure that Diocese invests in a way that has appropriate regard to the furtherance of its aims both now and in the future.

The board identified the relevant funds and apportioned it into the value of the original endowment (which forms the Investment Fund) and the unapplied investment return (which forms the unapplied total return). The calculation of the value of the investment fund on the date of adoption was based upon the book value of assets at 1 January 1997, adjusted for inflation and additions since that date.

All endowed investment returns are designated as unapplied total return until Trustees decide how it is to be used. At the discretion of the board, some of the total unapplied return may be allocated to the income fund each year to be spent on its aims.

Trustees may allocate an amount of the unapplied total return to the investment funds. The amount that can be allocated to the investment fund is capped. The cap is calculated by using the rise in inflation from a particular date, being either the date of resolution if no previous allocation has been made or date of the last allocation to the investment fund.

2.9 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 the subsidiary are stated at cost less provision for impairment. Investments also include long term loans made by the DDBF under concessionary terms.

Durham Diocesan Board of Finance

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Notes to the financial statements Year ended 31 December 2023

2. Accounting policies (continued)

2.10 Financial instruments

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.

2.11 Operating leases

Rentals paid under operating leases are charged to the statement of financial activities on a straight line basis over the lease term.

2.12 Fund accounting

- **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

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Notes to the financial statements Year ended 31 December 2023

2. Accounting policies (continued)

2.12 Fund accounting (continued)

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.

The board has adopted a total return approach to investments held within the Stipends Capital Fund. Assets are invested to produce an investment return without regard to whether that return is in the form of income or capital appreciation. An allocation is made each year from unapplied total return to trust for investment to ensure that the capital value of assets in trust are not eroded over time.

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.

3. Critical accounting estimates and areas of judgment

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 on 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 35, 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 2023. 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.

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Notes to the financial statements Year ended 31 December 2023

3. Critical accounting estimates and areas of judgment (continued)

Other estimates included within these financial statements include depreciation charges. 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.

4. Parish contributions

	Total funds 2023 £000	Total funds 2022 £000
Unrestricted general fund - parish share		
Contributions pledged and paid	4,227	4,321
Contributions from previous years	28	12
	<u>4,255</u>	<u>4,333</u>
Current year parish share receipts (excluding contributions from prior years) as a proportion of total amounts pledged	<u>95.2%</u>	<u>96.1%</u>

Durham Diocesan Board of Finance

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Notes to the financial statements Year ended 31 December 2023

5. Archbishops' Council

	Unrestricted funds 2023 £000	Restricted funds 2023 £000	Total funds 2023 £000
Lower income communities fund	2,067	-	2,067
Strategic development fund	48	1,825	1,873
Energy and cost of living grants	-	40	40
Strategic ministry funding	-	383	383
Ordinands training grant	-	349	349
	2,115	2,597	4,712

	Unrestricted funds 2022 £000	Restricted funds 2022 £000	Total funds 2022 £000
Lower income communities fund	2,115	-	2,115
Strategic development fund	-	1,597	1,597
Energy and cost of living grants	503	-	503
Strategic ministry funding	-	188	188
Ordinands training grant	-	542	542
	2,618	2,327	4,945

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Notes to the financial statements Year ended 31 December 2023

6. Other donations

	Unrestricted funds 2023 £000	Restricted funds 2023 £000	Total funds 2023 £000
Benefact Trust	157	23	180
Lord Crewe	-	353	353
St Hild and St Bede Trust	15	-	15
Other grants and donations	57	270	327
	229	646	875

	Unrestricted funds 2022 £000	Restricted funds 2022 £000	Total funds 2022 £000
Benefact Trust	179	113	292
Lord Crewe	-	340	340
St Hild and St Bede Trust	-	11	11
Other grants and donations	141	55	196
	320	519	839

7. Income from charitable activities

	Total funds 2023 £000	Total funds 2022 £000
Statutory fees	467	494
Chaplaincy	36	50
St Hild and St Bede Trust (for Chaplaincy)	8	8
Miscellaneous income	130	76
	641	628

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Notes to the financial statements Year ended 31 December 2023

8. Income from other activities

	Unrestricted funds 2023 £000	Restricted funds 2023 £000	Total funds 2023 £000
Rental income from parsonages	508	-	508
Education service level agreements	127	3	130
Miscellaneous income	-	-	-
	635	3	638
	Unrestricted funds 2022 £000	Restricted funds 2022 £000	Total funds 2022 £000
Rental income from parsonages	449	-	449
Education service level agreements	138	2	140
Miscellaneous income	1	-	1
	588	2	590

9. Income from investments

	Unrestricted funds 2023 £000	Restricted funds 2023 £000	Endowment funds 2023 £000	Total funds 2023 £000
Income from UK listed investments	411	211	338	960
Interest receivable	17	4	-	21
Rents receivable	55	0	-	55
	483	215	338	1,036
	Unrestricted funds 2022 £000	Restricted funds 2022 £000	Endowment funds 2022 £000	Total funds 2022 £000
Income from UK listed investments	650	169	-	819
Interest receivable	91	1	-	92
Rents receivable	52	-	-	52
	793	170	-	963

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Notes to the financial statements Year ended 31 December 2023

10. Other income

	Endowment funds 2023 £000	Total funds 2023 £000
Gain on disposal of properties	241	241
	Endowment funds 2022 £000	Total funds 2022 £000
Gain on disposal of properties	336	336

11. Fundraising costs

	Unrestricted funds 2023 £000	Endowment funds 2023 £000	Total funds 2023 £000
Glebe agents fees	31	-	31
Glebe investment costs	48	-	48
	79	-	79
	Unrestricted funds 2022 £000	Endowment funds 2022 £000	Total funds 2022 £000
Glebe agents fees	7	-	7
Glebe investment costs	3	14	17
	10	14	24

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Notes to the financial statements Year ended 31 December 2023

12. Analysis of expenditure by activities

	Activities undertaken directly 2023 £000	Grant funding of activities 2023 £000	Support costs 2023 £000	Total funds 2023 £000
Contributions to Archbishops' Council (note 13)	-	697	-	697
Resourcing ministry and mission (note 14)	9,760	710	1,463	11,933
Resourcing Education (note 15)	288			288
	10,048	1,407	1,463	12,918

	Activities undertaken directly 2022 £000	Grant funding of activities 2022 £000	Support costs 2022 £000	Total funds 2022 £000
Contributions to Archbishops' Council (note 13)	-	728	-	728
Resourcing ministry and mission (note 14)	8,574	1,180	1,271	11,025
Resourcing Education (note 15)	265	-	-	265
	8,839	1,908	1,271	12,018

13. Contributions to Archbishops' Council

	Unrestricted funds 2023 £000	Restricted funds 2023 £000	Total funds 2023 £000
Training for ministry	224	-	224
National Church responsibilities	250	-	250
Grants and provisions	228	4	232
Pooling of ordinand candidates	(9)	-	(9)
	693	4	697

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Notes to the financial statements Year ended 31 December 2023

13. Contributions to Archbishops' Council (continued)

	Unrestricted funds 2022 £000	Restricted funds 2022 £000	Total funds 2022 £000
Training for ministry	224	-	224
National Church responsibilities	250	-	250
Grants and provisions	269	-	269
Pooling of ordinand candidates	(15)	-	(15)
	728	-	728

14. Expenditure on resourcing ministry and mission

	Unrestricted funds 2023 £000	Restricted funds 2023 £000	Endowment funds 2023 £000	Total funds 2023 £000
Stipends and national insurance	3,463	581	-	4,044
Clergy pension	861	56	-	917
Housing costs	1,881	1	10	1,892
Removal, resettlement and other grants	175	13	-	188
Mission: stipendiary, staff and activity costs	496	1,498	-	1,994
Ministerial Training	60	307	-	367
Strategic development costs	-	297	-	297
Other expenses and grants	541	230	-	771
Support for parish ministry (see note 16)	1,133	317	13	1,463
	8,610	3,300	23	11,933

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Notes to the financial statements Year ended 31 December 2023

14. Expenditure on resourcing ministry and mission (continued)

	Unrestricted funds 2022 £000	Restricted funds 2022 £000	Endowment funds 2022 £000	Total funds 2022 £000
Stipends and national insurance	3,376	437	-	3,813
Clergy pension	976	80	-	1,056
Pension deficit creditor movement (note 34)	(99)	-	-	(99)
Housing costs	1,416	-	162	1,578
Removal, resettlement and other grants	102	8	-	110
Mission: stipendiary, staff and activity costs	411	1,440	-	1,851
Lindisfarne College of Theology grant	42	478	-	520
Strategic development costs	-	-	-	-
Other expenses and grants	786	139	-	925
Support for parish ministry (see note 16)	922	334	15	1,271
	7,932	2,916	177	11,025

15. Resourcing education

	Unrestricted funds 2023 £000	Restricted funds 2023 £000	Total funds 2023 £000
Administration	278	-	278
Closed schools	-	10	10
	278	10	288

	Unrestricted funds 2022 £000	Restricted funds 2022 £000	Total funds 2022 £000
Administration	250	-	250
Closed schools	-	15	15
	250	15	265

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Notes to the financial statements Year ended 31 December 2023

16. Analysis of support costs

	Total funds 2023 £000	Total funds 2022 £000
Central staff costs	750	640
Central office and premises	89	87
Technology and communication	166	155
Depreciation	45	45
Legal and registry costs	150	136
Synod, Board and Committee expenses	53	30
External audit	25	22
Other support costs	66	59
Other costs	119	97
	1,463	1,271

17. Analysis of grants made

	Individuals £000	Institutions £000	Total 2023 £000
From unrestricted funds for			
National Church responsibilities:			
Contributions to Archbishops' Council	-	466	474
Other grants made:			
NECAT	-	8	8
Lesotho	-	25	25
Resettlement and First Appointment Grants	157	-	157
Ordinands' Grants	231	-	223
Basic Clergy Development Grants	18	-	18
Special CMD & Sabbatical Grants	7	-	7
Mission Fund Grants	23	-	23
Church building committee grants	-	34	34
Ministry Hardship Grant	-	7	8
Energy Support Grant funding	64	-	65
Lindisfarne College of Theology	-	367	367
	500	907	1,407

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Notes to the financial statements Year ended 31 December 2023

17. Analysis of grants made (continued)

	Individuals £000	Institutions £000	Total 2022 £000
From unrestricted funds for			
National Church responsibilities:			
Contributions to Archbishops' Council	-	474	474
Other grants made:			
NECAT	-	8	8
Northumbrian Industrial Mission	-	2	2
Lesotho	-	25	25
Training for Ministry Grants	77	443	520
Resettlement and First Appointment Grants	102	-	102
Ordinands' Grants	269	-	269
Basic Clergy Development Grants	14	-	14
Special CMD & Sabbatical Grants	7	-	7
Mission Fund Grants	14	-	14
Church building committee grants	-	42	42
Ministry Hardship Grant	-	48	48
Energy Support Grant funding	383	-	383
	<u>866</u>	<u>1,042</u>	<u>1,908</u>

18. Auditor's remuneration

	2023 £000	2022 £000
Fees payable to the charitable company's auditor for the audit of the charitable company's annual accounts	24	20
Fees payable to the charitable company's auditor in respect of: All non-audit services not included above	<u>1</u>	<u>2</u>

19. Staff costs

	2023 £000	2022 £000
Employee costs during the year were as follows:		
Wages and salaries	1,649	1,485
National insurance contributions	165	157
Pension costs	219	211
	<u>2,033</u>	<u>1,853</u>

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Notes to the financial statements Year ended 31 December 2023

19. Staff costs (continued)

	2023 £000	2022 £000
The average monthly number of employees during the year were as follows:		
Staff	<u>44</u>	<u>40</u>

	2023 No.	2022 No.
The number of higher paid employees was:		
In the band £70,001 - £80,000	-	1
In the band £80,001 - £90,000	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 2023 they were:

Diocesan Secretary	Mr J James G Morgan
Director of Mission, Discipleship & Ministry	The Venerable Elizabeth M Wilkinson

Remuneration, pensions and employer's national insurance contributions for the above employees amounted to £157,904 (2022: £177,029).

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Notes to the financial statements Year ended 31 December 2023

19. Staff costs (continued)

Trustees' emoluments

No trustee received any remuneration for services as trustee (2022: £nil). During the year, 7 trustees (2022: 5) received travelling, subsistence and incidental costs, totalling £15,510 (2022: £12,000) 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 PR Butler (Chair)	No	No
Right Reverend SE Clark	No	Yes
Venerable RL Simpson	Yes	Yes
Venerable EM Wilkinson	Yes	Yes
Venerable RG Cooper	Yes	Yes

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 139 (2022: 139) stipendiary clergy and lay ministers as office-holders holding parochial or diocesan appointments in the Diocese, and the costs were as follows:

	2023 £000	2022 £000
Stipends	3,722	3,491
National insurance contributions	325	308
Pension costs - current year contributions	952	1,243
Movement on pension scheme deficit creditor (see note 34)	-	(99)
	4,999	4,943

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Notes to the financial statements Year ended 31 December 2023

20. Tangible fixed assets

	Property £000	Office equipment £000	Parsonages £000	Glebe Property £000	Total £000
Cost or valuation					
At 1 January 2023	3,624	101	20,093	10,670	34,488
Additions	-	-	368	2,370	2,738
Disposals	-	-	(302)	(221)	(523)
Transfers between classes	78	-	(78)	-	-
At 31 December 2023	<u>3,702</u>	<u>101</u>	<u>20,081</u>	<u>12,819</u>	<u>36,703</u>
Depreciation					
At 1 January 2023	151	96	421	240	908
Charge for the year	32	1	3	9	45
On disposals	-	-	(5)	(3)	(8)
Transfers between classes	2	-	(2)	-	-
At 31 December 2023	<u>185</u>	<u>97</u>	<u>417</u>	<u>246</u>	<u>945</u>
Net book value					
At 31 December 2023	<u>3,517</u>	<u>4</u>	<u>19,664</u>	<u>12,573</u>	<u>35,758</u>
At 31 December 2022	<u>3,473</u>	<u>5</u>	<u>19,672</u>	<u>10,430</u>	<u>33,580</u>

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Notes to the financial statements Year ended 31 December 2023

21. Fixed asset investments

	Listed investments £000	Loans to associates £000	Agricultural land £000	Total £000
Cost or valuation				
At 1 January 2023	31,162	19	2,988	34,169
Additions	-	10	-	10
Disposals	(621)	-	(56)	(677)
Revaluations	2,926	-	383	3,310
At 31 December 2023	<u>33,468</u>	<u>29</u>	<u>3,315</u>	<u>36,812</u>
Net book value				
At 31 December 2023	33,468	29	3,315	36,812
At 31 December 2022	<u>31,162</u>	<u>19</u>	<u>2,988</u>	<u>34,169</u>
Historic cost at 31 December 2023	<u>26,840</u>	<u>29</u>	<u>403</u>	<u>27,272</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 Red Book valuation as at 31 December 2023.

Long term loans

The DDBF loaned £15,000 to Stirling Newall Trust for the installation of a new fire alarm system in 2021 with an additional loan of £10,000 being made during 2023. Both loans are repayable in annual instalments over 10 years with interest charged at 3% per annum.

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.

Joint venture

During the prior year, the company established a joint venture limited liability partnership with Newcastle Diocesan Education Board (NDEB). The new entity, Joint Education Team LLP, commenced trading on 1 September 2023.

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Notes to the financial statements Year ended 31 December 2023

22. Debtors

	2023 £000	2022 £000
Due after more than one year		
Church Buildings loan	139	103
Equity share loan	134	134
	<u>273</u>	<u>237</u>
Due within one year		
Parish share debtors	-	11
Church Buildings loans	3	2
Other debtors	477	737
Prepayments and accrued income	615	93
	<u>1,095</u>	<u>843</u>
Total	<u>1,368</u>	<u>1,080</u>

The historic cost of the equity share loan included in loans receivable is £16,000 (2022: £16,000).

23. Current asset investments

	2023 £000	2022 £000
CBF Deposit fund	634	1,003

24. Creditors: amounts falling due within one year

	2023 £000	2022 £000
Trade creditors	315	276
Pension deficit payments creditor (note 34)	-	-
Other creditors	3	2
Accruals and deferred income	1,216	127
	<u>1,534</u>	<u>405</u>

	2023 £000	2022 £000
Deferred income at 1 January	33	26
Resources deferred during the year	1,116	33
Amounts released from previous periods	(33)	(26)
	<u>1,116</u>	<u>33</u>

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Notes to the financial statements Year ended 31 December 2023

25. Creditors: amounts falling due after more than one year	2023	2022
	£000	£000
Loans	<u>49</u>	<u>101</u>

Loans included in creditors due in more than one year comprise £49,000 (2022: £101,000) owing to Church Commissioners relating to property purchased to house clergy spouses, which becomes repayable on sale of the property once it falls vacant.

26. Summary of funds

Summary of funds - current year

	Balance at 1 January 2023 £000	Income £000	Expenditure £000	Transfers in/out £000	Gains/ (Losses) £000	Balance at 31 December 2023 £000
Designated funds	25	-	(18)	-	-	7
General funds	5,839	8,358	(9,642)	1,017	226	5,798
Endowment funds	54,882	579	(23)	(925)	2,439	56,952
Restricted funds	11,263	3,461	(3,314)	(92)	645	11,963
	<u>72,009</u>	<u>12,398</u>	<u>(12,997)</u>	<u>-</u>	<u>3,310</u>	<u>74,720</u>

Summary of funds - prior year

	Balance at 1 January 2022 £000	Income £000	Expenditure £000	Transfers in/out £000	Gains/ (Losses) £000	Balance at 31 December 2022 £000
Designated funds	25	-	-	-	-	25
General funds	5,848	9,280	(8,920)	(102)	(267)	5,839
Endowment funds	58,290	336	(191)	(756)	(2,797)	54,882
Restricted funds	10,994	3,018	(2,931)	858	(676)	11,263
	<u>75,157</u>	<u>12,634</u>	<u>(12,042)</u>	<u>-</u>	<u>(3,740)</u>	<u>72,009</u>

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Notes to the financial statements Year ended 31 December 2023

27. Statement of funds – current year

	Balance at 1 January 2023 £000	Income £000	Expenditure £000	Transfers in/(out) £000	Gains/ (Losses) £000	Balance at 31 December 2023 £000
Designated funds						
Bequests Fund	25	-	(18)	-		7
Unrestricted funds						
General	5,839	8,358	(9,642)	1,017	226	5,798
Restricted funds						
Parsonages Building Fund	2,042	54	-	(467)	112	1,741
Durham Closed Schools Fund	588	61	(10)	357	34	1,030
Pastoral Fund	7,052	227	(191)	544	448	8,080
Ministry and Preordination Training Fund	104	349	(307)	-	-	146
Lord Crewe's Charity	172	353	(383)	-	-	142
Strategic Development Fund - Resourcing Churches	29	615	(617)	-	-	27
Restructuring Fund - Renewal & Reform	63	-	(58)	-	-	5
Strategic Development Fund II - Communities for Hope	5	663	(664)	-	-	4
Misc Restricted Fund (Misc Income for projects)	69	52	(44)	96	-	173
Durham Capacity Fund (Restricted)	(1)	198	(200)	-	-	(3)
Strategic Capacity Grant fund	-	53	(53)	-	-	-
Strategic Ministry Fund	-	333	(333)	-	-	-
Strategic Development Fund - Transformation Growth	-	297	(297)	-	-	-
Archbishops' Council - Giving Adviser	-	23	(23)	-	-	-
Archbishops' Council - Net Zero	-	40	(15)	-	-	25
Archbishops' Council - Called to Fruitfulness	-	49	(49)	-	-	-
Benefact Trust- Cultivate funding	100	-	(57)	-	-	43
Other	1,040	94	(13)	(622)	51	550
	11,263	3,461	(3,314)	(92)	645	11,963
Endowment funds						
Parsonages Houses Fund	19,674	-	(5)	(252)	245	19,662
Stipends Capital Fund	35,208	579	(18)	(673)	2,194	37,290
	54,882	579	(23)	(925)	2,439	56,952
Total of funds	72,009	12,398	(12,997)	-	3,310	74,720

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27. Statement of funds (continued)

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 to support the diocesan priority of 'Challenging Poverty'.

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.

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.

Pastoral Fund

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:

- 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.

Ministry and Preordination Training Fund

This is a restricted fund set up to provide assistance for ministry and training.

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.

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Strategic Development Fund – Growing Hope

This national church funded project is to develop Communities of Hope, which are Christian small scale social enterprise projects in areas with high levels of social deprivation, alongside two further Resourcing Churches and ministry experience volunteers.

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.

Durham Capacity Fund

This fund provides support for the diocese through the process of developing a transformational strategy and missional design.

Strategic Capacity Fund - Church planting

Provides capacity for the administration and management of church planting within the diocese.

Strategic Ministry Fund

Provides support to assist with funding the curates.

Strategic Development Fund - Transformation Growth

Transform the church building into a space fit for worship, mission and cultural activities in the 21st Century.

Archbishops Council – Giving Adviser Fund

National church funding to provide diocesan support for parishes around generous giving and stewardship.

Archbishops' Council - Net Zero

Awarded towards helping the Diocese work towards their net zero targets.

Archbishops' Council - Called to Fruitfulness

Increasing capacity, regeneration of parishes for mission, missional chaplaincies

Benefact Trust - Cultivate

Funding to support the diocese's 'Cultivate' church planting strategy.

Other grants

This restricted fund relates to grants which support a wide range of projects related to the four Diocesan priorities.

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.

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Notes to the financial statements Year ended 31 December 2023

Transfers between funds

Transfers from endowment funds represent transfers from the Parsonage property fund to unrestricted and restricted funds following the sale of certain properties, according to the terms imposed on the endowed asset.

Transfers from general funds to the Stipend capital fund represented the reduction in the clergy pension scheme deficit creditor.

In addition a transfer of £769,000 has been made from endowment funds to unrestricted funds representing the allocation of unapplied total returns (see note 28).

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Notes to the financial statements Year ended 31 December 2023

27. Statement of funds (continued)

Statement of funds - prior year

	Balance at 1 January 2022 £000	Income £000	Expenditure £000	Transfers in/out £000	Gains/ (Losses) £000	Balance at 31 December 2022 £000
Designated funds						
Bequests Fund	25	-	-	-	-	25
Unrestricted funds						
General	5,848	9,280	(8,920)	(102)	(267)	(5,839)
Restricted funds						
Parsonages Building Fund	2,151	46	-	-	(155)	2,042
Durham Closed Schools Fund	580	13	(15)	10	-	588
Pastoral Fund	6,504	98	(159)	996	(387)	7,052
Ministry & Preordination						
Training Fund	169	542	(479)	(128)	-	104
Faith in the Community	3	-	(3)	-	-	-
Lord Crewe's Charity	118	340	(286)	-	-	172
Strategic Development Fund -						
Resourcing Churches	28	675	(674)	-	-	29
Restructuring Fund	208	-	(145)	-	-	63
Strategic Development Fund II						
- Communities for Hope	-	698	(693)	-	-	5
Misc Restricted Fund (Musc						
Income for project)	52	50	(33)	-	-	69
Durham Capacity Fund						
(Restricted)	-	175	(176)	-	-	(1)
Strategic Capacity Grant fund	-	49	(49)	-	-	-
Strategic Ministry Fund	-	188	(188)	-	-	-
Benefact Trust- Cultivate						
funding	-	100	-	-	-	100
Benefact Trust – Giving						
Adviser funding	-	13	(13)	-	-	-
Other	1,181	31	(18)	(20)	(134)	1,040
	10,994	3,018	(2,931)	858	(676)	11,263
Endowment funds						
Parsonages Houses Fund	20,263	336	(5)	(920)	-	19,674
Stipends Capital Fund	38,027	-	(186)	164	(2,797)	35,208
	58,290	336	(191)	(756)	(2,797)	54,882
Total of funds	75,157	12,634	(12,042)	-	(3,740)	72,009

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Notes to the financial statements Year ended 31 December 2023

28. Total return on investment

	Trust for investment 2023 £000	Unapplied total return 2023 £000	Total Stipend Capital fund 2023 £000
As at 1 January 2023	35,208	-	35,208
Movements in year			
Allocation to trust for investment	833	(833)	-
Investment return: dividends and interest	-	338	338
Investment return: gains on sale of property	-	241	241
Investment return: realised and unrealised gains and (losses)	-	2,194	2,194
Addition of capital	96	-	96
Less costs of maintaining properties	-	(18)	(18)
	<u>929</u>	<u>1,922</u>	<u>2,851</u>
Allocation from trust for investment (on first time application of total return policy) at 1 January 2023	(24,765)	24,765	-
Unapplied total return allocated to income	-	(769)	(769)
Net movement in the year	<u>(23,836)</u>	<u>25,918</u>	<u>2,082</u>
As at 31 December 2023	<u>11,372</u>	<u>25,918</u>	<u>37,290</u>

On 1 December 2022 the Trustees agreed to adopt a total return approach to accounting for the stipend capital endowments of the Diocese. The full details of policies adopted are set out in the accounting policies in note 1. The date of adoption for the purposes of calculating the original value of the Trust for investment was 1 January 1997, with all additional gifts since that date added and inflation included to arrive at the value of the Trust for investment as at 1 January 2023.

On 31 December 2023 a proportion of the resulting unapplied total return was allocated to income for the year, as shown above.

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Notes to the financial statements Year ended 31 December 2023

29. Analysis of net assets between funds

Analysis of net assets between funds - current year

	Unrestricted funds 2023 £000	Restricted funds 2023 £000	Endowment funds 2023 £000	Total funds 2023 £000
Tangible fixed assets	1,895	1,627	32,236	35,758
Fixed asset investments	2,979	9,067	24,766	36,812
Debtors due after more than one year	142	131	-	273
Current assets	1,140	2,320	-	3,460
Creditors due within one year	(351)	(1,182)	(1)	(1,534)
Creditors due in more than one year	-	-	(49)	(49)
Total	5,805	11,963	56,952	74,720

Analysis of net assets between funds - prior year

	Unrestricted funds 2022 £000	Restricted funds 2022 £000	Endowment funds 2022 £000	Total funds 2022 £000
Tangible fixed assets	1,823	1,656	30,101	33,580
Fixed asset investments	2,385	6,888	24,896	34,169
Debtors due after more than one year	237	-	-	237
Current assets	1,810	2,719	-	4,529
Creditors due within one year	(391)	-	(14)	(405)
Creditors due in more than one year	-	-	(101)	(101)
Total	5,864	11,263	54,882	72,009

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Notes to the financial statements Year ended 31 December 2023

30. Analysis of significant transfers between funds

Analysis of significant transfers between funds – current year

	Unrestricted funds 2023 £000	Restricted funds 2023 £000	Endowment funds 2023 £000	Total funds 2023 £000
Transfer of Parsonage Houses to General	76	-	(76)	-
Transfer of Parsonage Houses to Pastoral Account	-	245	(245)	-
Release of cash from Parsonage Houses to Pastoral Account	-	297	(297)	-
Release of Ecomb Pars Build Fund to Parsonage Property	-	(346)	346	-
Transfer to Parsonage Houses Fund to purchase land at St Peter's Vicarage	-	(20)	20	-
Bank journal from Parsonage Building Fund to Stipends Capital Fund	-	(96)	96	-
Total Return transfer from Stipends Capital	769	-	(769)	-
Year end dividends release	172	(172)	-	-
Total	1,017	(92)	(925)	-

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30. Analysis of significant transfers between funds (continued)

Analysis of significant transfers between funds – prior year

	Unrestricted funds 2022 £000	Restricted funds 2022 £000	Endowment funds 2022 £000	Total funds 2022 £000
Transfer of Parsonage Property to Pastoral	-	996	(996)	-
Transfer from general funds to Stipend Capital fund in respect of reduction in clergy pension scheme deficits payment creditor	(240)	-	240	-
Transfer of balance of Ministry and Pre ordination fund To Board of Finance CBF Deposit Fund	10	(10)	-	-
Released cash from Pastoral to Stipend Capital	-	(774)	774	-
Release of investment shares from Stipend Capital to Pastoral	-	774	(774)	-
Total	(102)	858	(756)	-

31. Reconciliation of net movement in funds to net cash flow from operating activities

	2023	2022
	£000	£000
Net income/(expenditure) for the year (as per Statement of Financial Activities)	2,711	(3,148)
Adjustments for:		
Depreciation charges	45	45
(Gain)/loss on investments	(3,310)	3,740
Dividends, interests and rents from investments	(1,036)	(911)
Increase in debtors	(288)	(35)
Increase in creditors	1,129	83
Profit on sale of fixed assets	(241)	(336)
Pension revaluation	-	(99)
Contributions to pension scheme	-	(141)
Net cash used in operating activities	(990)	(802)

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32. Analysis of cash and cash equivalents

	2023 £000	2022 £000
Cash in hand	1,731	2,683
Notice deposits (less than 3 months)	634	1,003
Total cash and cash equivalents	2,365	3,686

33. Analysis of changes in net debt

	At 1 January 2023 £000	Cash flows £000	At 31 December 2023 £000
Cash at bank and in hand	2,683	(952)	1,731
Debt due after 1 year	(101)	52	(49)
Liquid investments	1,003	(369)	634
	3,585	(1,269)	2,316

34. Operating lease commitments

At 31 December 2023 the charitable company had commitments to make future minimum lease payments under non-cancellable operating leases as follows:

	2023 £000	2022 £000
Not later than 1 year	9	10
Later than 1 year and not later than 5 years	1	2
	10	12

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35. 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 which were £952,000 in 2023 (2022: £1,243,000), plus the figures highlighted in the table below as being recognised in the SOFA, giving a total charge of £952,000 for 2023 (2022: £1,144,000). 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 2021. The 2021 valuation revealed a surplus of £560m, based on assets of £2,720m and a funding target of £2,160m, assessed using the following assumptions:

- An average discount rate of 2.7% p.a;
- RPI inflation of 3.6% p.a. (and pension increases consistent with this);
- CPIH inflation in line with RPI less 0.8% pre 2030 moving to RPI with no adjustment from 2030 onwards;

Increase in pensionable stipends in line with CPIH;

- Mortality in accordance with 90% of the S3NA tables, with allowance for improvements in mortality rates in line with the CMI2020 extended model with a long term annual rate of improvement of 1.5%, a smoothing parameter of 7, an initial addition to mortality improvements of 0.5% pa and an allowance for 2020 data of 0% (i.e. w2020 = 0%).

Following finalisation of the 31 December 2021 valuation, deficit contributions ceased with effect from 1 January 2023, since the Scheme was fully funded.

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35. Pensions (continued)

The deficit recovery contributions under the recovery plan in force at each 31 December were as follows:

	% of pensionable stipends
31 December 2021	7.1% payable from January 2021 to December 2022
31 December 2022	Nil
31 December 2023	Nil

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. However, as there are no agreed deficit recovery payments from 1 January 2023 onwards, the balance sheet liability as at 31 December 2022 is nil. The movement in the balance sheet liability over 2021 and over 2022 is set out in the table below.

	2023 £000	2022 £000
Balance sheet liability as at 1 January	-	240
Contributions paid	-	(141)
Interest cost (recognised in SOFA)	-	-
Re-measurement of the balance sheet liability (recognised in SOFA) *	-	(99)
Balance sheet liability as at 31 December	-	-

* 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. No assumptions are needed for December 2023 as there are no agreed deficit recovery payments going forward. No price inflation assumption was needed for December 2021 since pensionable stipends for the remainder of the recovery plan were already known.

	2023	2022	2021
Discount rate	n/a	n/a	0.0% pa
Price inflation	n/a	n/a	n/a
Increase to total pensionable payroll	n/a	n/a	-1.5% 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.

Church Workers Pension Fund

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

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

Defined Benefits Scheme

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

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

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

The scheme is a multi-employer scheme as described in Section 28 of FRS 102. It is not possible to attribute DBS assets and liabilities to specific employers, since each employer, through the Life Risk Section, is exposed to actuarial risks associated with the current and former employees of other entities participating in DBS. This means that contributions are accounted for as if DBS were a defined contribution scheme. The pension costs charged to the SOFA during the year are contributions payable towards benefits and expenses accrued in that year (2023: £219,000, 2022: £211,000) 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 £219,000 for 2023 (2022: £211,000). 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 2023. Calculations for this are underway.

Following the 2019 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.

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The movement in the provision is set out below:

	2023 £000	2022 £000
Balance sheet liability as at 1 January	-	-
Contributions paid	-	-
Interest cost (recognised as SOFA)	-	-
Re-measurement of the balance sheet liability (recognised in SOFA)*	-	-
Balance sheet liability as at 31 December	<u>-</u>	<u>-</u>

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:

	2023	2022	2021
Discount rate	-	0.00% pa	0.00% 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.

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.

Pension Builder 2014 is a 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.

For the Pension Builder Classic section, the 2019 valuation revealed a deficit of £4.8m on the ongoing assumptions used. At the most recent annual review effective 1 January 2024, the Board chose to grant a discretionary bonus of 6.7% to both pensions not yet in payment and pensions in payment in respect of service prior to April 1997; and a bonus on pensions in payment in respect of post April 2006 service so that the pension increase was 5% (where usually it would be calculated based on inflation up to 2.5%). This followed improvements in the funding position over 2023. There is no requirement for deficit payments at the current time.

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For the Pension Builder 2014 section, the 2019 valuation revealed a surplus of £5.5m on the ongoing assumptions used. There is no requirement for deficit payments at the current time.

The next valuation is due as at 31 December 2022. Calculations for this are currently under way.

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.

36. 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:

	2023 £000	2022 £000
Balance at 1 January	12,763	14,275
Funds received	577	430
Payments made	(544)	(491)
Revaluation of investments held	782	(1,451)
Balance at 31 December	13,579	12,763

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.

37. Contingent asset

During the year, the Church of England Pension Board indicated that they intended to close the Church Workers Defined Benefit Scheme to future accrual. This led to the DDBF taking the decision in December 2023 to transfer all employees who were members of this scheme to the Pension Builder Classic scheme as of 31 January 2024. The Pension Board indicated that the DDBF's section of the Church Workers Defined Benefit Scheme was in an asset position at the balance sheet date, however the scheme remained active at that date, and therefore the value of this asset upon closure was yet to be fully quantified. This is because the cost of settling the scheme liabilities had not been fully determined. Therefore this asset has not been recognised within the financial statements due to uncertainty over its value.

38. Related party transactions

There were no related party transactions during the current or previous year.

