

THE CHICHESTER DIOCESAN FUND AND BOARD OF FINANCE (INCORPORATED)



Annual Report and Financial Statements For the year ended 31 December 2017

**Company No: 00133558
Registered Charity Number: 243134**

A large print version is available on request from Church House, 211 New Church Road, Hove BN3 4ED
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Mission Statement

Our mission is growth in Christ: encouraging people in the Diocese of Chichester and the wider world to know, love, follow Jesus and to grow as his disciples in worship and witness to the truth of the gospel.

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The Trustees, who are also Directors for the purposes of company law, present their annual report, together with the audited financial statements, for the year ended 31 December 2017.

The directors/trustees are one and the same and in signing as trustees they are also signing the strategic report sections in their capacity as directors.

This combined report satisfies the legal requirements for:

- a Directors' Report of a charitable company;
- a Strategic Report under the Companies Act 2006; and
- a Trustees' Annual Report under the Charities Act 2011.

LEGAL OBJECTS

The objects of the Diocese of Chichester cover the counties of East and West Sussex and the Unitary Authority of Brighton and Hove.

The principal object of the Chichester Diocesan Fund and Board of Finance (Incorporated) ("CDBF") is to promote, carry on, assist, benefit and advance the work of the Church of England in the Diocese of Chichester by acting as the financial executive of the Chichester Diocesan Synod.

The CDBF has the following statutory responsibilities:-

- i. the management of glebe property and investments to generate income to support the cost of stipends arising from the Endowments and Glebe Measure 1976;
- ii. the repair of benefice houses as the Diocesan Parsonage Board under the Repair of Benefice Buildings Measure 1972;
- iii. the management of investments and the custodian of assets relating to church schools under the Diocesan Board of Education Measure 1991;
- iv. the custodian of permanent endowment and real property assets relating to trusts held by Incumbents and Churchwardens and by Parochial Church Councils as Diocesan Authority under the Incumbents and Churchwardens (Trusts) Measure 1964 and the Parochial Church Councils (Powers) Measure 1956.

The strategic priorities of the company are established by the Diocesan Synod on the advice of the Bishop's Council and the Bishop of Chichester (in respect of his responsibility for the provision of the cure of souls) and his Senior Staff. Significant time and effort is committed to communication between and with deaneries and PCCs, as well as with the church nationally, including an annual series of deanery consultations on the Diocesan Budget and the priorities for the forthcoming year.

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STRATEGIC REPORT

STRATEGIC AIMS

The main role of the CDBF is to identify and manage the financial aspects of the provision of ministry throughout the Diocese so as to provide appropriate personnel and financial resources to support both the nurturing of faith in new and existing Anglicans in Sussex and engagement with the community, as part of the Church's response to the mission of God in Sussex. The CDBF aims to achieve this by equipping the Diocesan Synod, its Councils and Committees, deaneries, parishes, chaplaincies and schools to further the mission and strategic priorities of the Diocese and by doing only those things which are best done at diocesan level or otherwise add value to the work of parishes, chaplaincies and schools.

At Pentecost 2015, the Diocesan Synod launched a five year Diocesan Strategy with the following three priorities modelled on the priorities of the Archbishops' Council's Renewal and Reform body of work:

1. Growth in holiness and numbers;
2. Re-imagining ministry;
3. Contributing to the Common Good.

Four years with different themes are aimed to help Anglicans in Sussex address these priorities. 2016 was the Year of Mercy, recognising our condition before God and need of forgiveness as a preparation for the Year of the Bible in 2017, where we listened to God's voice as it comes to us in Scripture. That in turn has led into the Year of Prayer in 2018, where as well as continuing to listen, we will be able to respond to what God is saying. This will take us into 2019 and the Year of Vocation where we will explore how to live out our Christian faith.

OBJECTIVES FOR THE YEAR

The CDBF seeks to respond to its mission of growth in Christ and to its strategic aims by focusing on the following objectives for this and subsequent years:

- To resource a Christian presence in every parish by:
 - The appointment of stipendiary and self-supporting clergy, lay ministers and Christian leaders and governors in our schools
 - Enabling the laity in congregations to play their part in ministry
 - The payment of stipends and pensions
 - The provision and maintenance of housing which is safe, fit for purpose, and welcoming
 - The selection and training of ordinands and lay ministers, and the provision of financial support to those training for ministry
 - Providing ministerial development reviews and continuing ministerial development for clergy
 - Providing pastoral care and welfare support to clergy, including financial assistance where needed

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- Planning and delivering improvements to mission and pastoral organisation
- To develop the ability to ensure a Christian presence in future by:
 - Encouraging vocations to both lay and ordained ministry, especially young vocations, and developing apostolic pathways for all, in particular re-imagined forms of lay ministry
 - Supporting apostolic partnerships to reinvigorate communities and establish a presence in areas of new housing
 - Enabling church schools to reach out to families in their communities
- To support clergy, lay leaders, parishes and chaplains and enable their work by providing training, information, advice, guidance, services and good governance
- To support schools and in particular head teachers and governors to provide the best possible education and Christian witness through training and support services and the provision of assistance and advice
- To support schools with planning pupil places and ensuring their buildings are fit for purpose, facilitating capital expenditure and the expansion of schools where possible
- To provide support for parishes and individuals in all aspects of safeguarding casework, liaising with the public authorities as necessary
- To promote a care for the environment and a sustainable use of resources, and work towards becoming an Eco Diocese
- To support the Anglican church, nationally and internationally, and other particular ministries to groups and communities
- To run an effective organisation in order to deliver these objectives, including the provision of support to the senior clergy and management of assets.

ACTIVITIES AND ACHIEVEMENTS IN THE YEAR

Resourcing a Christian presence

Appointments, enabling the ministry of the laity, and payment of stipends and pensions

The presence of clergy and lay ministers in the parishes and communities of the Diocese is an important part of delivering the Diocese's mission. They engage in a wide variety of community and church projects and carry out over 1,500 weddings or blessings, 4,200 funerals and 2,800 baptisms each year. Over 400 licensed clergy and 160 licensed readers minister in the 362 parishes in the Diocese, with 22 new stipendiary clergy appointments and 13 new readers licensed during 2017. The Education Department appointed 122 new foundation governors for church schools and helped to appoint 19 new head teachers. A new Officer for Lay Vocations and Ministry started work in February 2017 and has been developing training and resources for lay ministries.

During the year the CDBF paid stipends, pensions and other employment costs totalling £9.46 million for incumbents, curates and other clergy, increasing stipends in line with national recommendations. The payroll is administered by a separate charity, the Archbishops' Council, and the CDBF reimburses the costs, which form by far its largest financial commitment. There was an

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average vacancy rate of 34 stipendiary posts during the year, significantly in excess of the budgeted rate of 29, although lower than the average rate of 36 in 2016. The vacancy rate started high but decreased during the year to the budgeted level. Rural deans and churchwardens of vacant parishes work closely together to maintain worship and other community activities, aided by a large pool of retired and self-supporting ministers. The CDBF funds fees and expenses for those clergy during interregna.

Parish clergy are not employed by the CDBF, but the CDBF does have responsibilities in respect of their engagement. In addition to paying their stipends and National Insurance, paying into their pension funds, and housing them, it is responsible for training (see below). Under new terms of service, called Common Tenure, introduced in 2011, clergy have greater clarity on their rights and obligations and have access to Employment Tribunals and other useful services. These apply to all new appointments and some of those in post before 2012; others chose to retain their freehold. The CDBF's external HR consultants provide HR services in respect of clergy as well as lay staff to improve the care and service provided. This has been enhanced in 2017 by the addition of a full-time in-house HR Officer.

Provision of housing

The Property Department has continued its efforts to address the historic maintenance backlog. The annual quinquennial repair programme covered 68 of the diocese's 380 properties, spending c.£930,000, and 103 properties were made ready for incoming clergy and private tenants (in order to derive a rent) at a cost of c. £894,000. The following improvement works were also carried out:

- Two properties were re-roofed or had significant roof repairs.
- 39 properties had replacement boilers or upgrades to their central heating systems
- 11 properties had replacement bathrooms
- 25 properties had replacement kitchens
- 37 properties had replacement UPVC windows and doors.

In addition one special project was completed, which was upgrading the windows at Arundel Vicarage (grade II listed). The overall cost of this improvement was c.£40,000.

In 2017 the Housing Handbook was updated (with a view to being released at the beginning of 2018). The Diocesan Property Strategy was also completed and published during 2017.

Selection and training of ordinands and lay ministers

The training of curates (IME 2) includes the development and running of a diocesan course, which is a Common Awards programme validated through the University of Durham via St. Augustine's College of Theology (our local training institution). Curates are formally assessed at the end of their training to ensure they have reached an appropriate level of competency, a process overseen by the Department for Apostolic Life.

Grants of over £281,500 were made to ordinands to support them and their families during their training.

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Training programmes for specific lay ministries (lay ministers of communion and readers) continued to be delivered. Following a specific review of reader ministry, significant changes were made to training, including St. Augustine's College of Theology taking over course delivery. A new Officer for Lay Vocation and Ministry developed *Living Faith*, a discipleship course for laity. The course began in autumn 2017.

Ministerial Development Review and Continuing Ministerial Development

The new Ministerial Development Review (MDR) scheme has continued to run successfully, with a dedicated administrator. A half-time Continuing Ministerial Development (CMD) officer has responded to training needs identified through MDR, through one-to-one meetings or identification of appropriate training courses.

Pastoral care and welfare support

The confidential counselling service for clergy and their families commenced on 6th February 2017 and received over 60 self-referrals within the first 11 months of operation. Three non-church bases, covering the whole of the Diocese, are available for clergy and their families to meet with the Officer for Pastoral Care and Counselling. An external group of a dozen therapists has been built to meet the level of need which has arisen, which costed £13,625.

In addition welfare grants of approximately £78,000 have been awarded to 172 clergy and their families in time of need.

Implementing improvements to pastoral organisation

Twelve pastoral reorganisation schemes were completed in 2017 and a further three were progressed. Significant progress was also made in relation to four possible schemes for church closures, including the case of St Leonards-on-Sea, St Leonard, and towards finding new uses for four churches that have already been closed.

Developing Christian presence for the future

Encouraging vocations

The discernment processes for the selection of ordained ministers and specific lay ministries were further developed during the year. The enlarged team of Vocations Guides and Assistant DDOs continued to receive training in their work and two vocations events assisted a rise in the number of people engaged in some kind of vocational discernment from 45 to just over 100. Over 70 people are engaged in a new discipleship course – *Living Faith* – which has a strong vocational element. Growing vocational work means that we have an anticipated 70% increase in the number of people attending Bishop's Advisory Panels this academic year.

Supporting apostolic partnerships

Early in the year we were awarded a grant from the Strategic Development Fund (SDF) of £825,000 to deliver four apostolic partnerships across the Diocese. Three commenced during the year and are already showing growth. The grant also allowed us to employ a project manager for this and

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future bids, as well as extra resource for the DAC. The project manager has worked with senior staff and appropriate others to start identifying possible future partnership projects. A second bid was submitted to the Church Commissioners in October 2017.

Enabling church schools to reach out

Throughout 2017 church schools within the Diocese have continued to roll out the Church of England Vision for Education with many schools rewriting their own vision statements to reflect this. A large proportion of our church schools engaged enthusiastically with activities relating to The Year of The Bible, working with both their parish church links and local communities to create over 700 pieces of art work that reflected many stories from the bible. Public exhibitions were held in both the East and West of the diocese to show a selection of the art work created.

Supporting clergy, lay leaders, parishes and chaplains

Apostolic Life

Courses to nurture faith and discipleship have continued to be provided, including the diocesan Year of the Bible Lent course, study days for clergy and new modules in the Engaging Christianity programme developed collaboratively with the University of Chichester. Courses for both new and experienced spiritual directors have been run together with short courses in spiritual direction specifically for the clergy.

Youth and Children

2017 has seen continued training and support for parishes in thinking strategically about youth work. Partnering with the Diocesan Mission Fund has seen churches appointing more youth and children's workers across the diocese. Chichester Diocese is now ranked in the top two Dioceses in the country based on number of salaried youth or children's workers. Networking events have seen stronger cohesive working between churches across the diocese and regular ongoing training for salaried workers and volunteers. The recruitment of a youth leadership development officer to work with the Diocesan youth officer has seen a new internship programme being developed for young people aged 18-25 to be launched in 2018. May Camp, our diocesan youth festival continues to see healthy growth in 2017 with nearly 500 young people attending, an increase of 20% on 2016.

Communications

Throughout a busy 2017 the communications team continued to provide a proactive and reactive service to Church House, senior team and parishes. The national focus on Safeguarding issues has also been a priority.

Audio and video resources and other promotional material were developed and distributed to parishes to encourage them to engage with the Diocesan Strategy and Year of the Bible. Year of Prayer resources were developed and launched at the November Synod ahead of Advent and the Diocesan Lent Course 2018, Inspiring Vision was commissioned and the materials put in place for the end of the year. This exciting course, which involved six contributors including the Archbishop of Canterbury, has been extensively promoted in all diocesan communications. 3,000 Inspiring Vision posters were printed by CPO and a further 3,000 had to be reprinted within days.

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Thy Kingdom Come in May culminated in a Beacon event at Chichester Cathedral, with ideas and a more developed programme to be built on for 2018.

The team continued to create and manage a large amount of content for the diocesan digital channels, with the main 'pillars' of content being prayers and parish output, diocesan events and national church content. In addition, the first Annual Review, of 2016, was commissioned by the Diocesan Secretary and Chair of the DBF and was designed, published and sent out to all deaneries.

Continued support was given to our partner organisations, building up trust and confidence in sharing mutual goals. YMCA Downslink were the charity for the Diocesan Lent Appeal spotlight was shone on their work through the Sleep Out event in March 2017 attended by Bishop of Chichester.

Parish development and stewardship

In response to the high level of need from deaneries, parishes and individual clergy, the Parish Development Officer became a full-time post. On the Stewardship front, Chichester Diocese has over 4,000 givers using the Parish Giving Scheme. Another systems initiative has been the online store, where parishes can now procure a range of resources. A legacy campaign was launched at the November Diocesan Synod to help PCCs promote legacy giving.

Education

The Education department has continued to run programmes specifically to support parish involvement in education by running courses such as "Help, there's a school in my Parish" and also providing training for clergy around the new Understanding Christianity resource which is being used in many of our church schools. Autumn briefings were completed across the Diocese to give information about the focus of the department, as well as sharing the wider national context for education with issues such as the small schools agenda and the national funding formula. These briefings were attended by 86 people, which included head teachers, chairs of governors and clergy.

The Education department has continued to work closely with the Open The Book team throughout 2017 and there are now over 135 people from parishes trained as Story Tellers who are working directly with church schools.

Safeguarding

The National Safeguarding Training Framework continues to be implemented across the Diocese; 3,500 people have been trained in either the C1 or C2 modules since January 2016, with over 75% of licensed clergy now having attended both modules. C1 is now available online which has improved take-up considerably.

Simple Quality Protects ('SQP'), the online parish safeguarding tool, was launched in 2017 and has had a very good take-up across the Diocese. 88% of parishes have started Level 1, with many having completed this core level. The Safeguarding Team will commence a series of Deanery assessment events for SQP attainment in the spring of 2018, and will also launch SQP Levels 2 and 3 by summer 2018.

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The Diocese of Chichester is experiencing a period of unprecedented scrutiny with regards to our safeguarding processes, having being chosen as the Case Study for the investigation conducted by the Independent Inquiry into Child Sexual Abuse (IICSA) into the Church of England. This scrutiny has reinforced the importance of ensuring that sufficient resources are made available to consistently achieve a professional standard of safeguarding practice in the Diocese.

Fundraising

Both the Parish Development Officer and the Generous Giving Adviser have helped on the Mission Fund committee which determines the appropriate placing of nearly £150k annually. The fund raising adviser has worked with a number of parishes to help them put together capital fundraising projects.

Property

The Property Department continues to support parishes and clergy by providing advice on the management and development of property. The department also provides guidance to parishes regarding the Charities Act and the process to obtain diocesan consent for property sales. It has made considerable efforts during the year to build the asset register to include parish property held by the CDBF as diocesan authority.

DAC

The Diocesan Advisory Committee for the Care of Churches has continued to fulfil its statutory role in the faculty jurisdiction system and has provided advice and guidance to parishes on issues relating to the care of church buildings. The DAC issued written advice in relation to 204 projects (148 applications for Formal advice and 56 requests for Informal advice) and made 27 site visits to assist parishes in the early stages of planning major projects. The DAC team also offered informal advice and guidance on day-to-day issues relating to the care of churches and organised a series of training events, including four Roadshows on the theme of Fundraising for Church Buildings Projects.

Finance

The Finance Department provides support to parishes through its training seminars, manuals and by providing ad hoc advice throughout the year. Topics covered include accounting regulations for PCCs, essentials of charity law, how to employ and pay staff, and Gift Aid. During 2017 the Finance Department ran 25 training seminars across the Diocese. These were attended by 408 people in total. The department also shared its manuals and accounting templates on the diocesan website and responded to questions from parish treasurers on an almost daily basis. In addition the Diocese acts as custodian trustee for many trust funds; the Finance Department manages investments on behalf of almost 500 parish and chancel trusts and 65 school trusts.

Governance

The Governance team manages elections and advises parishes on matters of governance, record-keeping, and the like. A significant achievement in 2017 was the production of a new diocesan directory, the first since 2013. The database adopted in 2016 has also been developed over the last

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12 months and it will now be used to help work through new processes for APCM returns and implementation of GDPR regulations in 2018.

Supporting schools

During 2017, the programme of continuing professional development and schools based review for 157 schools in the Diocese continued, funded through a combination of diocesan funding and contributions from schools made through payment of the partnership agreement. All schools now have a named Diocesan Effectiveness Partner who support both school improvement and effectiveness. The CPD programme is designed to be of benefit to school staff, governors and clergy. 452 people took part in training provided by the Education Department this year, with 86 schools having now taken part in training around Understanding Christianity. The Headteacher conference focussed on inspirational leadership and had 80 people attending. RE and Worship training remained popular.

Particular focus was given to the Year of The Bible during 2017 with a major art competition being held across the Diocese. Many deaneries donated money to the prize fund which ensured that 36 prizes could be awarded to schools, individual pupils and staff.

Whilst the pace of academisation nationally has slowed, the Diocese of Chichester Multi Academy Trust (DCAT) continues to grow steadily and now manages 6 schools, having taken in a further school in East Sussex. The DCAT team has expanded bringing a wealth of knowledge and experience to strengthen its work, ensuring that it is able to take in further schools in the coming years. The Bishop Otter Academy Trust (BOAT) has been formed within which the newly granted free school of St Clements will sit, alongside schools from the Brighton, Hove and Shoreham area who are due to join from 2018 onwards.

By the end of 2017, 86% of our schools were judged to be Ofsted graded good or above with 48 schools being inspected through the year. This is encouraging as the number of good or better schools has steadily risen over the past three years, despite the Ofsted framework having increasingly raised expectations of schools. 22 of our schools (14%) are outstanding.

92% of schools are currently graded as Good or Outstanding for their Christian Distinctiveness through SIAMS inspection. 17 of the 52 schools inspected in the Academic year 2016/2017 achieved outstanding, 30 good and 5 required improvement.

A school affiliation scheme has been developed which will enable community schools and academies to join the church school family and benefit from the CPD and events programme.

Facilitating of capital expenditure on schools

The Education Department facilitates capital expenditure and maintenance for 54 Voluntary Aided Schools and 8 academies. It works with the schools to access public capital funding. Capital funding through LCVAP grants to voluntary aided schools across the Diocese amounted to £2.5 million in 2017. These projects have included the remodelling of reception areas to raise the profile of two schools in West Sussex and Brighton, as well as supporting a range of maintenance issues in schools such as window renewal, boiler replacement, resurfacing of external play areas and roofing.

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Safeguarding casework

The Safeguarding Team continues to work with Sussex Police and other statutory partners across Sussex, and with the Church's National Safeguarding Team, as required, and to assist churches across the Diocese in responding to issues they raise. The Diocese now has a Service Level Agreement with the Survivor's Network in Brighton to provide ongoing specialist support to survivors of sexual abuse.

The environment

The CDBF is continuing to support the Diocesan aim of becoming one of the first A Rocha Eco Dioceses, developing a culture of caring for the environment across its churches. As part of this aim we have been supporting a successful bid by one of our churches to Scientists in Congregations for funding to develop a set of resources that can be shared with other churches to teach about ecosystem services within a theological context.

Supporting the wider church and specific ministries

Support for parish projects within diocese

The Diocesan Mission Fund deployed part of the grant from the Allchurches Trust as well as an amount from the Pastoral Fund and sums given in previous years by the Archbishops' Council to support outreach mission initiatives within the Diocese. It supports both new work and developments of current activities that need further financial assistance. In the last year the Mission Fund has awarded about £150,000 towards projects including parish youth workers, a schools worker and a series of small grants which enable local work to start including school pastors. All projects are linked closely to the Diocesan Strategy.

Grants are made to other connected charities, notably Chichester Diocesan Association for Family Support Work and St Barts Trust to support their work with disadvantaged families and youth work respectively. In 2017 the Diocese paid its first grant to the Church Urban Fund to support the Together in Sussex project. Together in Sussex is a joint venture between the Church Urban Fund and the Diocese of Chichester to support churches and others to bring positive change to their wider community. This occurs by enabling reflection on the needs of the parish and providing a broader understanding of what else is available in the community, linking groups and individuals where possible. An analysis of grants made by the CDBF to support the furtherance of its objects can be found in note 11 to the financial statements.

Support for the wider church nationally

Contributions are made to the Archbishops' Council to cover a proportion of its central costs relating to the activities of various national boards and councils including General Synod, and also to cover a proportion of the cost of national training for ministry and the provision of housing for retired clergy (see note 9 to the financial statements).

The diocese has continued to be at the forefront of preparing Christian school leaders for the future by fully supporting the National Foundation's Church of England Professional Qualification for Headship (CofEPQH) with 9 aspiring school leaders from the diocese starting the course in 2017.

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Through the work of the Diocesan Director of Education the diocese continues to promote the Church of England's Vision for Education and has also secured one of 6 Unlocking Gifts projects from the national Church of England office with the aim of enabling disadvantaged children to flourish in Church of England schools.

Support for the wider church internationally

2017 has been a busy and enriching year for the Diocesan Overseas Council. The DOC has grown in confidence as its partnership with colleagues in other diocesan departments has deepened and matured. In the process this has enabled the realisation of potential and new joint initiatives including the pioneering of school links with Kenya; establishing new parish links; taking the second group of curates & Readers to Kenya; and laying down the groundwork for developing an interface between our Youth Department and those engaged in youth ministry in our Companion Link dioceses.

During the year Bishop Richard became chair of the DOC and under his leadership the DOC, in partnership with the cathedral, is now engaged in planning and preparing for the Lambeth conference in 2020.

The Diocese has also funded mission work and responded to emergencies in Companion Link dioceses.

Links have been developed between the DOC and Education which have facilitated the development of a new International School Linking programme between schools in our diocese and those in our link diocese. This is being trialled in the diocese of Kericho and Nyahururu with initial links being set up with 4 sets of schools.

The Diocesan European Ecumenical Committee (DEEC) continued to foster ecumenical links between the diocese and Roman Catholic and Lutheran churches in Germany. Delegates from Chichester attended the Coburg Conference in October 2017.

Support for particular ministries

The Diocese has continued developing bespoke local responses to the challenges faced by smaller communities in rural areas. Work has been done gathering rural clergy and community leaders together at a conference to develop joint ideas and these have contributed to the formation of a learning community aiming to look at potential solutions to these challenges. The work of the Rural and Environment Officer, the Rural Business Chaplaincy shared with the Diocese of Canterbury, the Brighton University Chaplain and the Chaplain to Gatwick Airport has continued to offer a Christian presence in these contexts/sectors.

Running an effective organisation

The Diocese makes great efforts to be a good steward of its assets, and to manage its investments effectively, balancing the need to maximise the long term return from our assets with the need to generate income to reduce the pressure on parishes. Following the change in church law allowing the capital accounts of Diocesan Stipends Funds to be invested on a total return basis, the Assets Committee has adopted a new investment policy taking into account this new approach, and has

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appointed a new investment manager. Following a tendering process, Cazenove was appointed in December 2016 to manage part of the investment portfolio on a total return basis.

Progress continues to be made on the various glebe projects in the diocese. In 2017 the option (signed in 2016) was completed for the sale of Warnham Glebe and parsonage. The DBF received £1.25m and a replacement parsonage is also being constructed as part of this agreement. The option for Storrington (also signed in 2016) is yet to be exercised, but planning has been granted and a draft price notice has been informally agreed. Negotiations continue to progress on other glebes. The Property Department also continues to focus on letting empty houses where it can, generating rental income of c. £375,000 for parsonage houses and c. £300,000 for glebe houses and land.

FUTURE PLANS

The strategic aims established by Diocesan Synod in May 2015 detailed on page 4 will continue to direct the activities of the CDBF for the next two years.

Our major commitment continues to be the maintenance of a Christian presence across the parishes of Sussex. As well as encouraging more vocations to the ordained ministry we plan to train and develop lay members of the Church, including the staff and governors of our church schools, as part of our strategic intention to re-imagine ministry. Ensuring that our parishes and schools are safe and welcoming places remains a priority.

The Diocese is a pilot diocese for 'Setting God's People Free', focussing on setting the laity who form 98% of our worshipping communities free to live out and share their faith Monday to Saturday. We are also encouraging community schools and academies to join the church family by developing a school affiliation programme to enable them to benefit from the support and training offered by the Education department as part of our family of schools.

We intend to use strategic funding from the Church Commissioners to enable mission and growth by establishing a presence in new communities. We shall also invest in deepening and forming new apostolic partnerships in existing communities.

Whilst national policy is unclear around academisation, we will be supporting both the Diocese of Chichester Academy Trust and Bishop Otter Academy Trust to ensure that they are outstanding Multi-Academy Trusts for our schools to join.

Our central structures are designed to support the vision and the priorities of the diocese and, as such, are kept under review to ensure that they are fit for that purpose.

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FINANCIAL REVIEW

Financial Performance

The main incoming resource for the Diocese is Parish Share, the money given by the parishes to the Diocese to fund its mission and ministry and in particular the costs of clergy stipends, pensions and housing. This provides 79.2% of the CDBF's income (2016: 77.7%).

The current year's Parish Share receipts represent 98.3 % (2016: 98.6%) of the total pledges made for 2017. Additionally when the receipts for prior years are included the collection rate increases to 99.5 % (2016: 99.0%). The Trustees are grateful to all parishes who pledge so generously and meet those pledges, especially to those parishes that make their contribution payments by monthly instalments which enables the Diocese to manage cash flow efficiently.

The total income for the year was £18.3m (2015: £18.4m). The changes to income in 2017 are due to:

- The cessation of the annual grant of about £115k from the Archbishops' Council to support mission and ministry in the diocese. This has been replaced by the availability of Strategic Development Funding, which we have been fortunate to secure for projects over the next three years. The amount of SDF funding drawn down from the Church Commissioners in 2017 was £53k and is shown in other income.
- The receipt of the block grant of £51k from Ministry Division for the tuition and accommodation costs of ordination training. These costs used to be paid directly to theological colleges but are now paid by the DBF from the block grant funding.
- A decrease in the parochial fee income received in the year from £641k to £561k.
- A decrease of £42k in the income received from schools in respect of the Partnership Agreement. Schools can either sign up to the Partnership Agreement or buy services on a pay as you go basis. As schools face increasing pressure on their budgets many are opting for the latter.
- An increase in rent received of £77k from the letting of vacant properties.

The total expenditure for the year was £19.8m (2016: £18.7m). The increase in expenditure of £1.1m was due to a number of factors including:

- An increase of £69k in the amount payable to the Archbishops' Council in respect of Chichester's share of national responsibilities.
- An increase in stipend costs of £164k and pension costs of £35k due to the lower rate of vacancies over the year compared to 2016.
- An increase in the cost of clergy training of £154k which includes ordination training and continuing ministerial development. The increased costs are partly due to the fact that there was a Diocesan Director of Ordinands in post for the whole year. The diocesan policy of taking responsibility for curates' housing means that there was an increased cost for this provision. Finally the new arrangements for paying tuition and accommodation for ordinands means that this expenditure is recorded through the diocese from September 2017 onwards.

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- An increase of £154k in expenditure on Mission Projects. This mainly represents the expenditure on the projects supported by Strategic Development Funding. Part of the expenditure is met through grants received and the DBF provides match funding for the projects.
- An increase in grants awarded of £202k. The B Wild fund was established following receipt of a legacy in 2015. The fund has been used in 2017 to provide counselling and other support for clergy.
- An increase in expenditure on supporting church schools of £138k.

Overall the net deficit before investment gains was £1.55m. However, taking account of realised and unrealised gains on investments of £3.47m, and unrealised gains on revaluations of property fixed assets of £28.51m, the resulting increase in funds was £30.43m which increased the total assets of the CDBF from £259.3m to £289.7m.

A balanced budget for 2018 would require an overall increase of 2.5% in parish share across the Diocese. Based on the excellent track record of generosity from parishes in the past, the Trustees believe this is achievable although it is clear that many parishes are using reserves to underpin their contributions to the Diocese.

Significant Property Transactions

Eleven properties, three parsonages and eight glebe houses, were sold during the year for a total of £6.43m. Six properties, two parsonages and four glebe houses, were purchased during the year for a total of £5.33m. Current projections for 2018 indicate a similar level of sales to purchases.

The CDBF will consider the disposal of property for the following reasons:

- to replace unsuitable parsonages;
- to accommodate the changing geographical deployment of clergy within the Diocese;
- to realise development potential in some properties, thereby using our resources more effectively for the ministry of the Church.

Balance sheet

The Trustees consider that the balance sheet together with note 20, show broadly that the restricted and endowment funds are held in an appropriate mix of investment and current assets given the purposes for which the funds are held. While net assets at balance sheet date totalled £290m (2016: £259m), it must be remembered that included in this total are properties, mostly in use as clergy housing, whose value amounted to £241m (2016: £213m). Much of the remainder of the assets shown in the balance sheet is held in restricted funds and cannot be used for the general purposes of the CDBF.

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Reserves policy

Free reserves

Having considered financial risk, liquidity requirements and the timing of cash flows throughout the year and in particular the fact that 79% of diocesan income comes from contributions from parishes who have their own cash flow challenges, the Trustees' policy is to hold a balance of readily realisable assets in the general fund equivalent to 2 months' budgeted expenditure. At 31 December 2017 the amount required under this policy totalled £3.1m (2016: £3.1m). Actual free reserves as at 31 December totalled £4.1m (2016: £3.1m). The Trustees are aware that levels of parish contributions may reduce in future years and that there could be a deficit against the policy level of free reserves and have with Diocesan Synod's agreement released some of the restricted Diocesan Pastoral account (DPA) to help fund increased property and education spend.

Reserves tied up in fixed assets

The general fund comprises of assets amounting to £4.1m much of which is tied up in working capital. There are in addition some CDBF property assets classed as designated assets and shown accordingly in designated funds.

Designated funds

The Trustees may, with the approval of the Board, designate additional unrestricted reserves to be retained for an agreed purpose where this is considered to be prudent. Such designated reserves are reviewed on an annual basis and returned to the general fund in the event that the purpose of their designation is no longer considered to be adequate justification for their retention. A description of each reserve together with its intended use is set out in notes 19, 20 and 21. At 31 December 2017 total designated reserves were £6.6m (2016: £6.6m).

Restricted and endowment funds

As set out in note 19, 20 and 21 the CDBF holds and administers a large number of restricted and endowment funds. As at 31 December 2017 restricted funds totalled £22.0m (2016: £22.8m) and endowment funds totalled £257.1m (2016: £226.7m). Neither are available for the general purposes of the CDBF.

Grant making policy

The Memorandum of Association of the CDBF explicitly permits the CDBF to make grants in pursuance of its objects. The nature of grants made in 2017 is indicated in note 11. The principal grants were made to the Archbishops' Council and to parishes to support mission projects. In 2017 the third of three grants of £100k was made to the Archbishops' Council to support the Reform and Renewal Programme. Of the grants for parish mission projects totalling £623k, £249k was considered by the Mission Fund Sub-Committee, £272k was awarded to parishes following sales of redundant parsonages and closed churches and £102k was awarded for individual church projects.

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Investment policy

The CDBF is empowered by its memorandum of association to invest monies not immediately required for its purposes. Responsibility for the management of diocesan assets is delegated (through the Finance Committee) to the Assets Committee which oversees investment policy, monitors performance and reviews strategy with its advisors.

The CDBF is subject to the Charities Acts, the Trustee Investment Act 2000 and Measures passed by the General Synod of the Church of England.

There are no restrictions on the CDBF's power to invest subject only to the Acts and Measures set out above plus Charity Commission guidance CC14 and the ethical policy referred to below. Specific Trustee permission is required for investments in Private Equity, Hedge Funds, Commodities or Derivatives.

The CDBF endorses the Church of England Ethical Investment Policy and requires its investment managers to apply an ethical screen to the portfolio which precludes direct investment in companies which have more than 10% of their turnover in armaments, pornography, tobacco, thermal coal or tar sands. The CDBF's investment objectives are to maintain and enhance the real value of the Fund over the long term, whilst producing an annual income which grows at least in line with inflation and having due regard for the possible need for liquidity.

The risk profile is medium high with a commensurate level of volatility in capital value being acceptable. The permitted asset classes are detailed within the DBF's investment policy as recommended by the Assets Committee. The base currency of the portfolio is sterling. The minimum acceptable credit rating for bond issuing or deposit taking institutions is BB.

The portfolio is split among a number of investment managers who each have a different brief in order to achieve diversification and spread risk. Each manager operates on a discretionary basis with a normal weighting in favour of equities. Managers may be appointed to perform principally to an Income target (while maintaining capital value) or a Total Return basis. It is expected that funds will be fully invested. Benchmarks are agreed with each Investment Manager.

In addition, the CDBF acts as trustee of a number of trust funds, which are invested in accordance with the related trusts.

Note 20 provides details of the assets of each fund, together with the related purposes, and note 15 summarises the movements in investments during the year.

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The investments held at year end and their return during the year are set out in the following table:

	Funds at 31 December 2017 £'000s	Proportion of Portfolio	Income yield in year	Total Return in year
CCLA Managed				
CBF F.I.S. Fund	552	1.26%	0.95%	+2.56%
M&G Managed				
Charifund	16,536	37.68%	4.41%	+12.28%
Charibond	26	0.06%	3.56%	+1.96%
Charles Stanley Managed	13,405	30.55%	4.37%	+13.61%
J M Finn Managed	6,609	15.06%	4.29%	+9.96%
Cazenove	6,755	15.39%	1.66%	+2.76%
	43,883	100.00%	3.85%	+10.06%

PRINCIPAL RISKS AND UNCERTAINTIES

The Trustees are responsible for the identification, mitigation and/or management of risk. To achieve this, a register of all the risks identified is maintained and, alongside it, a management and mitigation strategy. This is subject to review by the Trustees on an annual basis, and by the Audit Committee at each meeting, with responsibility for delivery of the mitigation strategies delegated to the Diocesan Secretary. A full review of risks took place in February 2016 and the register is regularly updated.

The principal areas where the risk of either failure to act or the impact of the events is considered 'high' and the associated mitigation strategies are:

Falling clergy and congregation numbers

- A larger team is in place to foster more vocations
- Re-imagining ministry is a core part of the diocesan strategy

Failure of the Multi-Academy Trust:

- Close liaison between the Academy Trust, and the diocesan education and finance department
- Provision of financial support and support in kind from the diocese

Safeguarding: Where there is an occurrence of child, vulnerable adult or domestic abuse by someone working for or on behalf of the Church.

- The CDBF employs a safeguarding adviser and deputy, supported by an administrator and an independent sexual violence adviser
- The diocese has a strong independent safeguarding advisory panel to review and challenge its actions, and excellent relationships with statutory agencies, who are all represented on the panel
- Policies are aligned with those of the national church

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- All parishes are required to undertake a full audit of their practices and take action as appropriate based on the finding.
- Training is compulsory for all relevant staff, office holders and volunteers.
- The CDBF has engaged a communications consultant in addition to its communications officer to handle matters which come into the public arena, including matters relating to non-recent abuse

STRUCTURE AND GOVERNANCE

Summary Information about the structure of the Church of England

The Church of England is by law established and HM The Queen is its Supreme Governor. It is organised into two provinces (Canterbury and York) and 42 Dioceses. Each Diocese is a See under the care of a Bishop who is charged with the cure of souls of all the people within its geographical area. This charge is shared with priests within benefices and parishes which are sub-divisions of the Diocese.

The National Church has a General Synod comprised of ex-officio and elected representatives from each diocese and it agrees and lays before Parliament Measures for the governance of the Church's affairs which, if enacted by Parliament, have the force of statute law. In addition to the General Synod, the Archbishops' Council has a coordinating role for work authorised by the Synod. The Church Commissioners manage the historic assets of the Church of England and the Church of England Pensions Board administers the pension schemes for clergy, employees and lay workers. Within each diocese, the Diocesan Bishop exercises leadership supported by a Diocesan Synod and a senior staff of suffragan bishops and archdeacons. The Diocese of Chichester is divided into twenty-one deaneries, each with its own Synod and within each parish there is a parochial church council which shares responsibility with the parish priest for the mission of the church in that place, in a similar way to the Bishop with the Diocesan Synod.

Whilst each diocese is a separate entity with a clear responsibility for a specific geographical area, being part of the Church of England requires and enables mutual support between dioceses.

Organisational structure

The Chichester Diocesan Fund and Board of Finance (Incorporated) (CDBF) is a company limited by guarantee (No. 00133558) and a registered charity (No. 243134) governed by its Memorandum and Articles of Association.

The company's principal activity is to promote, assist and advance the work of the Church of England within the Diocese of Chichester. It was established in its present form in 1914. Every eligible member of Diocesan Synod is a member of the company for company law purposes and has a personal liability limited to £1 under their guarantee as a member in the event of the company being wound up.

Governance and policy of the CDBF are the responsibility of the Trustees acting as the Finance Committee, who are also directors of the company and trustees for the purposes of charity law. The Bishop of Chichester is the ex-officio president of the Diocesan Board of Finance, and appoints a chair

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and vice-chair of the Finance Committee after consulting with the chairs of the Diocesan Synod House of Clergy and House of Laity.

Under the new governance structures which took effect from the start of 2016, the members of the Finance Committee are the members of the Bishop's Council and Standing Committee of the Diocesan Synod from time to time. The Bishop of Chichester, the chair and vice-chair of the Finance Committee, the two suffragan bishops and the four archdeacons, the Dean of Chichester, the chairs of the Diocesan Synod House of Clergy and House of Laity, and the Dean of Women's Ministry are ex-officio members, together with one member of the House of Clergy and two members of the House of Laity from each archdeaconry elected from and by the members of Diocesan Synod every three years and up to five additional members of Diocesan Synod co-opted by the Bishop after consulting with the chairs of the Diocesan Synod House of Clergy and House of Laity. The most recent elections were held in October 2015. The details of Trustees who served during the year are set out on page 27.

The Diocesan Synod, the statutory governing body of the Diocese, is an elected body drawn from across the Diocese with responsibility for setting the vision and strategy of the Diocese, guided by the Bishop's Council and Bishop's Senior Staff Team. The Synod membership is elected every three years, the last elections having been in July 2015. The Synod elects twelve of the Trustees of the Diocesan Board of Finance. Whilst the CDBF is a separate legal entity, with clear responsibilities under both company and charity law, as well as a governing memorandum and articles of association, by virtue of the National Institutions Measure 2000 the CDBF is subject to the direction of Synod in all its activities, unless such direction is not in accordance with the governing documents or statutory regulations.

Historical assets arising from unexpended accumulations of sale proceeds of redundant Church of England School properties are accounted for in the restricted Aided Church Schools fund and are managed by the CDBF in consultation with the Diocesan Board of Education.

The CDBF is designated as *Diocesan Parsonages Board*, with responsibility for making decisions concerning the management of all clergy houses.

Decision making structure

Corporate priorities and the overall financial strategy for the Diocese, in its primary object to promote, assist and advance the work of the Church of England within the Diocese of Chichester, are set by the Diocesan Synod and CDBF. The responsibility for ensuring that these priorities and strategies are delivered is delegated to the Diocesan Secretary who is supported by a number of heads of department and their staff. The company meets once a year in general meeting to receive and approve the annual report and financial statements and to appoint auditors. The company meets a second time each year to receive and agree the annual budget, prepared and approved by the Trustees.

The Trustees, meeting within the context of the Bishop's Council and Standing Committee, hold at least four meetings during the year to formulate and monitor the implementation of policies on mission, ministry and finance by:-

- Initiating proposals for action by the Synod and advising it on matters of policy

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- Transacting business of the Synod when it is not in session subject to the directions of the Synod and in accordance with its Standing Orders
- Acting as the Trustees of the CDBF, including reviewing overall activities, assessing performance, and deciding investment and other policies
- Planning the business of the Synod, preparing agendas for its sessions, and circulating to members information about matters for discussion
- Advising the Bishop on any matters he may refer to the committee
- Initiating consideration of any restructuring of Synod Committees and Departments which may be necessary and the establishment of ad hoc review groups, their terms of reference and membership
- Carrying out such other functions as the Synod delegates to it
- Appointing members to committees and representatives to external bodies, subject to the direction of the Synod

The Trustees met four times during the year.

Trustee	Number of Meetings Attended
The Revd Canon L Barnett	3
Mr J Booth	4
Mr P Bowden	4
Mrs V Burgess	4
The Revd N Cornell	*4
Mr M Cruttenden	4
The Ven Dr E Dowler	3
The Revd J Eldridge	1
The Revd Canon M Gilbert	2
Mr J Head	4
The Revd L Irvine-Capel	3
The Rt Revd R Jackson	3
Mr G Leonard	2
The Ven M Lloyd Williams	4
Mrs L Lynn	*2
The Revd A Manson Brailsford	0
The Ven D McKittrick	3
Mrs M Nagel	2
Dr G Parr	0
The Revd Canon J Peaty	*1
Mr C Robinson	2
The Rt Revd M Sowerby	4
Mr R Vause (deceased)	*0
Mr J Vince	3
The Very Revd S Waine	2
The Revd Canon A Waizeneker	*1
The Rt Revd Dr M Warner	4
The Ven J Windsor	2

*Trustee for part of the year only

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The Trustees are assisted in their work by four principal sub-committees:-

Operating Committee: monitors management accounts and the budget, the collection of Parish Share pledged by parishes, and the acquisition, use and disposal of parsonages and other assets, and exercises the authority delegated to it by the Trustees in areas such as approval of capital expenditure, grants and loans. It also undertakes the CDBF's responsibilities as Diocesan Authority with respect to parochial property under the PCC (Powers) Measure 1956 and the Incumbents and Churchwardens (Trusts) Measure 1964.

Audit Committee: supports the Finance Committee in its responsibilities regarding issues of risk, control and governance and associated assurance.

Assets Committee: oversees investment policy, monitors performance and reviews strategy with its advisors. It also undertakes the CDBF's responsibilities under the Endowments and Glebe Measure 1976 (with regard to property assets).

Parsonages and Houses Committees: two sub-committees, one for the east of the Diocese and one for the west, undertake the CDBF's responsibilities under the Parsonages Measure and the Repair of Benefice Building Measure 1972.

Trustee recruitment, selection and induction

Trustees are members of the Bishop's Council and Standing Committee and are selected as set out above. Trustees are given induction at the outset of the triennium and at other times as appropriate. They are also informed before seeking membership and, at all other relevant times, of the role and function of the Committee. Some staff hold the title of 'Director', but this relates to their function within the organisation and has no legal meaning within the Companies Act. All Trustees are required to maintain their entry in the record of declarations of interest and loyalty.

Remuneration of key management personnel

Emoluments of higher-paid employees are determined by a remuneration committee consisting of the Chair and Vice-chair of the Finance Committee, the Chair of the House of Clergy, the Chair of the House of Laity, and a suffragan bishop or archdeacon nominated by the Bishop of Chichester. The terms of reference for this group are established by the Bishop's Council and include recommending policy on remuneration to the Finance Committee and determining the remuneration for employees of the CDBF. In 2015, a full independent benchmarking exercise was carried out, taking into account comparable jobs in the local area, in the sector nationally, and in another Diocese. Further independent benchmarking of specific posts is undertaken whenever a post is filled, responsibilities substantially amended, or a review is requested.

Delegation of day to day delivery

The Trustees and the sub-committees which assist them in the fulfilment of their responsibilities, rely upon the Diocesan Secretary and her colleagues for the delivery of the day to day activities of the company. The Diocesan Secretary is given specific and general delegated authority to execute the business of the CDBF in accordance with the policies framed by the Trustees.

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Funds held as Diocesan Authority

The CDBF is Diocesan Authority (akin to custodian trustee) in respect of assets held on permanent trust by virtue of the Parochial Church Councils (Powers) Measure 1956 and the Incumbents and Churchwardens (Trusts) Measure 1964 where the managing trustees are parochial church councils and others. These assets are not aggregated in the financial statements as the CDBF does not control them, and they are segregated from the CDBF's own assets by means of a separate bank account and accounting system. Further details of financial trust assets, whose market value amounted to £17.53m at 31 December 2017 (2016: £16.98m), are available from the CDBF on request, and are summarised in note 28. Where properties are held as Diocesan Authority, the deeds are identified as such and held in safe custody by the CDBF's solicitor, Winckworth Sherwood.

Funds held on behalf of schools

The Board of Education (as incorporated within the CDBF) receives contributions from governors of church schools within the Diocese in connection with major repair and capital projects to church schools and also government grants in connection with the same. The Board of Education administers these monies as managing agent and makes appropriate payments to contractors for work carried out. The monies do not belong to the Board of Education and as such the receipts and payments are not treated as income and expenditure in the Statement of Financial Activities. Any monies held at the balance sheet date are treated as creditors on the balance sheet. The amount included in current assets as at 31 December 2017 is £328k (2016 £243k).

Connected Bodies and Related Parties

- The Church Commissioners, which acts on behalf of clergy with HM Revenue and Customs and through which the CDBF pays for clergy stipends.
- The Church of England Pensions Board, to which the CDBF pays retirement benefit contributions for stipendiary clergy and employees. It also offers schemes to provide housing for clergy in retirement.
- Chichester Diocesan Association for Family Support Work and St Barts Trust with whom the CDBF works and to whom grants are made.
- Mother Agnes Trust whose trustees are all members of, or secretary to, the Finance Committee.
- Transactions with the main categories of related parties are identified in appropriate places throughout the financial statements. Where materiality of transactions merits more detailed disclosure, this is given in note 27 to the financial statements.
- The only related corporate party with whom the DBF has transacted is Diocese of Chichester Academy Trust ('DCAT') which manages six Church of England Schools in the Diocese. DCAT is accountable to the DBE and the Bishop of Chichester in relation to their Christian distinctiveness and to the Diocese of Chichester Education Trust (DoCET) via its members for its operation. The Director of Education, one of the DBF's key management personnel, is a Trustee of DCAT. DoCET is also a related party, which shares trustees with the DBF, but no transactions have taken place.

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Volunteers

The CDBF is dependent on a huge number of people involved in church activities both locally and at diocesan level. We believe that the number of active volunteers (or volunteer hours) given to the mission and ministry of the church is a key indicator of the health of a church. The service provided to a community through church volunteering also has a significant impact on people's relationship with the church particularly at times of crisis. The CDBF greatly values the considerable time given by all its committee members and other volunteers across the Diocese in pursuit of its mission.

TRUSTEES' RESPONSIBILITIES

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

Company law requires the Trustees (as Directors) to prepare financial statements for each financial year. Under company law the Trustees have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the Trustees must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of the affairs of the CDBF and of the surplus or deficit of the CDBF for that period. In preparing these financial statements the Trustees are required to:

- Select suitable accounting policies and apply them consistently
- Observe methods and principles in the Charities SORP
- Make judgements and estimates that are reasonable and prudent
- State whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements
- Prepare the financial statements on the going concern basis unless it is inappropriate to assume that the company will continue in operation

The Trustees are also responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the CDBF and enable them to ensure that the financial statements comply with the Companies Act 2011. They are also responsible for safeguarding the assets of the CDBF and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Trustees are responsible for the maintenance and integrity of the corporate and financial information included in the CDBF's website. Legislation in England and Wales governing the preparation and dissemination of financial statements and other information included in Annual Reports may differ from legislation in other jurisdictions.

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STATEMENT OF DISCLOSURE TO THE AUDITOR

So far as the Trustees are aware:

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

APPOINTMENT OF AUDITOR

The re-appointment of haysmacintyre as auditor to the CDBF will be proposed at the Annual General Meeting.

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ADMINISTRATIVE DETAILS

Trustees

No Trustee had any beneficial interest in the company during 2017. The following Trustees were in post at the date of this report:

President:	The Right Revd Dr M Warner (Bishop of Chichester)
Ex-officio:	The Right Reverend M Sowerby (Bishop of Horsham) The Right Reverend R Jackson (Bishop of Lewes) The Venerable M Lloyd Williams (Archdeacon of Brighton & Lewes) The Venerable D McKittrick (Archdeacon of Chichester) The Venerable Dr REM Dowler (Archdeacon of Hastings) The Venerable JF Windsor (Archdeacon of Horsham) The Very Revd S Waine (Dean of Chichester) The Revd Canon J Peaty (Dean of Women's Ministry) (to 18.04.17) The Revd Canon A Waizeneker (Dean of Women's Ministry) (from 19.04.17) The Revd Canon PM Gilbert (Chair of House of Clergy) Dr G Parr (Chair of House of Laity)
Appointed by the Bishop:	Mr J Booth (Chair of the Finance Committee) The Revd L Irvine-Capel Mr R Vause (deceased) (to 10.07.17) Mrs L Lynn (from 14.07.17) Mrs S Stonor (from 19.01.18)
Elected by Diocesan Synod: Archdeaconry of Chichester	The Revd J Eldridge Mr C Robinson Mrs M Nagel
Archdeaconry of Horsham	The Revd Canon L Barnett Mrs V Burgess Mr G Leonard
Archdeaconry of Brighton and Lewes	The Revd A Manson Brailsford Mr M Cruttenden Mr J Head
Archdeaconry of Hastings	The Revd N Cornell (from 23.01.17) Mr P Bowden (also Vice-Chair of the Finance Committee) Mr J Vince

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Senior staff and advisers

Diocesan Secretary	Gabrielle Higgins
Finance Director	Catherine Dawkins
Director of Education	Ann Holt OBE
Director for Apostolic Life	Rebecca Swyer
Property Director	Scott Ralph

Registered Office: Diocesan Church House, 211 New Church Road, Hove, BN3 4ED

Bankers Barclays Bank plc, 90-92 High Street, Crawley, RH10 1BP

Independent Auditor haysmacintyre, 10 Queen Street Place, London EC4R 1AG

Solicitors Winckworth Sherwood, Minerva House, 5 Montague Close, London SE1 9BB

Investment advisers CCLA Investment Management Ltd, 80 Senator House, 85 Queen Victoria Street, London, EC4V 4ET
M&G Securities Ltd, M&G House, Victoria Road, Chelmsford, Essex CM1 1FB
J M Finn & Co, 4 Coleman Street, London EC2R 5TA
Charles Stanley & Co Ltd, 25 Luke Street, London EC2A 4AR
Cazenove Capital, 31 Gresham Street, London EC2V 7QA

Insurers EIG, Beaufort House, Brunswick Road, Gloucester, GL1 1JZ

In approving this Trustees' Report, the Trustees are also approving the Strategic Report in their capacity as company directors.

ON BEHALF OF THE TRUSTEES

The Right Revd Dr Martin Warner
President of the CDBF
12 April 2018

Mr John Booth
Chair of the Trustees
12 April 2018

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CHICHESTER DIOCESAN FUND AND BOARD OF FINANCE (INCORPORATED)

Opinion

We have audited the financial statements of Chichester Diocesan Fund and Board of Finance (Incorporated) for the year ended 31 December 2017 which comprise the Statement of Financial Activities, the Summary Income and Expenditure Account, the Balance Sheet, the Cash Flow Statement and the notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the charitable company's affairs as at 31 December 2017, and of its incoming resources and application of resources, including its income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the charitable company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC'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.

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

Responsibilities of trustees for the financial statements

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CHICHESTER DIOCESAN FUND AND BOARD OF FINANCE (INCORPORATED)

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.

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.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the trustees' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the trustees have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the charitable company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The trustees are responsible for the other information. The other information comprises the information included in the Trustees' 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.

In connection with our audit of the financial statements, 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 audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. 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.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

- adequate accounting records have not been kept by the charitable company, or returns adequate for our audit have not been received from branches not visited by us; or

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CHICHESTER DIOCESAN FUND AND BOARD OF FINANCE (INCORPORATED)

- the charitable company 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.

Adam Halsey

(Senior Statutory Auditor)

for and on behalf of haysmacintyre, Statutory Auditor

Date:.....

10 Queen Street Place
London
EC4R 1AG

THE CHICHESTER DIOCESAN FUND AND BOARD OF FINANCE INCORPORATED

STATEMENT OF FINANCIAL ACTIVITIES

For the year ended 31 December 2017

	Note	Unrestricted Funds General £'000	Designated £'000	Restricted Funds £'000	Endowment Funds £'000	Total Funds 2017 £'000	Total Funds 2016 £'000
Income and endowments from							
Donations							
Parish contribution	3	14,455	-	-	-	14,455	14,334
Archbishops' Council		-	-	-	-	-	118
Other donations		139	38	112	-	289	209
Charitable activities	4	732	-	115	-	847	977
Other activities	5	429	-	-	-	429	352
Investments	6	852	-	1,264	-	2,116	2,044
Other	7	-	13	195	(88)	120	414
		<u>16,607</u>	<u>51</u>	<u>1,686</u>	<u>(88)</u>	<u>18,256</u>	<u>18,448</u>
Expenditure on							
Raising Funds	8	66	-	118	-	184	159
Charitable activities	9	<u>15,507</u>	<u>264</u>	<u>3,850</u>	<u>-</u>	<u>19,621</u>	<u>18,502</u>
		<u>15,573</u>	<u>264</u>	<u>3,968</u>	<u>-</u>	<u>19,805</u>	<u>18,661</u>
Net income/(expenditure) before investment gains		<u>1,034</u>	<u>(213)</u>	<u>(2,282)</u>	<u>(88)</u>	<u>(1,549)</u>	<u>(213)</u>
Unrealised gains on investments	15	8	66	1,133	1,336	2,543	3,318
Realised gains on investments		-	-	-	928	928	
Net gains/(losses) on investments		<u>8</u>	<u>66</u>	<u>1,133</u>	<u>2,264</u>	<u>3,471</u>	<u>3,318</u>
Net income/(expenditure)		<u>1,042</u>	<u>(147)</u>	<u>(1,149)</u>	<u>2,176</u>	<u>1,922</u>	<u>3,105</u>
Transfer between funds	13	(86)	116	341	(371)	-	-
Other recognised gains/(losses)							
Gains/(losses) on revaluation of fixed assets	14	-	-	1	28,504	28,505	(3,914)
Net movement in funds		<u>956</u>	<u>(31)</u>	<u>(807)</u>	<u>30,309</u>	<u>30,427</u>	<u>(809)</u>
Total funds brought forward		3,175	6,602	22,762	226,743	259,282	260,091
Total funds carried forward	19	<u>4,131</u>	<u>6,571</u>	<u>21,955</u>	<u>257,052</u>	<u>289,709</u>	<u>259,282</u>

All activities derive from continuing activities. The notes on pages 36 to 65 form part of the financial statements

THE CHICHESTER DIOCESAN FUND AND BOARD OF FINANCE INCORPORATED

INCOME AND EXPENDITURE ACCOUNT

For the year ended 31 December 2017

	Total 2017 £'000	Total 2016 £'000
Total incoming resources	18,344	18,107
Resources expended	<u>(19,805)</u>	<u>(18,460)</u>
Operating deficit for the year	<u>(1,461)</u>	<u>(353)</u>
Net gains on investments	<u>1,207</u>	<u>1,306</u>
Net (loss) / income for the year	<u>(254)</u>	<u>953</u>
Other comprehensive income :		
Revaluation of fixed assets	<u>1</u>	<u>338</u>
Total comprehensive (loss) / income	<u>(253)</u>	<u>1,291</u>

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

THE CHICHESTER DIOCESAN FUND AND BOARD OF FINANCE INCORPORATED

BALANCE SHEET

At 31 December 2017

Company Number - 00133558		2017		2016	
	Note	£'000	£'000	£'000	£'000
FIXED ASSETS					
Tangible assets	14		240,738		213,413
Investments	15		49,180		46,304
			<u>289,918</u>		<u>259,717</u>
CURRENT ASSETS					
Debtors	16	2,596		2,780	
Cash on deposit		3,708		5,757	
Cash at bank and in hand		<u>2,815</u>		<u>1,941</u>	
		9,119		10,478	
CREDITORS: amounts falling due within one year	17	<u>(4,332)</u>		<u>(4,921)</u>	
NET CURRENT ASSETS			<u>4,787</u>		<u>5,557</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			294,705		265,274
CREDITORS: amounts falling due after more than one year	18				
Pension scheme liabilities			(4,846)		(5,787)
Other creditors			<u>(150)</u>		<u>(205)</u>
NET ASSETS			<u>289,709</u>		<u>259,282</u>
FUNDS					
Endowment funds			257,052		226,743
Restricted income funds			21,955		22,762
Unrestricted income funds					
General funds			4,131		3,175
Designated funds			<u>6,571</u>		<u>6,602</u>
TOTAL FUNDS	19/20		<u>289,709</u>		<u>259,282</u>

The Cash Flow Statement and the Notes form part of these financial statements. The financial statements were approved by the Board of Trustees and authorised for issue on 12 April 2018 and signed on behalf of the Board by:

.....
The Right Rev'd Dr Martin Warner
 President of the CDBF

.....
Mr John Booth
 Chair of the Trustees

THE CHICHESTER DIOCESAN FUND AND BOARD OF FINANCE INCORPORATED

CASH FLOW STATEMENT

For the year ended 31 December 2017

	2017		2016	
	£'000	£'000	£'000	£'000
Net cash outflow from operating activities (see below)		(4,365)		(4,249)
Cash flows from investing activities				
Dividends / interest and rent from Investments	2,116		2,044	
Proceeds from the sales of:				
Tangible fixed assets	6,428		2,467	
Fixed assets Investments	9,391		1,702	
Purchase of:				
Tangible fixed assets	(5,327)		(4,950)	
Fixed assets Investments	<u>(8,796)</u>		<u>(1,504)</u>	
Net Cash provided / (used in) by investing activities		3,812		(241)
Cash flows from financing activities				
Loans (repaid) / received	<u>(622)</u>		<u>33</u>	
Net cash (used in)/provided by financing activities		(622)		33
Change in cash and cash equivalents in the reporting period		(1,175)		(4,457)
Cash and cash equivalents at 1 January		7,698		12,155
Cash and cash equivalents at 31 December		<u>6,523</u>		<u>7,698</u>
Analysis of Cash and Cash equivalents				
Cash in Hand		2,815		1,941
Notice deposits (less than 3 months)		<u>3,708</u>		<u>5,757</u>
		<u>6,523</u>		<u>7,698</u>
Reconciliation of net movements in funds to net cash flow from operating activities				
Net expenditure before investment gains		(1,549)		(213)
Adjustments for				
Losses/(gains) on the disposal of fixed assets		63		(341)
Depreciation charges		6		9
Investment income		(2,116)		(2,044)
Change in loans		632		478
Decrease of Debtors		184		30
Increase in Creditors		<u>(1,585)</u>		<u>(2,168)</u>
Net Cash used in operating activities		<u>(4,365)</u>		<u>(4,249)</u>

THE CHICHESTER DIOCESAN FUND AND BOARD OF FINANCE INCORPORATED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

1 ACCOUNTING POLICIES

a) General Information

The Chichester Diocesan Fund and Board of Finance Incorporated is a charitable company limited by guarantee incorporated in England and Wales (company registration number 00133558) and registered with the Charity Commission (charity registration number 243134). The registered office address is Diocesan Church House, 211 New Church Road, Hove BN3 4ED. In the event of the charitable company being wound up the liability in respect of the guarantee is limited to £1.

The CDBF meets the definition of a public benefit entity under FRS102.

b) Accounting convention and basis of preparation

The financial statements have been prepared under the historical cost convention, with the exception of freehold properties, which are included at their fair value as determined under the applicable valuation method as detailed in (f), and fixed asset investments, which are included at their market value at the balance sheet date. The financial statements have been prepared in accordance with the Statement of Recommended Practice for Charities (SORP 2015), the Companies Act 2006 and applicable accounting standards (FRS102).

c) Going concern

The trustees consider that there are no material uncertainties regarding the CDBF's ability to continue as a going concern.

d) Income

All income is included in the Statement of Financial Activities (SOFA) when the CDBF is legally entitled to them as income or capital respectively, receipt is probable and the amount to be recognised can be quantified with reasonable accuracy.

- i) **Parish Share** is recognised as income in the year in which it is received.
- ii) **Rent** is recognised as income in the period in which it is received.
- iii) **Interest and dividends** are recognised as income when receivable.
- iv) **Grants** received which are subject to pre-conditions for entitlement specified by the donor which have not been met at the year-end are included in creditors to be carried forward to the following year.
- v) **Parochial fees** are recognised as income when received.
- vi) **Donations** other than grants are recognised when receivable.
- vii) **Gains on disposal of fixed assets for the CDBF's own use** (i.e. non-investment assets) are accounted for as other incoming resources. Losses on disposal of such assets are accounted for as other expenditure.
- viii) **Stipends fund income.** 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. The income is fully expended within the year of receipt and the legal restrictions are therefore satisfied.

THE CHICHESTER DIOCESAN FUND AND BOARD OF FINANCE INCORPORATED

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2017

1 ACCOUNTING POLICIES (continued)

e) Expenditure

Expenditure is included on the accruals basis and has been classified under headings that aggregate all costs related to the Statement of Financial Activity category.

- i) **Costs of raising funds** includes costs relating to the temporary renting out of parsonages and investment management costs of glebe and any other investment properties.
- ii) **Charitable expenditure** is analysed between contributions to the Archbishops' Council, expenditure on resourcing mission and ministry in the parishes of the diocese, and expenditure on education through Church of England schools in the diocese.
- iii) **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 CDBF, in which case the grants are recognised when the conditions are fulfilled. Records of grants offered subject to such conditions which have not been met at the year-end are kept, but committed grants are not accrued as expenditure.
- iv) **Support costs** consist of central management, administration and governance costs. The amount of support costs 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 usage basis.
- v) **Pension contributions.** The CDBF's staff are members of the Church Workers Pension Fund and clergy are members of the Church of England Funded Pensions Scheme (see note 25). The pension costs charged as resources expended represent the CDBF's contributions payable in respect of the accounting period, in accordance with FRS102. Deficit funding for the pension schemes in which the CDBF participates is accrued at current value in creditors distinguished between contributions falling due within one year and after more than one year.

f) Tangible fixed assets and depreciation

Freehold properties

The CDBF measures freehold property assets in accordance with an estimate of fair value as required by FRS 102. The methodology employed includes the use of market data for relevant property sales and where possible, specific recent sales data from property websites and estate agents. Twenty percent of the property portfolio is revalued each year on a rolling basis. Each year the average increase in value for the sample is extrapolated to calculate the valuation of the whole portfolio.

THE CHICHESTER DIOCESAN FUND AND BOARD OF FINANCE INCORPORATED

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2017

1 ACCOUNTING POLICIES (continued)

Depreciation is not provided on buildings as any provision (annual or cumulative) would not be material due to the very long expected remaining useful economic life in each case, and because their expected residual value is not materially less than their carrying value. The CDBF has a policy of regular structural inspection, repair and maintenance, which in the case of parsonage properties is in accordance with the Repair of Benefices Buildings Measure 1972, and properties are therefore unlikely to deteriorate or suffer from obsolescence. In addition, disposals of properties occur well before the end of their economic lives and disposal proceeds are usually not less than their carrying value. The Trustees perform annual impairment reviews in accordance with the requirements of FRS102 to ensure that the carrying value is not more than the recoverable amount.

Properties subject to value linked loans

Properties which have been bought with the assistance of value-linked loans from the Church Commissioners are stated using the value of the related loan at the balance sheet date. Each year end the respective property and loan are carried at their fair value.

Investment properties

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

Parsonage houses

The CDBF has followed the requirements of FRS102 in its accounting treatment for benefice houses (parsonages). FRS102 requires the accounting treatment to follow the substance of arrangements rather than their strict legal form. The CDBF is formally responsible for the maintenance and repair of such properties and has some jurisdiction over their future use or potential sale if not required as a benefice house, but in the meantime legal title and the right to beneficial occupation is vested in the incumbent. The Trustees therefore consider the most suitable accounting policy is to capitalise such properties as expendable endowment assets and to carry them at their fair value. Parsonage houses are revalued on a five year cycle, with 20% being valued each year on a rolling basis.

g) Other tangible fixed assets

All capital expenditure over £5,000 is capitalised and depreciated as follows. Depreciation is provided in order to write off the cost (less any estimated disposal proceeds at prices at the time of the asset's acquisition) of fixed assets over their currently expected useful economic lives at the following initial rates:-

Fixtures and fittings - 25% per annum - reducing balance basis

Computer Equipment - 33.33% per annum - straight line basis

h) Other accounting policies

- i) **Fixed asset investments** are included in the balance sheet at market value and the gain or loss taken to the Statement of Financial Activities.
- ii) **Leases.** The CDBF has entered into operating leases for the use of certain assets. The rental is charged as expenditure in the year to which it relates.

THE CHICHESTER DIOCESAN FUND AND BOARD OF FINANCE INCORPORATED

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2017

1 ACCOUNTING POLICIES (continued)

i) Financial Instruments - assets and liabilities

- i) **Debtors:** Debtors are recognised at the settlement amount due
- ii) **Cash and cash equivalents:** Cash at bank and cash in hand 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.
- iii) **Creditors and provisions:** Creditors and provisions are recognised where the CDBF 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.
- iv) **Value Linked Loans:** The CDBF has a number of loans 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 FRS102 these loans have been recognised at fair value and are revalued at each reporting date. Any gains or losses arising at year end are recognised in the SOFA.
- v) **Concessionary Loans:** Loans obtained or made by the CDBF to further its charitable purposes at rates below the 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 or paid and subsequently amended to reflect any repayments, interest and impairment.

j) Fund balances

Fund Balances are split between unrestricted (general and designated), restricted and endowment funds.

Unrestricted funds are the CDBF's corporate funds and are freely available for any purpose within the charitable company's objects, at the discretion of the CDBF.

There are two types of unrestricted funds:

- i) **General funds** which the CDBF uses for the general purposes of the CDBF
- ii) **Designated funds** which are set aside out of unrestricted funds by the CDBF for a purpose specified by the Trustees

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

Endowment funds are those held on trust to be retained for the benefit of the charitable company as a capital fund. In the case of the Stipends Fund Capital, Parsonage Houses and the Aided Schools 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.

"Special trusts" (as defined by the Charities Act 2011) and any other trusts where the company acts as trustee and controls the management and use of the funds, are included in the company's own financial statements as charity branches. Trusts where the CDBF 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.

THE CHICHESTER DIOCESAN FUND AND BOARD OF FINANCE INCORPORATED

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2017

2 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

In preparing these financial statements, management has made judgements, estimates and assumptions that affect the application of the CDBF's accounting policies and the reported assets, liabilities, income and expenditure and the disclosures made in the financial statements. Estimates and judgements 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 judgement and estimation are fair values estimated for property assets and investment properties. The properties are revalued on a five year cycle, with 20% being valued each year on a rolling basis. Market value is estimated using data available on public websites. This methodology was first adopted in 2015. At 1 January 2015 the carrying value of all properties was insurance value. 20% of the properties were valued in 2015 and the average difference between the carrying value of the properties and their valuation was extrapolated across the rest of the portfolio. In 2016, for the properties valued in 2015, the values were increased using average house price inflation in Sussex over 2016. The next 20% of the portfolio was valued in 2016, and the average difference between carrying value and fair market value was extrapolated across the part of the portfolio which had not been subject to revaluation in the prior two years. The same methodology has been applied in 2017. Any variances from actual fair market value and the estimated value of the portfolio will affect the value of tangible fixed assets reported on the balance sheet, and other gains and losses reported in the Statement of Financial Activities. Income and expenditure are not impacted except to the extent that profit or loss is calculated on the sale of a property. The trustees consider this methodology and the resulting balance sheet values to be an appropriate estimate of fair value for reporting purposes.

3 DONATIONS

Parish Contributions

The majority of donations are collected from the parishes of the diocese through the parish share system.

	Unrestricted Funds		Restricted	Endowment	Total Funds	Total Funds
	General	Designated	Funds	Funds	2017	2016
	£'000	£'000	£'000	£'000	£'000	£'000
Current Year pledges	14,530	-	-	-	14,530	14,479
Transfer to Deanery reserves	(33)	-	-	-	(33)	(22)
Shortfall in contributions	(213)	-	-	-	(213)	(180)
	<u>14,284</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>14,284</u>	<u>14,277</u>
Receipts for previous year	171	-	-	-	171	57
Total Income	<u>14,455</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>14,455</u>	<u>14,334</u>

Current year parish share receipts represent 98.3% of the total pledges (2016 – 98.6%), or, when receipts for previous years are included, 99.5% of the total pledges (2016 – 99.0%)

THE CHICHESTER DIOCESAN FUND AND BOARD OF FINANCE INCORPORATED

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2017

3 DONATIONS (continued)

Archbishops' Council

	Unrestricted Funds		Restricted Funds	Endowment Funds	Total Funds 2017	Total Funds 2016
	General £'000	Designated £'000	£'000	£'000	£'000	£'000
Parish Mission	-	-	-	-	-	118

This is the annual grant for the parish mission fund, which may be used either for specific parish mission and development projects or for clergy stipends. It ceased in 2016.

Other donations

	Unrestricted Funds		Restricted Funds	Endowment Funds	Total Funds 2017	Total Funds 2016
	General £'000	Designated £'000	£'000	£'000	£'000	£'000
All Churches Trust Grant	133	37	-	-	170	170
Grants from other organisations	-	-	51	-	51	-
Donations	6	1	61	-	68	39
	<u>139</u>	<u>38</u>	<u>112</u>	<u>-</u>	<u>289</u>	<u>209</u>

4 CHARITABLE ACTIVITIES

	Unrestricted Funds		Restricted Funds	Endowment Funds	Total Funds 2017	Total Funds 2016
	General £'000	Designated £'000	£'000	£'000	£'000	£'000
Statutory fees for parochial services	561	-	-	-	561	641
Church Commissioners' guaranteed annuities	-	-	19	-	19	22
Parish trust Income	-	-	96	-	96	89
Church Schools Training & other	171	-	-	-	171	213
Chaplaincy & other	-	-	-	-	-	12
	<u>732</u>	<u>-</u>	<u>115</u>	<u>-</u>	<u>847</u>	<u>977</u>

THE CHICHESTER DIOCESAN FUND AND BOARD OF FINANCE INCORPORATED

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2017

5 OTHER ACTIVITIES

	Unrestricted Funds		Restricted Funds	Endowment Funds	Total Funds 2017	Total Funds 2016
	General £'000	Designated £'000	£'000	£'000	£'000	£'000
Rents receivable - Properties	429	-	-	-	429	352
	<u>429</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>429</u>	<u>352</u>

6 INVESTMENT INCOME

	Unrestricted Funds		Restricted Funds	Endowment Funds	Total Funds 2017	Total Funds 2016
	General £'000	Designated £'000	£'000	£'000	£'000	£'000
Dividends receivable & interest receivable	852	-	976	-	1,828	1,784
Rents receivable - Glebe	-	-	288	-	288	260
	<u>852</u>	<u>-</u>	<u>1,264</u>	<u>-</u>	<u>2,116</u>	<u>2,044</u>

7 OTHER INCOMING RESOURCES

	Unrestricted Funds		Restricted Funds	Endowment Funds	Total Funds 2017	Total Funds 2016
	General £'000	Designated £'000	£'000	£'000	£'000	£'000
Other income	-	13	170	-	183	-
Gain/ (Loss) on sale of property	-	-	25	(88)	(63)	341
Gain on sale of redundant churches	-	-	-	-	-	73
	<u>-</u>	<u>13</u>	<u>195</u>	<u>(88)</u>	<u>120</u>	<u>414</u>

8 FUND RAISING COSTS

	Unrestricted Funds		Restricted Funds	Endowment Funds	Total Funds 2017	Total Funds 2016
	General £'000	Designated £'000	£'000	£'000	£'000	£'000
Investment Manager fees ⁽ⁱ⁾	66	-	68	-	134	87
Glebe agents' fees	-	-	-	-	-	1
Glebe repairs & improvements	-	-	50	-	50	71
	<u>66</u>	<u>-</u>	<u>118</u>	<u>-</u>	<u>184</u>	<u>159</u>

(i) Investment Manager fees have been moved from Support and Governance to fundraising costs for 2017

THE CHICHESTER DIOCESAN FUND AND BOARD OF FINANCE INCORPORATED

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2017

9 CHARITABLE ACTIVITIES

	Unrestricted Funds		Restricted	Endowment	Total Funds	Total Funds
	General	Designated	Funds	Funds	2017	2016
	£'000	£'000	£'000	£'000	£'000	£'000
Contributions to						
Archbishops' Council						
Training for Ministry	603	-	-	-	603	582
National Church						
Responsibilities	480	-	-	-	480	497
Grants and Provisions	53	-	-	-	53	-
Mission agency pension costs	6	-	-	-	6	34
Retired clergy housing costs	198	-	-	-	198	190
Pooling of ordinands						
maintenance grants	28	-	-	-	28	(4)
	<u>1,368</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,368</u>	<u>1,299</u>

	Unrestricted Funds		Restricted	Endowment	Total Funds	Total Funds
	General	Designated	Funds	Funds	2017	2016
	£'000	£'000	£'000	£'000	£'000	£'000
Resourcing Ministry and						
Mission - Parish Ministry						
Stipends and national						
Insurance	6,051	15	1,031	-	7,097	6,933
Pension contributions	1,517	-	-	-	1,517	1,482
Defined benefit pension						
scheme movement (see Note 24) (78)	-	-	-	(78)	(427)
Housing costs	1,827	-	1,447	-	3,274	3,369
Mission Fund grants	-	249	-	-	249	193
Removal, resettlement & grants	527	-	-	-	527	533
Clergy welfare	-	-	187	-	187	143
Church Insurance	872	-	-	-	872	1,048
	<u>10,716</u>	<u>264</u>	<u>2,665</u>	<u>-</u>	<u>13,645</u>	<u>13,274</u>

THE CHICHESTER DIOCESAN FUND AND BOARD OF FINANCE INCORPORATED

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2017

9 CHARITABLE ACTIVITIES (continued)

	Unrestricted Funds		Restricted	Endowment	Total Funds	Total Funds
	General	Designated	Funds	Funds	2017	2016
	£'000	£'000	£'000	£'000	£'000	£'000
Resourcing Ministry and Mission - support for Parish Ministry						
Diocesan support of						
Ordinands in training	788	-	95	-	883	729
Adult Education	92	-	11	-	103	132
Children and youth work	141	-	-	-	141	140
Apostolic Life	209	-	-	-	209	169
Common Good	116	-	-	-	116	107
Safeguarding	220	-	-	-	220	208
Diocesan Advisory Committee	57	-	-	-	57	52
Pastoral and Redundant						
Churches uses	38	-	-	-	38	35
Redundant churches	71	-	-	-	71	68
Communications	81	-	-	-	81	100
Chaplains	69	-	-	-	69	55
Mission projects (SDF)	-	-	174	-	174	20
Chancellor & Registrar	41	-	-	-	41	52
Grants	36	-	677	-	713	511
	<u>1,959</u>	<u>-</u>	<u>957</u>	<u>-</u>	<u>2,916</u>	<u>2,378</u>
Support and Governance for parish ministry (note 10)	<u>815</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>815</u>	<u>810</u>
	<u>2,774</u>	<u>-</u>	<u>957</u>	<u>-</u>	<u>3,731</u>	<u>3,188</u>
Resourcing Ministry and Mission - Church Schools						
Church Schools department	578	-	228	-	806	668
Training courses	-	-	-	-	-	2
Support and Governance for Church Schools (note 10)	<u>71</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>71</u>	<u>71</u>
	<u>649</u>	<u>-</u>	<u>228</u>	<u>-</u>	<u>877</u>	<u>741</u>
Total Charitable activities	<u>15,507</u>	<u>264</u>	<u>3,850</u>	<u>-</u>	<u>19,621</u>	<u>18,502</u>

THE CHICHESTER DIOCESAN FUND AND BOARD OF FINANCE INCORPORATED

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2017

10 ANALYSIS OF SUPPORT AND GOVERNANCE COSTS

	Resourcing ministry and mission Support for Ministry £'000	Education Church Schools £'000	Total Funds 2017 £'000	Total Funds 2016 £'000
Support				
Central services department	158	20	178	209
General office department	262	-	262	248
Finance department	199	25	224	222
IT department	168	22	190	171
Depreciation	5	1	6	9
	<u>792</u>	<u>68</u>	<u>860</u>	<u>859</u>
Governance				
External Audit	23	3	26	22
	<u>815</u>	<u>71</u>	<u>886</u>	<u>881</u>

11 ANALYSIS OF GRANTS MADE

	Number	Individuals £'000	Institutions £'000	Total Funds 2017 £'000	Total Funds 2016 £'000
From unrestricted funds for national Church responsibilities:					
Contributions to Archbishops' Council	<u>6</u>	<u>-</u>	<u>1,368</u>	<u>1,368</u>	<u>1,299</u>
From unrestricted					
The Chichester Diocesan Association for Family Support Work	1	-	36	36	36
Together in Sussex	1	-	10	10	-
St Bartz Trust - Youth work	<u>1</u>	<u>-</u>	<u>19</u>	<u>19</u>	<u>22</u>
	3	-	65	65	58
From designated					
PCCs for Mission projects	<u>26</u>	<u>-</u>	<u>249</u>	<u>249</u>	<u>193</u>
From restricted					
Archbishop Council	1	-	100	100	100
PCCs for Mission projects	5	-	374	374	53
Clergy for Welfare and healthcare	172	78	-	78	143
Overseas mission agencies	13	-	57	57	28
Ordinands in training	23	207	-	207	227
Multi-Academy Trust	1	-	111	111	167
Educational resources	<u>0</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2</u>
	<u>215</u>	<u>285</u>	<u>642</u>	<u>927</u>	<u>720</u>
Totals	<u>250</u>	<u>285</u>	<u>2,324</u>	<u>2,609</u>	<u>2,270</u>

THE CHICHESTER DIOCESAN FUND AND BOARD OF FINANCE INCORPORATED

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2017

12 STAFF COSTS

	2017 £'000	2016 £'000
Employee costs during the year were as follows:		
Wages and salaries	1,727	1,471
National insurance contributions	173	142
Pension costs	236	176
	<u>2,136</u>	<u>1,789</u>

The average number of persons employed by the group during the year:	2017 Number	2016 Number
Administration and financial management	20	21
Apostolic Life	14	11
Common Good	3	3
Property	7	7
Education - Church Schools	8	9
Safeguarding & inclusion	5	5
Parochial lay staff	-	1
	<u>57</u>	<u>57</u>

The average number of persons employed by the group during the year: based on full-time equivalents:	2017 Number	2016 Number
Administration and financial management	19	19
Apostolic Life	11	9
Common Good	1	1
Property	7	7
Education - Church Schools	7	8
Safeguarding & inclusion	3	3
Parochial lay staff	-	1
	<u>48</u>	<u>48</u>

	2017 Number	2016 Number
The numbers of staff whose emoluments (including benefits in kind but excluding Pension contributions) amounted to more than £60,000 were as follows:		
£60,001 - £70,000	1	-
£70,001 - £80,000	<u>2</u>	<u>2</u>

Pension payments of £30,940 (2016 - £21,404) were made for these employees.

THE CHICHESTER DIOCESAN FUND AND BOARD OF FINANCE INCORPORATED

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2017

12 STAFF COSTS (continued)

Remuneration of key management personnel

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

Diocesan Secretary and Company Secretary	Gabrielle Higgins
Diocesan Director for Apostolic Life	Rebecca Swyer
Diocesan Director of Education	Ann Holt
Diocesan Director of Property	Scott Ralph
Diocesan Finance Director	Catherine Dawkins

Remuneration (including Employer NI), pensions and expenses for these employees/posts amounted to £399,698 (2016 - £315,915). One post was vacant for part of 2016.

Termination payments

During the year termination payments totalling £15,500 were paid (2016 - £28,957).

Trustees' emoluments

No Trustee received any remuneration for services as Trustee. The Trustees received travelling and out of pocket expenses, totalling £18,914 (2016 - £22,891) in respect of General Synod duties, duties as archdeacon or rural dean, and other duties as Trustees.

One Trustee received fees for consultancy services.

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

	Stipend	Housing
The Right Revd M Sowerby	No	Yes
The Right Revd R Jackson	No	Yes
The Venerable D McKittrick	Yes	Yes
The Venerable F Windsor	Yes	Yes
The Venerable M Lloyd-Williams	Yes	Yes
The Venerable E Dowler	Yes	Yes
The Revd Canon PM Gilbert	Yes	Yes
The Revd L Irvine-Capel	Yes	Yes
The Revd J Eldridge	Yes	Yes
The Revd L Barnett	Yes	Yes
The Revd A Manson Brailsford	Yes	Yes
The Revd A Waizeneker	Yes	Yes
The Revd N Cornell	Yes	Yes

THE CHICHESTER DIOCESAN FUND AND BOARD OF FINANCE INCORPORATED

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2017

12 STAFF COSTS (continued)

The CDBF is responsible for funding via the Church Commissioners the stipends of licensed stipendiary clergy in the diocese, other than bishops and cathedral staff. The CDBF is also responsible for the provision of housing for stipendiary clergy in the diocese including the suffragan bishops but excluding the diocesan bishop and cathedral staff.

	2017 £'000	2016 £'000
Stipends	6,613	6,501
National insurance contributions	544	515
Pension costs - current year	1,517	1,482
Pension costs - deficit reduction contributions paid	863	832
	<u>9,537</u>	<u>9,330</u>

The stipends of the Diocesan Bishop and Suffragan Bishops are paid and funded by the Church Commissioners and are in the range £35,500 - £43,510 (2016 range £34,980 - £42,870). The annual rate of stipend, funded by the CDBF, paid to Archdeacons in 2017 was in the range £34,700 - £36,040 (2016 range £34,180 - £35,250) and other clergy who were Trustees were paid in the range £24,970 - £26,330 (2016 range £24,700 - £26,330).

13 ANALYSIS OF TRANSFERS BETWEEN FUNDS

	Unrestricted Funds		Restricted Funds	Endowment Funds
	General £'000	Designated £'000	£'000	£'000
Surplus on replacement of Cuckfield Rectory	-	-	449	(449)
Movement on defined benefit pension scheme	(78)	-	-	78
Administration charge - Aided Schools fund	42	-	(42)	-
Mission Fund	-	66	(66)	-
Clergy Conference 2018	(50)	50	-	-
	<u>(86)</u>	<u>116</u>	<u>341</u>	<u>(371)</u>

Replacement of property - Cuckfield Rectory The property held as a parsonage house was sold in 2014. A replacement parsonage was purchased at a lower price than the proceeds received on sale of the original parsonage. The relevant notices were served in 2017 to enable the net proceeds to be transferred to the Pastoral Fund.

THE CHICHESTER DIOCESAN FUND AND BOARD OF FINANCE INCORPORATED

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2017

13 ANALYSIS OF TRANSFERS BETWEEN FUNDS (continued)

Defined benefit pension scheme movement. Transfer of the movement to the Diocesan Stipends fund.

Administration charge - Aided Schools fund This reflects the administration charge of the Capital Asset Programme Manager costs charged to the Aided Schools restricted fund.

Clergy Conference Funds have been designated for the Clergy Conference in 2018.

14 TANGIBLE FIXED ASSETS

	Freehold Land £'000	Leasehold Property £'000	Office Equipment £'000	Total £'000
Cost or valuation				
At 1 January 2017	212,815	573	538	213,926
Additions	5,327	-	-	5,327
Disposals	(6,516)	-	-	(6,516)
Revaluation	28,520	-	-	28,520
At 31 December 2017	<u>240,146</u>	<u>573</u>	<u>538</u>	<u>241,257</u>
Depreciation				
At 1 January 2017	-	-	513	513
Charge for the year	-	-	6	6
At 31 December 2017	<u>-</u>	<u>-</u>	<u>519</u>	<u>519</u>
Net Book Value				
At 31 December 2017	<u>240,146</u>	<u>573</u>	<u>19</u>	<u>240,738</u>
At 31 December 2016	<u>212,815</u>	<u>573</u>	<u>25</u>	<u>213,413</u>

All but one of the properties in the balance sheet are freehold and are vested in the CDBF, except for benefice houses which are vested in the incumbent. Some properties have been purchased with the help of a value-linked loan from the Church Commissioners; when disposed of, the appropriate share of the net sale proceeds will be remitted to the Commissioners, and the related loan liability extinguished. The value of such properties included above amounts to £1,468,874 (2016: £1,452,893). Properties are subject to a five-year cycle of survey and valuation and consequent repairs are charged as expenditure with the SoFA.

The revaluation shown on the SOFA of £28,505k is the total of the revaluation above and the movement of £15k on the properties for deserted spouses held via value linked loans. That movement is part of the movement reported in the loans due to the Church Commissioners shown in note 17.

THE CHICHESTER DIOCESAN FUND AND BOARD OF FINANCE INCORPORATED

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2017

15 FIXED ASSETS INVESTMENTS

	At 1 January 2017 £'000	Additions £'000	Disposal £'000	Transfer £'000	Change in Market Value £'000	At 31 December 2017 £'000
Unrestricted Funds						
Listed investments	119	7	(8)	-	8	126
Unlisted investments	5	-	-	-	-	5
Investment property	522	-	-	-	66	588
	<u>646</u>	<u>7</u>	<u>(8)</u>	<u>-</u>	<u>74</u>	<u>719</u>
Restricted Funds						
Listed investments	<u>18,507</u>	<u>5,241</u>	<u>(5,241)</u>	<u>-</u>	<u>1,133</u>	<u>19,640</u>
	<u>18,507</u>	<u>5,241</u>	<u>(5,241)</u>	<u>-</u>	<u>1,133</u>	<u>19,640</u>
Endowment Funds						
Listed investments	22,816	2,948	(3,199)	-	1,552	24,117
Investment property	<u>4,335</u>	<u>600</u>	<u>(15)</u>	<u>-</u>	<u>(216)</u>	<u>4,704</u>
	<u>27,151</u>	<u>3,548</u>	<u>(3,214)</u>	<u>-</u>	<u>1,336</u>	<u>28,821</u>
Total	<u>46,304</u>	<u>8,796</u>	<u>(8,463)</u>	<u>-</u>	<u>2,543</u>	<u>49,180</u>

16 DEBTORS

	2017 £'000	2016 £'000
Concessionary (interest free) loans to Parishes	624	540
Loans to Parishes	1,092	1,441
Loans to Schools	328	242
Other Debtors and prepayments	<u>552</u>	<u>557</u>
	<u>2,596</u>	<u>2,780</u>
Included within the above are debtors amounts due after more than one year as follows:		
Loans to Parishes	<u>469</u>	<u>610</u>
	<u>469</u>	<u>610</u>

THE CHICHESTER DIOCESAN FUND AND BOARD OF FINANCE INCORPORATED

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2017

17 CREDITORS: amounts falling due within one year	2017 £'000	2016 £'000
Loans due in one year		
Church Commissioners value-linked loans	1,805	2,104
Deferred income		
Payments received in advance from Education Funding authority	232	779
Other Taxes and social security	51	47
Other creditors and accruals	1,444	1,191
Clergy Pension Scheme	800	800
	<u>4,332</u>	<u>4,921</u>
18 CREDITORS: amounts falling due after more than one year	2017 £'000	2016 £'000
Loan repayment instalments due in more than one year		
Central Board of Finance other loans	150	205
Pension Scheme liabilities (see note 24)		
Clergy Pension Scheme	4,846	5,787
	<u>4,996</u>	<u>5,992</u>

Value-linked loans (VLLs) represent amounts advanced to the CDBF for the purchase of properties on an equity sharing basis and are repayable on the disposal of the related property. Six of these loans are for the benefit of parishes and have been used to purchase houses for curates. Five of the loans have been used by the DBF for the purchase of houses for deserted spouses. As at 31st December 2017 the Board had no intention of disposing of any of those properties funded via VLLs. As the timing of the repayment is uncertain the loans are shown as due within one year.

THE CHICHESTER DIOCESAN FUND AND BOARD OF FINANCE INCORPORATED

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2017

19 SUMMARY OF FUND MOVEMENTS

	Balances at 1 January 2017 £'000	Income £'000	Expenditure £'000	Transfer £'000	Gains and Losses £'000	Balances at 31 December 2017 £'000
UNRESTRICTED FUNDS						
General	3,175	16,607	(15,573)	(86)	8	4,131
Designated Funds						
Property	6,014	-	-	-	66	6,080
Parish Mission	536	38	(264)	66	-	376
Other designated funds	52	13	-	50	-	115
	<u>6,602</u>	<u>51</u>	<u>(264)</u>	<u>116</u>	<u>66</u>	<u>6,571</u>
Restricted Funds						
Diocesan Pastoral	16,662	25	(2,259)	383	1,067	15,878
Diocesan Stipend	-	1,136	(1,136)	-	-	-
Clergy Welfare	1,134	100	(94)	-	1	1,141
Clergy Welfare (B Wild)	909	-	(63)	-	-	846
Jenkinson Trust	18	2	(2)	-	-	18
Training	-	39	(39)	-	-	-
University chaplaincy	34	1	-	-	-	35
Hayllar trust	79	4	(11)	-	-	72
Poling endowment	1	29	(25)	-	-	5
The Arnold Bequest	42	17	(20)	-	-	39
Clergy Widows	47	-	(2)	-	-	45
Archdeacons' loans	1,698	26	-	-	27	1,751
Aided Church Schools	1,919	25	-	(42)	38	1,940
Diocesan Overseas Council	123	41	(57)	-	-	107
Other restricted funds	96	241	(260)	-	-	77
	<u>22,762</u>	<u>1,686</u>	<u>(3,968)</u>	<u>341</u>	<u>1,134</u>	<u>21,955</u>
Endowment Funds						
<u>Expendable</u>						
Parsonage/Benefice houses	164,418	(323)	-	(449)	23,375	187,021
Diocesan Stipends	50,225	235	-	78	6,947	57,485
Clergy Welfare	2,190	-	-	-	152	2,342
Elfinward	2,068	-	-	-	150	2,218
Terry's Cross	5,262	-	-	-	-	5,262
<u>Permanent</u>						
Jenkinson	47	-	-	-	3	50
Training	863	-	-	-	61	924
University chaplaincy	615	-	-	-	9	624
Hayllar trust	70	-	-	-	5	75
Poling endowment	621	-	-	-	40	661
The Arnold Bequest	364	-	-	-	26	390
	<u>226,743</u>	<u>(88)</u>	<u>-</u>	<u>(371)</u>	<u>30,768</u>	<u>257,052</u>
Total funds	<u>259,282</u>	<u>18,256</u>	<u>(19,805)</u>	<u>-</u>	<u>31,976</u>	<u>289,709</u>

THE CHICHESTER DIOCESAN FUND AND BOARD OF FINANCE INCORPORATED

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2017

20 SUMMARY OF ASSETS BY FUND

	Fixed assets		Current		Net
	Tangible	Investments	Assets	Creditors	Assets
	£'000	£'000	£'000	£'000	£'000
UNRESTRICTED FUNDS					
General	19	126	5,499	(1,513)	4,131
Designated Funds					
Property	5,498	589	(7)	-	6,080
Parish Mission	-	-	376	-	376
Other designated funds	-	5	110	-	115
	5,498	594	479	-	6,571
Restricted Funds					
Diocesan Pastoral	-	18,034	(2,155)	(1)	15,878
Clergy Welfare	1,543	-	1,403	(1,805)	1,141
Clergy Welfare (B Wild)	-	200	646	-	846
Jenkinson Trust	-	-	18	-	18
University chaplaincy	-	-	35	-	35
Hayllar trust	-	-	72	-	72
Poling endowment	-	-	5	-	5
The Arnold Bequest	-	-	39	-	39
Clergy Widows	-	-	45	-	45
Archdeacons' loans	-	559	1,192	-	1,751
Aided Church Schools	-	847	1,456	(363)	1,940
Diocesan Overseas Council	-	-	107	-	107
Other restricted funds	-	-	77	-	77
	1,543	19,640	2,940	(2,169)	21,955
Endowment Funds					
<u>Expendable</u>					
Parsonage/Benefice houses	182,953	-	4,068	-	187,021
Diocesan Stipends	44,927	22,084	(3,880)	(5,646)	57,485
Clergy Welfare	-	2,318	24	-	2,342
Elfinsward	-	2,275	(57)	-	2,218
Terry's Cross	5,167	-	95	-	5,262
<u>Permanent</u>					
Jenkinson	-	51	(1)	-	50
Training	-	924	-	-	924
University chaplaincy	631	30	(37)	-	624
Hayllar trust	-	75	-	-	75
Poling endowment	-	659	2	-	661
The Arnold Bequest	-	404	(14)	-	390
	233,678	28,820	200	(5,646)	257,052
Total funds	240,738	49,180	9,119	(9,328)	289,709

THE CHICHESTER DIOCESAN FUND AND BOARD OF FINANCE INCORPORATED

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2017

19a PRIOR YEAR SUMMARY OF FUND MOVEMENTS

	Balances at 1 January 2016 £'000	Income £'000	Expenditure £'000	Transfer £'000	Gains and Losses £'000	Balances at 31 December 2016 £'000
UNRESTRICTED FUNDS						
General	2,283	16,546	(15,255)	(410)	11	3,175
Designated Funds						
Property	5,853	-	-	-	161	6,014
Parish Mission	572	157	(193)	-	-	536
Other designated funds	52	-	(25)	25	-	52
	<u>6,477</u>	<u>157</u>	<u>(218)</u>	<u>25</u>	<u>161</u>	<u>6,602</u>
Restricted Funds						
Diocesan Pastoral	16,742	73	(1,667)	141	1,373	16,662
Diocesan Stipend	-	1,054	(1,054)	-	-	-
Clergy Welfare	1,140	92	(103)	-	5	1,134
Clergy Welfare (B Wild)	911	-	(2)	-	-	909
Jenkinson Trust	17	2	(1)	-	-	18
Training	-	37	(37)	-	-	-
University chaplaincy	33	1	-	-	-	34
Hayllar trust	78	3	(2)	-	-	79
Poling endowment	12	28	(39)	-	-	1
The Arnold Bequest	47	20	(25)	-	-	42
Clergy Widows	47	-	-	-	-	47
Archdeacons' loans	1,638	26	-	-	34	1,698
Aided Church Schools	1,874	27	-	(42)	60	1,919
Diocesan Overseas Council	121	30	(28)	-	-	123
Other restricted funds	114	11	(29)	-	-	96
	<u>22,774</u>	<u>1,404</u>	<u>(2,987)</u>	<u>99</u>	<u>1,472</u>	<u>22,762</u>
Endowment Funds						
<u>Expendable</u>						
Parsonage/Benefice houses	167,967	239	-	(141)	(3,647)	164,418
Diocesan Stipends	48,850	102	-	427	846	50,225
Clergy Welfare	1,991	-	-	-	199	2,190
Elfinward	1,873	-	-	-	195	2,068
Terry's Cross	5,262	-	-	-	-	5,262
<u>Permanent</u>						
Jenkinson	43	-	-	-	4	47
Training	784	-	-	-	79	863
University chaplaincy	612	-	-	-	3	615
Hayllar trust	64	-	-	-	6	70
Poling endowment	580	-	-	-	41	621
The Arnold Bequest	531	-	(201)	-	34	364
	<u>228,557</u>	<u>341</u>	<u>(201)</u>	<u>286</u>	<u>(2,240)</u>	<u>226,743</u>
Total funds	<u>260,091</u>	<u>18,448</u>	<u>(18,661)</u>	<u>-</u>	<u>(596)</u>	<u>259,282</u>

THE CHICHESTER DIOCESAN FUND AND BOARD OF FINANCE INCORPORATED

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2017

20a PRIOR YEAR SUMMARY OF ASSETS BY FUND

	Fixed assets		Current		Net
	Tangible	Investments	Assets	Creditors	Assets
	£'000	£'000	£'000	£'000	£'000
UNRESTRICTED FUNDS					
General	25	118	4,283	(1,251)	3,175
Designated Funds					
Property	5,497	522	(5)	-	6,014
Parish Mission	-	-	536	-	536
Other designated funds	-	5	47	-	52
	<u>5,497</u>	<u>527</u>	<u>578</u>	<u>-</u>	<u>6,602</u>
Restricted Funds					
Diocesan Pastoral	-	17,166	(438)	(66)	16,662
Clergy Welfare	1,527	-	1,711	(2,104)	1,134
Clergy Welfare (B Wild)	-	-	909	-	909
Jenkinson Trust	-	-	18	-	18
University chaplaincy	-	-	34	-	34
Hayllar trust	-	-	79	-	79
Poling endowment	-	-	1	-	1
The Arnold Bequest	-	-	42	-	42
Clergy Widows	-	-	47	-	47
Archdeacons' loans	-	532	1,166	-	1,698
Aided Church Schools	-	809	2,015	(905)	1,919
Diocesan Overseas Council	-	-	123	-	123
Other restricted funds	-	-	96	-	96
	<u>1,527</u>	<u>18,507</u>	<u>5,803</u>	<u>(3,075)</u>	<u>22,762</u>
Endowment Funds					
<u>Expendable</u>					
Parsonage/Benefice houses	159,973	-	4,445	-	164,418
Diocesan Stipends	40,600	20,790	(4,578)	(6,587)	50,225
Clergy Welfare	-	2,190	-	-	2,190
Elfinward	-	2,150	(82)	-	2,068
Terry's Cross	5,167	-	95	-	5,262
<u>Permanent</u>					
Jenkinson	-	48	(1)	-	47
Training	-	873	(10)	-	863
University chaplaincy	624	29	(38)	-	615
Hayllar trust	-	70	-	-	70
Poling endowment	-	621	-	-	621
The Arnold Bequest	-	381	(17)	-	364
	<u>206,364</u>	<u>27,152</u>	<u>(186)</u>	<u>(6,587)</u>	<u>226,743</u>
Total funds	<u>213,413</u>	<u>46,304</u>	<u>10,478</u>	<u>(10,913)</u>	<u>259,282</u>

THE CHICHESTER DIOCESAN FUND AND BOARD OF FINANCE INCORPORATED

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2017

21 DESCRIPTION OF FUNDS

General	The general fund is the CDBF's unrestricted undesignated fund available for any of the CDBF's purposes.
Property	The fund value is set at the level equivalent to the net book value of corporate properties. Church House, Hove and various houses used by retired clergy make up the value of this fund.
Parish Mission	Fund made available from the All Churches Trust, Church Commissioners and other sources to support parish ministry throughout the Diocese.
Diocesan Stipends	The diocesan stipends capital fund has been created from the diocesan stipends fund capital account assets held on behalf of the diocese by the Church Commissioners under the Endowments and Glebe Measure 1976 to provide income for clergy stipends. It represents glebe property, accumulated sale proceeds of glebe property, sale proceeds of benefice houses and surplus benefice endowments following pastoral reorganisation. Capital funds may be used for the purchase, improvement and maintenance of glebe property and benefice houses.
Clergy Welfare	Fund is governed by a 1993 Charity Commission scheme with income being used for the welfare of clergy, their spouses or other licensed staff who work or have worked in the diocese.
Clergy Welfare (B Wild)	Fund derives from the sale of a property, Lapwings, bequeathed for purposes connected with clergy welfare.
Clergy Widows	Fund represents a legacy from Charles Peckham to provide financial grants or other benefits for widows of the clergy.
University chaplaincy	Fund is governed by a trust deed dated 21 July 1961. The fund is to provide a house for the University of Sussex chaplain and to assist that chaplain in the fulfilment of his/her duties.
Jenkinson Trust	Fund represents a legacy from William Jenkinson. Income from the fund is used for necessitous Church of England gentlewomen or as the diocesan fund finds most fitting.
Hayllar trust	Fund represents a legacy from Sidney Hayllar. Income from the fund is used to help clergy with personal costs such as education and personal support and general financial problems.
Poling endowment	A fund to be used for the welfare of clergy in need or hardship, serving or retired, of the Diocese of Chichester.

THE CHICHESTER DIOCESAN FUND AND BOARD OF FINANCE INCORPORATED

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2017

21 DESCRIPTION OF FUNDS (continued)

Archdeacons' loans	The fund arose from three gifts and the proceeds of a fundraising campaign. The accumulated income is used to make loans to parishes to help fund repairs to churches and church halls.
Aided Church Schools	The aided church schools fund represents the accumulated sale proceeds of redundant Church of England School properties. Its use is restricted by Section 287(2) of the Education Act 1993 to capital and maintenance work of Church of England schools in the diocese and education generally at Church of England schools in the diocese. The CDBF is trustee of these funds, which are managed in consultation with the Diocesan Board of Education.
Diocesan Overseas Council	The fund comprises the net income raised after grants made by the Diocesan Overseas Council. The Council promotes the Diocesan interest in, support for and engagement with mission work of the churches of the Anglican Communion in co-operation with the Church of England's partnership for World Mission accredited mission agencies and partners. It raises funds mainly by way of the Harvest Appeal each year and reaction to world mission appeals and projects.
The Arnold Bequest	The fund originated under a court order arising from the will of Andrew William Arnold and the first call on the income is the payment of the stipend of the parish priest responsible for Southgate St Mary. A Charity Commission scheme dated 2001 confirms the company's trusteeship.
Diocesan Pastoral	<p>The diocesan pastoral account was set up under the provisions of the Pastoral Measure 1983. The restricted purposes for which the account may be used are:</p> <ul style="list-style-type: none">• to defray costs incurred for the purposes of the Measure or any scheme or order made under the Measure except for salaries of regular diocesan employees• to make loans or grants for the provision, restoration, improvement or repair of churches and parsonage houses in the diocese• other purposes of the diocese or any benefice or parish in the diocese• to make grants or loans to any other diocese• to transfer funds to the diocesan stipends fund income or capital accounts.

THE CHICHESTER DIOCESAN FUND AND BOARD OF FINANCE INCORPORATED

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2017

21 DESCRIPTION OF FUNDS (continued)

Parsonage/Benefice houses	The parsonage/benefice property fund consists of resources restricted to provision of benefice houses in the diocese. They are represented by the benefice houses or by sale proceeds of former benefice houses. Although benefice houses are vested in the incumbents for the time being of the benefices concerned, the CDBF is obliged to maintain them, and to ensure that there are sufficient benefice houses for the pastoral structure of the diocese; in addition, where a benefice house is no longer required then it is usually transferred into the unrestricted corporate ownership of the CDBF.
Elfinward	The fund was created by the sale of a former retreat house. The income from the fund is used to support stipends, communications work and retreat grants.
Terry's Cross	The fund represents the value of a house, originally given as a gift to the diocese, to provide accommodation for retired clergy and church workers.
Training	This fund has been built up by various bequests. The income is used to support ordination training costs and for modest discretionary grants to assist ordinands in need.

22 CAPITAL COMMITMENTS

At 31 December 2017 the CDBF had capital expenditure commitments authorised but not contracted for of £NIL (2016 - £NIL), and contracted for but not yet due of £285,174 (2016 - £220,198).

23 OPERATING LEASES

Future minimum rentals payable until the end of the lease under non-cancellable operating leases are as follows:

	2017	2016
	£	£
	£'000	£'000
Other operating leases:		
Total amount payable within one year	40	40
Total amount payable in the second to fifth years inclusive	68	107
Total amount payable after five years	-	-
	<u>108</u>	<u>147</u>

Total lease payments recognised as an expense in the year were £39,999 (2016 £39,999).

THE CHICHESTER DIOCESAN FUND AND BOARD OF FINANCE INCORPORATED

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2017

24 PENSIONS

The CDBF participates in four pension schemes.

- A Church of England Funded Pensions Scheme (CEFPS)** for stipendiary clergy administered by the Church of England Pensions Board.
- B Church Workers Pension Fund (CWPF)** for Lay workers administered by the Church of England Pensions Board.
- C Church Workers Pension Fund (CWPF) Pension Builder Classic** for Lay workers administered by the Church of England Pensions Board
- D Teachers' Pension Scheme (TPS)** governed by the Teachers' Pension Scheme Regulations 2014.

A. Church of England Funded Pensions Scheme (CEFPS)

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

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

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

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

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

THE CHICHESTER DIOCESAN FUND AND BOARD OF FINANCE INCORPORATED

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2017

24 PENSIONS (continued)

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

Percentage of pensionable stipends	Jan-16 to Dec-17	Jan-18 to Dec-25
Deficit repair contributions	14.1%	11.9%

As at December 2015 the deficit repair contributions payable under the recovery plan in force were 14.1% of pensionable stipends until December 2025. As at December 2016 and December 2017 the deficit recovery contributions under the recovery plan in force were as set out in the above table.

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

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

	2017 £'000	2016 £'000
Balance sheet liability brought forward	6,587	7,846
Deficit contribution paid	(863)	(832)
Interest cost (recognised in SoFA)	92	186
Remaining change to the balance sheet liability (recognised in SoFA)*	(170)	(613)
Balance sheet liability carried forward	<u>5,646</u>	<u>6,587</u>

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

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

	2017	2016	2015
Discount Rate	1.4% pa	1.5% pa	2.5% pa
Price inflation	3.0% pa	3.1% pa	2.4% pa
Increase to total pensionable payroll	1.5% pa	1.6% pa	0.9% pa

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

THE CHICHESTER DIOCESAN FUND AND BOARD OF FINANCE INCORPORATED

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2017

24 PENSIONS (continued)

B. Church Workers Pension Fund (CWPF)

The CDBF 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.

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

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

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

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

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

Following the valuation, the Employer has entered into an agreement with the Church Workers Pension Fund to pay expenses of £5,700 per year.

THE CHICHESTER DIOCESAN FUND AND BOARD OF FINANCE INCORPORATED

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2017

24 PENSIONS (continued)

C. Church Workers Pension Fund (CWPF) Pension Builder Classic

Since 1st October 2012 the CDBF (PB Classic) participates in the Pension Builder 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.

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.

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 that members use to provide benefits at retirement. Pension contributions are recorded in an account for each member. This account may have bonuses added by the Board before retirement. The bonuses depend on investment experience and other factors. There is no requirement for the Board to grant any bonuses. The account, plus any bonuses declared, is payable from members' Normal Pension Age.

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 means it is not possible to attribute the Pension Builder Scheme's assets and liabilities to specific employers and that contributions are accounted for as if the Scheme were a defined contribution scheme. The pensions costs charged to the SoFA in the year are contributions payable.

A valuation of the scheme is carried out once every three years. The most recent scheme valuation completed was carried out as at 31 December 2013. This revealed, on the ongoing assumptions used, a surplus of £0.5m. There is no requirement for deficit payments at the current time.

Pension Builder 2014 will be valued in relation to the lump sum payable to members at normal pension age. There are no annual pension benefits. Pension Builder 2014 commenced in February 2014 so the first full valuation of that section will be carried out at the next CWPF valuation date, 31 December 2016.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2017

24 PENSIONS (continued)

D) Teachers Pension Scheme (TPS)

The Teachers' Pension Scheme (TPS) is a statutory, contributory, defined benefit scheme, governed by the Teachers' Pensions Regulations 2010 and, from 1 April 2014, by the Teachers' Pension Scheme Regulations 2014.

The TPS is an unfunded scheme and members contribute on a 'pay as you go' basis – these contributions along with those made by employers are credited to the Exchequer. Retirement and other pension benefits are paid by public funds provided by Parliament.

The employer's pension costs paid to the TPS in the year amounted to £27,325 (2016 £43,775).

A copy of the valuation report and supporting documentation is on the Teachers' Pensions website.

Under the definitions set out in FRS102 the TPS is a multi employer scheme. CDBF has accounted for its contributions to the scheme as if it were a defined contribution scheme.

Not less than every four years the Government Actuary, using normal actuarial principles, conducts a formal actuarial review of the TPS in accordance with the Public Service Pensions (Valuations and Employer Cost Cap) Directions 2014 published by HM Treasury. The aim of the review is to specify the level of future contributions. Actuarial scheme valuations are dependent on assumptions about the value of future costs, design of benefits and many other factors. The latest actuarial valuation of the TPS was carried out as at 31 March 2012 and in accordance with the Public Service Pensions (Valuations and Employer Cost Cap) Directions 2014. The valuation report was published by the Department for Education on 9 June 2014. The key elements of the valuation and subsequent consultation are:

- (a) employer contribution rates set at 16.48% of pensionable pay (including a 0.08% employer administration charge (14.1% until September 2015));
- (b) total scheme liabilities for service to the effective date of £191,500 million, and notional assets of £176,600 million, giving a notional past service deficit of £14,900 million; and
- (c) an employer cost cap of 10.9% of pensionable pay will be applied to future valuations.
- (d) the assumed real rate of return is 3% in excess of prices and 2% in excess of earnings. The rate of real earnings growth is assumed to be 2.75%. The assumed nominal rate of return is 5.06%.

Up to September 2015 the employer contribution rate was 14.1%. The TPS valuation for 2012 determined an employer rate of 16.48% from September 2015. Following the next valuation which was due as at March 2016, the employer contribution rate is expected to be reassessed and will be payable from 1 April 2019.

THE CHICHESTER DIOCESAN FUND AND BOARD OF FINANCE INCORPORATED

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2017

25 PRIOR YEAR STATEMENT OF FINANCIAL ACTIVITIES

	Unrestricted Funds General £'000	Designated £'000	Restricted Funds £'000	Endowment Funds £'000	Total Funds 2016 £'000
Income and endowments from					
Donations					
Parish contribution	14,334	-	-	-	14,334
Archbishops' Council	-	118	-	-	118
Other donations	141	39	29	-	209
Charitable activities	854	-	123	-	977
Other activities	352	-	-	-	352
Investments	865	-	1,179	-	2,044
Other	-	-	73	341	414
	<u>16,546</u>	<u>157</u>	<u>1,404</u>	<u>341</u>	<u>18,448</u>
Expenditure on					
Raising Funds	16	-	56	-	72
Charitable activities	15,239	218	2,931	201	18,589
Other	-	-	-	-	-
	<u>15,255</u>	<u>218</u>	<u>2,987</u>	<u>201</u>	<u>18,661</u>
Net Income/(expenditure) before investment gains	<u>1,291</u>	<u>(61)</u>	<u>(1,583)</u>	<u>140</u>	<u>(213)</u>
Net gains on investments	11	(172)	1,467	2,012	3,318
Net income/(expenditure)	<u>1,302</u>	<u>(233)</u>	<u>(116)</u>	<u>2,152</u>	<u>3,105</u>
Transfer between funds	(410)	25	99	286	-
Other recognised gains/(losses)					
Gains/(losses) on revaluation of fixed assets	-	333	5	(4,252)	(3,914)
Net movement in funds	<u>892</u>	<u>125</u>	<u>(12)</u>	<u>(1,814)</u>	<u>(809)</u>
Total funds brought forward	2,283	6,477	22,774	228,557	260,091
Total funds carried forward	<u>3,175</u>	<u>6,602</u>	<u>22,762</u>	<u>226,743</u>	<u>259,282</u>

THE CHICHESTER DIOCESAN FUND AND BOARD OF FINANCE INCORPORATED

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2017

26 POST BALANCE SHEET EVENTS AND CONTINGENT LIABILITIES

There were no post balance sheet events or contingent liabilities at the balance sheet date.

27 RELATED PARTY TRANSACTIONS

Grants totalling £111k were paid to the Diocese of Chichester Academy Trust to support their work.

The Mother Agnes Trust is an unincorporated charity of which The Right Revd Dr M Warner, the Ven E Dowler and Gabrielle Higgins, Diocesan Secretary of the CDBF, are trustees. Since 2004 Chichester DBF has paid the running expenses of the Magnet Centre in Hastings on behalf of the Mother Agnes Trust. The Magnet Centre transferred into new ownership in 2017. The total amount expended by CDBF on behalf of the Mother Agnes Trust as at 31 December 2017 in respect of the Magnet Centre is £370,996. In addition the DBF pays the salary of the Clerk to the Trustees of the Mother Agnes Trust on behalf of the Trust. As at 31 December 2017 the amount expended by Chichester DBF in respect of staff costs is £27,418. Chichester DBF has invoiced these sums but will not pursue payment until the sale of land by the Mother Agnes Trust.

Mr G Leonard, a Trustee of CDBF, was paid fees and expenses totalling £6,000 for property consultancy services.

28 FUNDS HELD AS CUSTODIAN TRUSTEE

The CDBF acts as Diocesan Authority or custodian trustee for many trust funds by virtue of the Parochial Church Councils (Powers) Measure 1956 and the Incumbents and Churchwardens (Trusts) Measure 1964 where the managing trustees are parochial church councils and others. Assets held in this way are not aggregated in these financial statements as the CDBF does not control them. The financial assets held in this way may be summarised as follows:

	2017	2016
	£'000	£'000
CBF Church of England Investment Fund income shares	11,622	10,839
CBF Church of England Investment Fund accumulation shares	166	146
CBF Church of England Fixed Interest Securities Fund shares	1,907	1,897
CBF Church of England Property Fund shares	235	226
CBF Church of England UK Equity Shares	10	9
CBF Church of England Global Equity Shares	112	106
Other common investment fund holdings	1,904	1,811
Direct holdings in UK equities	230	223
CBF Church of England Deposit Fund	1,700	1,631
Sundry debtors	3	3
Cash at bank	96	285
Sundry creditors	(453)	(199)
Total assets held as custodian trustee	<u>17,532</u>	<u>16,977</u>