

THE CHICHESTER DIOCESAN FUND AND
BOARD OF FINANCE (INCORPORATED)



**Annual Report and Financial Statements
For the year ended 31 December 2018**

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

A large print version is available on request from
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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 2018.

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 in May 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 led into the Year of Prayer in 2018, where as well as continuing to listen, we learned to respond to what God is saying. This has taken us into 2019 and the Year of Vocation where we will explore how God is calling us 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
 - Planning and delivering improvements to mission and pastoral organisation

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- 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 1,400 weddings or blessings, 3,900 funerals and 2,750 baptisms each year. Almost 400 licensed clergy and over 120 licensed readers minister in the 364 parishes in the Diocese, with 20 new full time and 3 part time stipendiary clergy appointments and 5 new readers licensed during 2018.

The Education Department appointed 82 new foundation governors and reappointed 38 existing foundation governors for church schools and helped to appoint 20 new head teachers.

During the year the CDBF paid stipends, pensions and other employment costs totalling £9.87 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. Vacancies were slightly in excess of the budgeted rate of 26, although lower than the average rate of 34 in 2017.

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Additional posts were also created during the year to respond to local pastoral needs and so the total cost of stipends for the year was above budget. 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 was enhanced from 2017 by the addition of a full-time in-house HR Officer.

Provision of housing

The annual quinquennial repair programme covered 66 of the diocese's 380 properties, spending c.£950k, and 60 properties were made ready for incoming clergy and private tenants (to derive a rent) at a cost of c. £700k. The following improvement works were also carried out:

- Four properties were re-roofed or had significant roof repairs.
- 26 properties had replacement boilers or upgrades to their central heating systems
- 11 properties had replacement bathrooms
- 29 properties had replacement kitchens
- 9 properties had replacement UPVC windows and doors.

In addition to this a major refurbishment was completed of the vicarage at the Annunciation, Brighton, at a cost of £332k. This included creating a separate basement flat. Also, a kitchen extension was provided to St Matthias, Brighton at a cost of £88k.

There was also a refurbishment and upgrading of the windows at the grade II* listed rectory at Withyham.

The updated Housing Handbook was released at the beginning of 2018.

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 £280k were made to ordinands to support them and their families during their training.

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Jayne Prestwood's appointment has resulted in a huge leap forward in the area of lay development and ministry. The course for lay ministers for communion has been redeveloped so that it can be delivered at a parish level. We have developed and run Living Faith, a Christian discipleship course, which was run over 9 months at three separate venues. 56 people completed the programme in 2018. We also launched two Accredited Lay Ministers courses (ALM) - Pastoral visiting and Children's work. 41 people attended the course of whom 37 were commissioned by the Bishop at the Cathedral.

Ministerial Development Review and Continuing Ministerial Development

MDR continues to be run successfully with minor changes. Most clergy are now on their second review.

During the year, the CMD officer left and we are in the process of recruiting a replacement. We launched a new programme of training events which is a mixture of MDR related needs and proactive events. The Sabbatical and Study leave policies have been updated and rewritten. The Galilee Programme is a new diocesan programme designed to enable and equip the ministerial development and leadership skills of experienced clergy. The first cohort completed the programme this year, and a new cohort has been invited for the second programme.

Pastoral care and welfare support

The confidential counselling service for clergy and their families continues to go from strength to strength. There have now been over 110 confidential referrals since the service was launched. During this year, we recruited a deputy for the department to provide much needed additional resource. We continue to be grateful for the generous legacy which has enabled this work.

In addition, welfare grants of approximately £102k have been awarded to 101 clergy and their families in time of need.

Implementing improvements to pastoral organisation

Seven Mission and Pastoral schemes and orders were completed in 2018: two church closure schemes, four pastoral reorganisation schemes and a pastoral order. A further ten cases were progressed. Significant progress was also made towards finding new uses for five churches which 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. Two vocations events were held which has maintained the number of people engaged in some kind of vocational discernment to just over 100. Of those who attended a Bishops Advisory Panel in 2018 19 individuals were recommended for ordination training (12 men and 7 women of whom 16 will train to be stipendiary ministers and 3 to be Self

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Supporting Ministers). A half time Deputy DDO has been recruited, starting in January 2019, to support the work of the DDO.

Supporting apostolic partnerships

A decision was made at the Bishop's Council that we would not proceed with a second Strategic Development Funding ('SDF') bid. The DBF continues to support the three existing SDF projects. Following the departure of the project coordinator in the summer, the archdeacons have taken primary responsibility for the projects.

Enabling church schools to reach out

Throughout 2018, church schools within the Diocese have continued to look at their vision statements in preparation for the implementation of the revised SIAMS inspection schedule. Within the schedule, schools are being encouraged to engage in "courageous advocacy" and reach out to their local communities through engagement in both social action and charitable activities.

Many schools took part in activities relating to the Year of Prayer; with prayer spaces and gardens being created alongside illustrated prayers. A celebration event was held at St Mary De Haura Church to bring participants together and a book has been published with a selection of the illustrated prayers which is available for schools and parishes to purchase.

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 Prayer Lent course and study days for clergy. The Diocesan Spirituality Advisor left during the year and Kate Woodman took over the administration of the Spiritual Direction service. We have commissioned a comprehensive review of the whole Spiritual Direction service including the training, the findings of which we will implement in 2019.

Youth and Children

2018 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. Networking events have seen stronger cohesive working between churches across the diocese and regular ongoing training for salaried workers and volunteers. The Pursuit programme, a year out leadership development scheme for young adults, was launched this year aiming to start the first cohort in 2019. The team is working to a five year strategic plan for the development of the service. May Camp, our diocesan youth festival, continues to see healthy growth and over 50 young people made a personal commitment to Christ in 2018.

Communications

Throughout a busy 2018 communications continued to provide a proactive and reactive service to Church House departments, the senior clergy team, parishes, and partner organisations.

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There was an increased expectation from the Church of England to engage with national initiatives including Digital Evangelism initiatives, Thy Kingdom Come, Setting God's People Free and the Christmas campaign #FollowtheStar.

In 2018 the Diocesan Year of Prayer was hugely successful. Schools and parishes engaged with the resources and shared their activities and events. In May Bishop Richard conducted a Thy Kingdom Come Prayer Pilgrimage which involved visiting 49 parishes and concluded at the cathedral with a Pentecost celebration. Each prayer venue featured on the diocesan Facebook and Twitter pages with healthy engagement across all the digital channels. The national team also reported on it in their TKC round up.

The planning, development and delivery for Year of Vocation resources and events was signed off by the end of October 2018 and launched at the Diocesan Synod in November. The Way of Living, The Order of St Richard and Lent course continue to be promoted extensively in all diocesan communications.

The Faith in Sussex magazine continues to be appreciated as a diocesan mission tool.

Parish development and stewardship

In 2018, we have developed a team of parish development facilitators across the diocese. These people help to deliver vision and training days across the diocese. We have worked directly with 70 parishes across the traditions this year.

Education

Autumn briefings were held in 11 venues across the diocese, with 97 people attending including head teachers, chairs of governors and clergy. These briefings gave an opportunity for the new Director of Education to give information about the future focus of the department as well as sharing the wider context of education issues such as the small schools agenda and academisation.

The training programme offered by the Education department has continued to support Head Teachers, governors and clergy with a variety of courses covering topics from Understanding Christianity to SIAMS and Church School governance. All church school governors are expected to attend safeguarding training.

The Education department has continued to establish relationships with external organisations such as Open The Book and Big Start Assemblies to ensure that schools and parishes are able to deliver collective worship sessions for children that are both engaging and innovative.

Safeguarding

IICSA: the Diocese gave evidence to the Independent Inquiry into Child Sexual Abuse in 2018, having been selected as the Case Study for IICSA's investigation into the Church of England and Wales. Two public hearings investigated the overall history of the Diocese's response to child sexual abuse, and the specific case of the former Bishop of Lewes, Peter Ball. This was an

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unprecedented level of scrutiny and exposure. The Diocese awaits the final report of the Case Study, due in 2019.

The Diocese continues to implement the National Safeguarding Training Framework. Over 90% of licensed clergy and over 75% of PTO clergy have the full training requirement, with the numbers of licensed clergy with no training now extremely small (and explained due to long-term sickness). Over 2500 safeguarding course completions were achieved across the Diocese in 2018.

Simple Quality Protects ('SQP'), the online parish safeguarding tool, was launched in 2017 and has had a very good take-up across the Diocese. Over 90% of parishes have made considerable progress towards SQP completion in 2018. The planned deanery assessment events did not take place in 2018 due to the demands IICSA made on the Safeguarding Team and Diocese, but will be completed in 2019.

The Diocese has been working with the Survivor's Network, via a Service Level Agreement, in 2018 and into 2019. The SLA provides for an Independent Sexual Violence Adviser (ISVA) to work alongside the Safeguarding Team in providing specialist support to survivors of abuse, particularly during criminal investigations. This continues a successful model of casework pioneered in Chichester, which is now forming the basis of a national model of best-practice.

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 and Church Buildings

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 the Chancellor, Archdeacons and parishes on issues relating to the care of church buildings.

The DAC issued written advice in relation to 208 projects (146 applications for Formal advice and 62 requests for Informal advice) and made 30 site visits to assist parishes in the early stages of planning major church building projects. The Church Buildings team and DAC also assisted the Archdeacons in reviewing and processing 126 permissions for minor works, under the List B process.

The Church Buildings team also offered 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 'Opening doors, reducing risk, and engaging communities', four training sessions aimed at new clergy and churchwardens on 'Looking after church buildings and permissions', and two fundraising workshops in conjunction with the Heritage Lottery Fund.

Finance

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The Finance Department provides support to parishes through its training seminars and 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. Responsibility for Stewardship and the Parish Giving Scheme transferred to Finance during 2018 and these topics now feature in the regular training seminars.

During 2018 there has been a particular focus on promoting legacy giving and encouraging parishes to implement digital giving. There has been a large take up of contactless giving devices in parishes in Chichester Diocese.

During 2018 the Finance Department ran 19 training seminars across the Diocese. These were attended by 814 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.

During 2018 the accounting system for the DBF was changed. This was a large project which occupied the staff for the latter half of the year. There was an exercise to cleanse data from the old system before the migration which has resulted in a much better understanding of the DBF's financial position and assets. The new system is working well and there is a plan to implement additional functionality during the course of 2019.

Governance

The Governance team manages elections and advises parishes on matters of governance, record-keeping, and the like. The triennial elections for Diocesan Synod and the Boards, Councils and Committees were successfully concluded during the year, and further work on cleansing the database adopted in 2016 took place. Considerable work was undertaken to ready the Diocese for the new General Data Protection Regulations. IT also falls within the governance team, and a major achievement for the year was to migrate the diocesan IT provision to a new supplier.

Supporting schools

During 2018, the programme of continuing professional development and school-based reviews for 156 schools in the diocese continued, funded through a combination of diocesan funding and contributions from schools made under a partnership agreement.

All schools have benefitted from the support of a named Diocesan Effectiveness Partner. The team of DEPs support schools on a local level, with a focus on school improvement and effectiveness.

The programme of CPD offered by the department is designed to support school leaders, governors and clergy through a wide variety of topics that are relevant to school life. Courses offered around the new SIAMS schedule have proved popular with governors and headteachers alike, with additional bespoke sessions being arranged for groups of schools and the Diocese of Chichester Multi Academy Trust (DCAT).

Particular focus was given to the Year of Prayer during 2018 with a major competition being held

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across the Diocese. Schools were encouraged to create prayer spaces both inside and out; and to create illustrated prayers. Through the money donated by deaneries in 2017, and a small contribution from the diocese, 53 prizes were presented at a special event held at St Mary De Haura Church in Shoreham. A special edition book has also been created with a selection of illustrated prayers from the competition.

Academisation remains a key part of the strategy of the department. Although the pace of academisation across the diocese is slow, DCAT have taken on a further school in West Sussex and have strengthened their team during 2018. They have appointed a new substantive CEO and have had determined focus on the improvement of standards in their schools leading to improvement in attainment and progress of pupils across all their schools.

Two schools are now affiliated to the diocese; Kings School in Hove and Christ's Hospital School in Horsham. The affiliation enables these schools to benefit from the Education department services as well as benefiting from access to the CPD and events programme. These affiliations also allow the opportunity for the sharing of best practice across a wider variety of schools in terms of both school improvement and Christian distinctiveness and ethos.

By the end of 2018, 87% of our schools were judged to be graded good or above by Ofsted. This is encouraging as the number of good or better schools has steadily risen over the past four years, despite the Ofsted framework having increasingly raised expectations of schools.

During the academic year 2017/18, 40 schools were inspected under the SIAMS framework for the impact of their Christian distinctiveness. 15 schools were rated 'Outstanding', 24 'Good' and only 1 'Requiring Improvement'.

The diocese has now supported 20 aspiring headteachers in Church schools to complete the Church of England Professional Qualification for Headship. A further three are set to undertake the course in 2019, ensuring that there is a continuing future pipeline of leaders for Church Schools.

In 2018, St Catherine's College in Eastbourne carried out an 'Unlocking Gifts' project to support the mental health and wellbeing of the most vulnerable pupils in Year 7, funded by the national Church of England Education Office, which our Education department has been monitoring. The fee charged for this monitoring has been used to support two further projects around mental health and wellbeing in other schools across the diocese.

The Education department has continued to support the growth of 'Open the Book' teams across the diocese, taking teams of volunteers into schools to bring Bible stories to life. These teams have delivered sessions to 30 schools across the diocese over the past year, leading to school worship increasing pupils' knowledge and love of Bible teaching.

Facilitating of capital expenditure on schools

The Education Department continues to support the remaining Voluntary Aided Schools via capital funding from the government through LCVAP, through which £2 million was allocated in

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2018. There has been a gradual decrease in funding over the last few years mainly due to VA schools converting to academy status. Projects funded through the LCVAP route have primarily been to complete necessary maintenance with several central heating projects. In addition, this year we have had access to the government's Healthy Pupil Capital Funding (HPCF) for mental and physical well-being, which was a one-off fund in 2018. A variety of projects were funded through this, with £221k allocated to the diocese and an additional £9k match funding from schools, giving a total value of £230k across the diocese spent on HPCF projects.

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. A number of criminal investigations continued in 2018 and into 2019, involving a very considerable degree of co-working between the Diocese and the statutory agencies in Sussex. The quality of these working relationships were highlighted by Sussex Police in their evidence to IICSA.

The environment

The CDBF is continuing to support the Diocesan aim of becoming one of the A Rocha Eco Dioceses, developing a culture of caring for the environment across its churches.

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 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.

Due to funding changes there is now less money to give away and the committee has started to consider applications annually. There are concerns that the funding will cease within two years and so a key priority for 2019 is to consider how to fund mission projects within the Diocese in future.

Grants are made to other connected charities, notably Chichester Diocesan Association for Family Support Work and St Bartz Trust to support their work with disadvantaged families and youth work respectively. In 2018 the Diocese paid its second 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.

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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).

Support for the wider church internationally

The building of school links has continued throughout the year. A group of teachers from the Diocese led by Christine Emson made a visit to some schools in our Kenyan Companion Diocese in February 2018. This has helped further links between some of our schools and schools in Kenya. Essential work has been done in this regard by Christine Emson and Margaret Lumley, who have continued the work with our school and parish links in East and West Africa. Fr Lionel Whatley and a team of volunteers made a working visit to St Nicholas Children's Home in Nakuru in October 2018 which went well. The dormitory and sports facilities were refurbished. Our Diocese also has over the past three years, sponsored five students at theological Colleges in Kenya and one student in the Gambia, three of whom have graduated and are now moving on to Diaconal Ordination and Curacies in parishes, some of which are right on the frontline of the realities of church's work in Africa.

Other projects have been sponsored including a musicians' education project in the Diocese of Guinea, and a rice cultivation project in Sierra Leone which assisted with the costs related to the rice harvest which had to take place within an urgent time period. The Revd Canon Ian Hutchinson Cervantes, the World Mission Officer, moved on to work with the Mission to Seafarers in the Autumn. We are grateful to him for his work over the past six years in looking to encourage our links with our Companion Dioceses and wish him well in his move to Panama. In planning for 2019 the DOC will be looking at ways to streamline procedures regarding funding requests and ways of working, looking as always to setting up a framework for building continued relationship with our Companion Dioceses and offering support to projects making a real-life difference. The Revd Christine Keyte will be taking up the new role of Companion Links Officer. This is envisioned as being a different role than that of the previous World Mission Officer, involving more collaborative work with various teams in our Diocese and projects in our Companion Dioceses and is a voluntary position.

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 Feuerstein Conference in October 2018.

Support for particular ministries

The Diocese has continued developing bespoke local responses to the challenges faced by smaller communities in rural areas. 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 during 2018.

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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 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 2018 the option (signed in 2016) was completed for the sale of Storrington Glebe. The DBF received £1.25m. 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. £511k for parsonage houses and c. £284k 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 coming year. During 2019, consultation will take place on a new strategic focus for the next 5 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.

The Education team will be focussing on providing support to rural and small schools through the development of a strategic guidance document which will help schools ensure that they are able to provide the best education available for the children that they serve. Measured growth of both the Diocese of Chichester Academy Trust and Bishop Otter Academy Trust will continue to be supported to ensure that they are strong and effective 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 73.6% of the CDBF's income (2017: 79.2%).

The current year's Parish Share receipts represent 97.8 % (2017: 98.3%) of the total pledges made for 2018. Additionally when the receipts for prior years are included the collection rate increases to 98.2 % (2017: 99.5%). 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 £18.4m (2017: £18.3m). The changes to income in 2018 are due to:

- From 1 January 2018 parishes have been responsible for paying the church insurance premiums direct to Ecclesiastical. In previous years the CDBF paid the total premium and collected the amount from parishes through Parish Share. Therefore there is a decrease in total parish share and a corresponding decrease in expenditure.
- In September 2017 the new financial arrangements for ordination training were introduced. In the past Ministry Division had paid the theological colleges directly for the tuition and accommodation of ordinands. From September 2017 Ministry Division pays a grant to the DBF and the DBF pays the theological colleges. Therefore there is an increase in grant income received of £174k and also an increase in expenditure on ordination training.
- £132k of restricted donations represents income recognised in the Aided Schools Fund in 2018. Following a review of funds held on trust it was agreed that £108k of the funds were a restricted fund of the DBE to be used for school building projects and £24k had been given by parishes to be used at the discretion of the DBE to support voluntary aided schools. These amounts were therefore recognised as donations in the year.
- Decrease of £67k in investment income. This is due to lower yields and the withdrawal of £1.75m from the investment portfolio during the year.

The total expenditure for the year was £19.5m (2017: £19.8m). The decrease in expenditure of £0.3m was due to a number of factors including:

- A decrease in the amount spent on insurance of £872k as the DBF is no longer paying the insurance premiums on behalf of PCCs.
- An increase of £32k in the amount payable to the Archbishops' Council in respect of Chichester's share of national responsibilities.
- An increase in stipend costs of £360k and pension costs of £178k due to the lower rate of vacancies over the year compared to 2017 plus the creation of additional posts in 2018.
- An increase in the cost of clergy training of £161k which includes ordination training and continuing ministerial development. This is due to an increase in the number of ordination

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candidates plus the new arrangements for paying tuition and accommodation to theological colleges.

- A decrease of £63k on Common Good following the departure of the university chaplain and the World Mission Officer in 2018.
- An increase in expenditure on IT of £117k. This is due to the transfer of IT services from the consortium service provider to a new service provider for Chichester.
- A decrease in grants made to parishes as there were no grants made from the proceeds of closed churches during 2018.

Overall the net deficit before investment gains was £1.05m. Taking account of realised and unrealised losses on investments of £4.2m, and unrealised losses on revaluations of property fixed assets of £8.1m, the resulting decrease in funds was £13.4m which decreased the total assets of the CDBF from £289.7m to £276.3m.

A deficit budget has been set for 2019. Parish Share and investment income are not expected to increase in line with inflation while expenditure does continue to rise with inflation. In addition, the number of people training for ordination is planned to increase which increases the cost of supporting those in training.

Significant Property Transactions

Three properties (one parsonage and two glebe houses) were sold during the year for a total of £1,595,000. In addition a school house was sold for £356,000. Six properties (two parsonages and four glebe houses) were purchased during the year for a total of £2,007,190.

The sale of Storrington glebe for £1,250,000 was completed during the year.

Several properties are currently being marketed for sale, but market conditions are predicted to be slow during 2019.

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 £276m (2017: £290m), it must be remembered that included in this total are properties, mostly in use as clergy housing, whose value amounted to £233m (2017: £241m). 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 73.6% 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 2018 the amount required under this policy totalled £3.1m (2017: £3.1m). Actual free reserves as at 31 December totalled £4.6m (2017: £4.1m). 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.

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 2018 total designated reserves were £6.4m (2017: £6.6m), the majority of which is tied up in fixed assets.

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 2018 restricted funds totalled £19.1m (2017: £22.0m) and endowment funds totalled £246.2m (2017: £257.1m). 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 2018 is indicated in note 11. The principal grants were made to parishes to support mission projects. Of the grants totalling £286k, £257k was considered by the Mission Fund Sub-Committee and £29k was awarded for individual church projects.

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.

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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.

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

	Funds at 31 December 2018 £'000s	Proportion of Portfolio	Income yield in year	Total Return in year
CCLA Managed				
CBF F.I.S. Fund	424	1.1%	0.6%	0.2%
M&G Managed				
Charifund	13,735	34.9%	4.6%	-5.2%
Charibond	25	0.1%	2.2%	-1.5%
Charles Stanley Managed	11,424	29.0%	4.8%	-7.4%
J M Finn Managed	6,541	16.6%	4.0%	-3.4%
Cazenove	7,223	18.3%	2.9%	-6.4%
	<u>39,372</u>	<u>100.00%</u>		

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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 risk register was compiled in February 2016 with the assistance of consultants. The register is reviewed at least three times a year and 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
- The diocese is a pilot diocese for Setting God's People Free to engage the whole church in ministry, discipleship and evangelism

Significant loss of income or increase in expenditure, or insufficient cash to meet requirements

- Close monitoring of income, expenditure and cash flow
- Improved forward planning
- Close communication with parishes to maintain parish share payments
- Exploration of alternative funding avenues.

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
- 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

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

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 Deans of Women's Ministry and of Self-Supporting 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

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Synod House of Clergy and House of Laity. Elections were held during 2018 for members to serve from 1 January 2019. The details of Trustees who served during the year, who were elected in 2015 to serve from 1 January 2016, 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, and a new Synod to serve from November 2018 was elected during the year. 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 of the Diocesan Synod, 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
- 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

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- 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 Rt Revd Dr Martin Warner	4
The Rt Revd Mark Sowerby	4
The Rt Revd Richard Jackson	4
The Very Revd Stephen Waive	1
The Ven Martin Lloyd Williams	3
The Ven Douglas McKittrick	*0
The Ven Dr Edward Dowler	4
The Ven Fiona Windsor	4
Revd Lisa Barnett	3
Mr John Booth	*1
Mr Philip Bowden	4
Mrs Val Burgess	4
Revd Nick Cornell	*1
Mr Martin Cruttenden	4
Revd John Eldridge	3
Revd Canon Mark Gilbert	2
Mr John Head	2
Revd Luke Irvine-Capel	4
Mr Guy Leonard	0
Mrs Lesley Lynn	4
Revd Dr Andrew Manson-Brailsford	*0
Mrs Mary Nagel	3
Dr Graham Parr	*0
Revd Canon Julia Peaty	*3
Mr Colyn Robinson	*1
Mrs Sara Stonor	*4
Mr Jacob Vince	3
Canon Ann Waizeneker	2

*Trustee for part of the year only

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.

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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 of the Diocesan Synod 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.

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 £17.27m at 31 December 2018 (2017: £17.53m), 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.

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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 2018 is £416k (2017 £328k).

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 Bartz 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 the Diocese of Chichester Academy Trust ('DCAT') which manages seven 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.

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.

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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.

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 LLP 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 2018. The following Trustees served during the reporting year or 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) (to 30.06.18) 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 Self Supporting Ministry) (from 12.05.18) The Revd Canon A Waizeneker (Dean of Women's Ministry) The Revd Canon PM Gilbert (Chair of House of Clergy) Dr G Parr (Chair of House of Laity) (to 31.07.18) Mr J Booth (Chair of House of Laity) (from 10.11.18)
Appointed by the Bishop:	Mr J Booth (Chair of the Finance Committee) (to 12.05.18) Mr P Bowden (Vice Chair of the Finance Committee to 12.05.18, Chair from 13.05.18) Mrs L Lynn (Vice Chair of the Finance Committee from 13.05.18) Mrs S Stonor (from 19.01.18) The Revd L Irvine-Capel (to 31.12.18)
Elected by Diocesan Synod: Archdeaconry of Chichester	The Revd J Eldridge (to 31.12.18) The Revd D Twinley (from 01.01.19) Mrs M Nagel (to 31.12.18) Mr C Robinson (to 24.05.18) Mr B Smith (from 01.01.19) Mrs J Hobbs (from 01.01.19)
Archdeaconry of Horsham	The Revd Canon L Barnett (to 31.12.18) The Revd M King (from 01.01.19) Mrs V Burgess Mr G Leonard (to 31.12.18) Mr L Webster (from 01.01.19)

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ANNUAL REPORT

For the year ended 31 December 2018

Archdeaconry of Brighton and Lewes

The Revd A Manson Brailsford (to 31.07.18)

The Revd J Hollingsworth (from 01.01.19)

Mr M Cruttenden

Mr J Head (to 31.12.18)

Mrs A Murphy (from 01.01.19)

Archdeaconry of Hastings

The Revd N Cornell (to 05.09.18)

The Revd P Coekin (from 01.01.19)

Mr P Bowden (to 31.12.18)

Miss A Marchant (from 01.01.19)

Mr J Vince

THE CHICHESTER DIOCESAN FUND AND BOARD OF FINANCE (INCORPORATED)

ANNUAL REPORT

For the year ended 31 December 2018

Senior staff and advisers

Diocesan Secretary	Gabrielle Higgins
Finance Director	Catherine Dawkins
Director of Education	Ann Holt OBE (to 19 September 2018)
Director of Education	Trevor Cristin (from 1 September 2018)
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 LLP, 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
4 April 2019

Mr Philip Bowden
Chair of the Trustees
4 April 2019

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 2018 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 2018, 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.

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 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.

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

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
- 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.

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

Use of our report

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

Adam Halsey

(Senior Statutory Auditor)

for and on behalf of Haysmacintyre LLP, 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 2018

	Note	Unrestricted Funds		Restricted Funds	Endowment Funds	Total Funds	Total Funds
		General	Designated			2018	2017
		£'000	£'000	£'000	£'000	£'000	£'000
Income and endowments from							
Donations							
Parish share	3a	13,553	3	-	-	13,556	14,455
Other donations	3b	185	54	568	-	807	447
Charitable activities	4	823	51	113	-	987	847
Other activities	5	511	-	92	-	603	429
Investments	6	744	-	1,305	-	2,049	2,116
Other	7	7	-	356	46	409	(38)
		<u>15,823</u>	<u>108</u>	<u>2,434</u>	<u>46</u>	<u>18,411</u>	<u>18,256</u>
Expenditure on							
Raising Funds	8	69	-	203	-	272	184
Charitable activities	9	15,342	396	3,453	-	19,191	19,621
		<u>15,411</u>	<u>396</u>	<u>3,656</u>	<u>-</u>	<u>19,463</u>	<u>19,805</u>
Net income/(expenditure) before investment gains		<u>412</u>	<u>(288)</u>	<u>(1,222)</u>	<u>46</u>	<u>(1,052)</u>	<u>(1,549)</u>
Unrealised gains on investments	15	(14)	-	(1,724)	(3,413)	(5,151)	2,543
Realised gains on investments		-	-	18	884	902	928
Net gains/(losses) on investments		<u>(14)</u>	<u>-</u>	<u>(1,706)</u>	<u>(2,529)</u>	<u>(4,249)</u>	<u>3,471</u>
Net income/(expenditure)		<u>398</u>	<u>(288)</u>	<u>(2,928)</u>	<u>(2,483)</u>	<u>(5,301)</u>	<u>1,922</u>
Transfer between funds	13	112	76	73	(261)	-	-
Other recognised gains/(losses)							
Gains/(losses) on revaluation of fixed assets	14	-	-	-	(8,130)	(8,130)	28,505
Net movement in funds		<u>510</u>	<u>(212)</u>	<u>(2,855)</u>	<u>(10,874)</u>	<u>(13,431)</u>	<u>30,427</u>
Total funds brought forward		4,131	6,571	21,955	257,052	289,709	259,282
Total funds carried forward	19	<u>4,641</u>	<u>6,359</u>	<u>19,100</u>	<u>246,178</u>	<u>276,278</u>	<u>289,709</u>

All activities derive from continuing activities. The notes on pages 37 to 73 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 2018

	Total 2018 £'000	Total 2017 £'000
Total incoming resources	18,365	18,344
Resources expended	<u>(19,463)</u>	<u>(19,805)</u>
Operating deficit for the year	(1,098)	(1,461)
Net gains on investments	<u>(1,720)</u>	<u>1,207</u>
Net loss for the year	(2,818)	(254)
Other comprehensive income :		
Revaluation of fixed assets	-	<u>1</u>
Total comprehensive (loss)	<u>(2,818)</u>	<u>(253)</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 2018

Company Number - 00133558		2018		2017	
	Note	£'000	£'000	£'000	£'000
FIXED ASSETS					
Tangible assets	14		233,102		240,738
Investments	15		44,449		49,180
			<u>277,551</u>		<u>289,918</u>
CURRENT ASSETS					
Debtors	16	2,413		2,596	
Cash on deposit		2,052		3,708	
Cash at bank and in hand		<u>3,454</u>		<u>2,815</u>	
		7,919		9,119	
CREDITORS: amounts falling due within one year	17	<u>(4,831)</u>		<u>(4,332)</u>	
NET CURRENT ASSETS			<u>3,088</u>		<u>4,787</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			280,639		294,705
CREDITORS: amounts falling due after more than one year	18				
Pension scheme liabilities			(4,231)		(4,846)
Other creditors			<u>(130)</u>		<u>(150)</u>
NET ASSETS			<u><u>276,278</u></u>		<u><u>289,709</u></u>
FUNDS					
Endowment funds			246,178		257,052
Restricted income funds			19,100		21,955
Unrestricted income funds					
General funds			4,641		4,131
Designated funds			<u>6,359</u>		<u>6,571</u>
TOTAL FUNDS	19/20		<u><u>276,278</u></u>		<u><u>289,709</u></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 4 April 2019 and signed on behalf of the Board by:

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

.....
Mr Philip Bowden
 Chair of the Trustees

THE CHICHESTER DIOCESAN FUND AND BOARD OF FINANCE INCORPORATED

CASH FLOW STATEMENT

For the year ended 31 December 2018

	2018		2017	
	£'000	£'000	£'000	£'000
Net cash outflow from operating activities (see below)		(3,446)		(4,365)
Cash flows from investing activities				
Dividends / interest and rent from Investments	2,049		2,116	
Proceeds from the sales of:				
Tangible fixed assets	1,926		6,428	
Fixed assets Investments	3,979		9,391	
Purchase of:				
Tangible fixed assets	(2,777)		(5,327)	
Fixed assets Investments	(2,488)		(8,796)	
Net Cash provided by investing activities		2,689		3,812
Cash flows from financing activities				
Loans (repaid)	(260)		(622)	
Net cash used in financing activities		(260)		(622)
Change in cash and cash equivalents in the reporting period		(1,017)		(1,175)
Cash and cash equivalents at 1 January		6,523		7,698
Cash and cash equivalents at 31 December		<u>5,506</u>		<u>6,523</u>
Analysis of Cash and Cash equivalents				
Cash in Hand		3,454		2,815
Notice deposits (less than 3 months)		<u>2,052</u>		<u>3,708</u>
		<u>5,506</u>		<u>6,523</u>
Reconciliation of net movements in funds to net cash flow from operating activities				
Net expenditure before investment gains		(1,052)		(1,549)
Adjustments for				
Losses/(gains) on the disposal of fixed assets		(402)		63
Depreciation charges		10		6
Investment income		(2,049)		(2,116)
Change in loans		258		632
Decrease of Debtors		(75)		184
Increase in Creditors		(136)		(1,585)
Net Cash used in operating activities		<u>(3,446)</u>		<u>(4,365)</u>

THE CHICHESTER DIOCESAN FUND AND BOARD OF FINANCE INCORPORATED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

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 2018

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 or the Teachers Pension Scheme 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 2018

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 - 20% 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 2018

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 2018

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 was applied in 2017. During 2018 all the remaining properties were valued. 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

3a Parish Share

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

	Unrestricted Funds		Restricted Funds	Endowment Funds	Total Funds	
	General	Designated			2018	2017
	£'000	£'000	£'000	£'000	£'000	£'000
Current Year pledges	13,769	-	-	-	13,769	13,658
Current year pledges - attributable to insurance						872
Transfer to Deanery reserves		-	-	-	-	(33)
Shortfall in contributions	(302)	-	-	-	(302)	(213)
	13,467	-	-	-	13,467	14,284
Receipts for previous year	86	3	-	-	89	171
Total Income	13,553	3	-	-	13,556	14,455

Current year parish share receipts represent 97.8% of the total pledges (2017 – 98.3%), or, when receipts for previous years are included, 98.4% of the total pledges (2017 – 99.5%)

THE CHICHESTER DIOCESAN FUND AND BOARD OF FINANCE INCORPORATED

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2018

3 DONATIONS (continued)

3b Other donations

	Unrestricted Funds		Restricted Funds	Endowment Funds	Total Funds	Total Funds
	General	Designated			2018	2017
	£'000	£'000	£'000	£'000	£'000	£'000
All Churches Trust Grant	120	50	-	-	170	170
Strategic Development Funding ⁽ⁱ⁾			165		165	158
RME Block Grant			225		225	51
Grants from other organisations	16	-	-	-	16	
Donations	49	4	178	-	231	68
	<u>185</u>	<u>54</u>	<u>568</u>	<u>-</u>	<u>807</u>	<u>447</u>

(i) In 2017 the Resourcing Ministerial Education ("RME") grant was reported in Other Grants and the Strategic Development Funding grant was reported in other income. The comparative figures have been adjusted.

4 CHARITABLE ACTIVITIES

	Unrestricted Funds		Restricted Funds	Endowment Funds	Total Funds	Total Funds
	General	Designated			2018	2017
	£'000	£'000	£'000	£'000	£'000	£'000
Statutory fees for parochial services	612	-	-	-	612	561
Church Commissioners' guaranteed annuities	-	-	16	-	16	19
Parish trust Income	-	-	94	-	94	96
Generated Income	76	51	3	-	130	-
Church Schools Training & other	135	-	-	-	135	171
	<u>823</u>	<u>51</u>	<u>113</u>	<u>-</u>	<u>987</u>	<u>847</u>

THE CHICHESTER DIOCESAN FUND AND BOARD OF FINANCE INCORPORATED

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2018

5 OTHER ACTIVITIES

	Unrestricted Funds		Restricted Funds	Endowment Funds	Total Funds 2018	Total Funds 2017
	General	Designated				
	£'000	£'000	£'000	£'000	£'000	£'000
Rents receivable - Properties	511	-	92	-	603	429
	<u>511</u>	<u>-</u>	<u>92</u>	<u>-</u>	<u>603</u>	<u>429</u>

6 INVESTMENT INCOME

	Unrestricted Funds		Restricted Funds	Endowment Funds	Total Funds 2018	Total Funds 2017
	General	Designated				
	£'000	£'000	£'000	£'000	£'000	£'000
Dividends receivable & interest receivable	744	-	1,021	-	1,765	1,828
Rents receivable - Glebe	-	-	284	-	284	288
	<u>744</u>	<u>-</u>	<u>1,305</u>	<u>-</u>	<u>2,049</u>	<u>2,116</u>

7 OTHER INCOMING RESOURCES

	Unrestricted Funds		Restricted Funds	Endowment Funds	Total Funds 2018	Total Funds 2017
	General	Designated				
	£'000	£'000	£'000	£'000	£'000	£'000
Other income ⁽ⁱ⁾	7	-	-	-	7	25
Gain/ (Loss) on sale of property	-	-	356	46	402	(63)
	<u>7</u>	<u>-</u>	<u>356</u>	<u>46</u>	<u>409</u>	<u>- 38</u>

(i) In 2017 the Strategic Development Funding grant was reported in other income. In 2018 it is shown in Other donations (see note 3b). The comparative figures have been adjusted.

8 FUND RAISING COSTS

	Unrestricted Funds		Restricted Funds	Endowment Funds	Total Funds 2018	Total Funds 2017
	General	Designated				
	£'000	£'000	£'000	£'000	£'000	£'000
Investment Manager fees	69	-	64	-	133	134
Glebe repairs & improvements	-	-	139	-	139	50
	<u>69</u>	<u>-</u>	<u>203</u>	<u>-</u>	<u>272</u>	<u>184</u>

THE CHICHESTER DIOCESAN FUND AND BOARD OF FINANCE INCORPORATED

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2018

9 CHARITABLE ACTIVITIES

	Unrestricted Funds		Restricted Funds £'000	Endowment Funds £'000	Total Funds	Total Funds
	General	Designated			2018	2017
	£'000	£'000			£'000	£'000
Contributions to						
Archbishops' Council						
Training for Ministry National Church	615	-	-	-	615	603
Responsibilities	490	-	-	-	490	480
Grants and Provisions	53	-	-	-	53	53
Mission agency pension costs	6	-	-	-	6	6
Retired clergy housing costs	207	-	-	-	207	198
Pooling of ordinands maintenance grants	29	-	-	-	29	28
	<u>1,400</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,400</u>	<u>1,368</u>

	Unrestricted Funds		Restricted Funds £'000	Endowment Funds £'000	Total Funds	Total Funds
	General	Designated			2018	2017
	£'000	£'000			£'000	£'000
Resourcing Ministry and						
Mission - Parish Ministry						
Stipends and national Insurance	6,497	-	960	-	7,457	7,097
Pension contributions	1,695	-	-	-	1,695	1,517
Defined benefit pension scheme movement (see Note 24)	64	-	-	-	64	(78)
Housing costs	1,429	-	1,447	-	2,876	3,274
Mission Fund grants	-	258	-	-	258	249
Removal, resettlement & grants	546	-	-	-	546	527
Clergy welfare	-	-	270	-	270	187
Church Insurance	-	-	-	-	-	872
	<u>10,231</u>	<u>258</u>	<u>2,677</u>	<u>-</u>	<u>13,166</u>	<u>13,645</u>

THE CHICHESTER DIOCESAN FUND AND BOARD OF FINANCE INCORPORATED

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2018

9 CHARITABLE ACTIVITIES (continued)

	Unrestricted Funds		Restricted Funds £'000	Endowment Funds £'000	Total Funds 2018 £'000	Total Funds 2017 £'000
	General £'000	Designated £'000				
Resourcing Ministry and Mission - support for Parish Ministry						
Ordination Training	781	-	263	-	1,044	883
Adult Education	128	-	-	-	128	103
Children and youth work	151	-	15	-	166	141
Apostolic Life	232	138	-	-	370	209
Common Good	53	-	-	-	53	116
Safeguarding	223	-	-	-	223	220
Diocesan Advisory Committee	58	-	-	-	58	57
Pastoral and Redundant Churches uses	37	-	-	-	37	38
Redundant churches	93	-	-	-	93	71
Communications	97	-	-	-	97	81
Chaplains	3	-	-	-	3	69
Mission projects (SDF)	-	-	222	-	222	174
Chancellor & Registrar	54	-	-	-	54	41
Grants	66	-	55	-	121	713
	<u>1,976</u>	<u>138</u>	<u>555</u>	<u>-</u>	<u>2,669</u>	<u>2,916</u>
Support and Governance for parish ministry (note 10)	<u>1,018</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,018</u>	<u>815</u>
	<u>2,994</u>	<u>138</u>	<u>555</u>	<u>-</u>	<u>3,687</u>	<u>3,731</u>
Resourcing Ministry and Mission - Church Schools						
Church Schools department	623	-	221	-	844	806
Support and Governance for Church Schools (note 10)	94	-	-	-	94	71
	<u>717</u>	<u>-</u>	<u>221</u>	<u>-</u>	<u>938</u>	<u>877</u>
Total Charitable activities	<u>15,342</u>	<u>396</u>	<u>3,453</u>	<u>-</u>	<u>19,191</u>	<u>19,621</u>

THE CHICHESTER DIOCESAN FUND AND BOARD OF FINANCE INCORPORATED

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2018

10 ANALYSIS OF SUPPORT AND GOVERNANCE COSTS

	Resourcing ministry and mission Support for Ministry £'000	Education Church Schools £'000	Total Funds 2018 £'000	Total Funds 2017 £'000
Support				
Central services department	187	24	211	178
General office department	278	-	278	262
Finance department	252	32	284	224
IT department	272	35	307	190
Depreciation	9	1	10	6
	<u>998</u>	<u>92</u>	<u>1,090</u>	<u>860</u>
Governance				
External Audit	20	2	22	26
	<u>1,018</u>	<u>94</u>	<u>1,112</u>	<u>886</u>

11 ANALYSIS OF GRANTS MADE

	Number	Individuals £'000	Institutions £'000	Total Funds 2018 £'000	Total Funds 2017 £'000
From unrestricted funds for national Church responsibilities:					
Contributions to Archbishops' Council	<u>6</u>	<u>-</u>	<u>1,400</u>	<u>1,400</u>	<u>1,368</u>
From unrestricted					
The Chichester Diocesan Association for Family Support Work	1	-	36	36	36
Together in Sussex	1	-	10	10	10
St Bartz Trust - Youth work	1	-	18	18	19
	<u>3</u>	<u>-</u>	<u>64</u>	<u>64</u>	<u>65</u>
From designated					
PCCs for Mission projects	<u>19</u>	<u>-</u>	<u>258</u>	<u>258</u>	<u>249</u>
From restricted					
Archbishop Council		-		-	100
PCCs for Mission projects	2	-	29	29	374
Clergy for Welfare and healthcare	101	102		102	78
Overseas mission agencies	6	-	13	13	57
Ordinands in training	35	281	-	281	207
AD Care of Churches	3	-	7	7	-
	<u>147</u>	<u>383</u>	<u>49</u>	<u>432</u>	<u>816</u>
Totals	<u>175</u>	<u>383</u>	<u>1,771</u>	<u>2,154</u>	<u>2,498</u>

THE CHICHESTER DIOCESAN FUND AND BOARD OF FINANCE INCORPORATED

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2018

12 STAFF COSTS

	2018	2017
	£'000	£'000
Employee costs during the year were as follows:		
Wages and salaries	1,915	1,727
National insurance contributions	188	173
Pension costs	251	236
	<u>2,354</u>	<u>2,136</u>

	2018	2017*
	Number	Number
The average number of persons employed by the group during the year:		
Administration and financial management	23	21
Apostolic Life	17	16
Common Good	2	3
Property	7	7
Education - Church Schools	11	9
Safeguarding & inclusion	4	5
	<u>64</u>	<u>61</u>

	2018	2017*
	Number	Number
The average number of persons employed by the group during the year: based on full-time equivalents:		
Administration and financial management	21	20
Apostolic Life	14	13
Common Good	1	1
Property	7	7
Education - Church Schools	9	8
Safeguarding & inclusion	3	3
	<u>55</u>	<u>52</u>

*2017 figures restated due to an error in the original 2017 calculation

	2018	2017
	Number	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	1
£70,001 - £80,000	1	2
	<u>1</u>	<u>2</u>

THE CHICHESTER DIOCESAN FUND AND BOARD OF FINANCE INCORPORATED

NOTES TO THE FINANCIAL STATEMENTS (continued) For the year ended 31 December 2018

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 2018 they were:

Diocesan Secretary and Company Secretary	Gabrielle Higgins
Diocesan Director for Apostolic Life	Rebecca Swyer
Diocesan Director of Education	Ann Holt (to 19 September 2018) Trevor Cristin (from 1 September 2018)
Diocesan Director of Property	Scott Ralph
Diocesan Finance Director	Catherine Dawkins

Remuneration (including Employer NI) and pensions for these employees/posts amounted to £409,371 (2017 - £399,698).

Termination payments

During the year termination payments totalling £1,832 were paid (2017 - £15,500).

Trustees' emoluments

No Trustee received any remuneration for services as Trustee. The Trustees received travelling and out of pocket expenses, totalling £17,143 (2017 - £18,914) in respect of General Synod duties, duties as archdeacon or rural dean, and other duties as Trustees.

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 (to 30 June 2018)	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 (to 31 July 2018)	Yes	Yes
The Revd A Waizeneker	Yes	Yes
The Revd N Cornell (to 5 September 2018)	Yes	Yes

THE CHICHESTER DIOCESAN FUND AND BOARD OF FINANCE INCORPORATED

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2018

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.

	2018 £'000	2017 £'000
Stipends	6,887	6,613
National insurance contributions	570	544
Pension costs - current year	1,695	1,517
Pension costs - deficit reduction contributions paid	722	863
	<u>9,874</u>	<u>9,537</u>

The stipends of the Diocesan Bishop and Suffragan Bishops are paid and funded by the Church Commissioners and are in the range £36,210 - £44,380 (2017 range £35,500 - £43,510). The annual rate of stipend, funded by the CDBF, paid to Archdeacons in 2018 was in the range £35,395 - £36,760 (2017 range £34,700 - £36,040) and other clergy who were Trustees were paid in the range £25,470 - £26,490 (2017 range £24,970 - £26,330).

13 ANALYSIS OF TRANSFERS BETWEEN FUNDS

	Unrestricted Funds		Restricted Funds £'000	Endowment Funds £'000
	General £'000	Designated £'000		
Transfer in respect of 8 Prestonville Road/ 2 Windlesham Road	-	-	185	(185)
Movement on defined benefit pension scheme	64	-	-	(64)
Administration charge - Aided Schools fund	42	-	(42)	-
Mission Fund	-	70	(70)	-
Adjustment for prior years	6	6	-	(12)
	<u>112</u>	<u>76</u>	<u>73</u>	<u>(261)</u>

Transfer of property - 8 Prestonville Road / 2 Windlesham Road.

During the year the property at 8 Prestonville Road, Brighton was transferred from parsonage to glebe, and the property at 2 Windlesham Road, Brighton was transferred from glebe to parsonage in exchange. A balancing payment of £185k from the stipend fund to the pastoral fund was due under the Endowment and Glebe Measure.

THE CHICHESTER DIOCESAN FUND AND BOARD OF FINANCE INCORPORATED

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2018

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.

Prior Years A number of small transfers between funds were required in respect of prior year transactions which had not been reflected accurately.

14 TANGIBLE FIXED ASSETS

	Freehold Land £'000	Leasehold Property £'000	Office Equipment £'000	Total £'000
Cost or valuation				
At 1 January 2018	240,146	573	538	241,257
Additions	2,622	-	155	2,777
Disposals	(1,726)	-	-	(1,726)
Revaluation	(8,677)	-	-	(8,677)
At 31 December 2018	<u>232,365</u>	<u>573</u>	<u>693</u>	<u>233,631</u>
Depreciation				
At 1 January 2018	-	-	519	519
Charge for the year	-	-	10	10
At 31 December 2018	<u>-</u>	<u>-</u>	<u>529</u>	<u>529</u>
			519	519
Net Book Value				
At 31 December 2018	<u>232,365</u>	<u>573</u>	<u>164</u>	<u>233,102</u>
At 31 December 2017	<u>240,146</u>	<u>573</u>	<u>19</u>	<u>240,738</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 £1,542,514 (2017: £1,468,874). 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 (£8,130k) is the total of the revaluation above and the movement of £547k on glebe properties held as investments.

THE CHICHESTER DIOCESAN FUND AND BOARD OF FINANCE INCORPORATED

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2018

15 FIXED ASSETS INVESTMENTS

	At 1 January 2018 £'000	Additions £'000	Disposal £'000	Transfer £'000	Change in Market Value £'000	At 31 December 2018 £'000
Unrestricted Funds						
Listed investments	126	2	(3)	-	(15)	110
Unlisted investments	5	-	-	-	-	5
Investment property	588	-	-	-	-	588
	<u>719</u>	<u>2</u>	<u>(3)</u>	<u>-</u>	<u>(15)</u>	<u>703</u>
Restricted Funds						
Listed investments	19,640	1,457	(1,722)	-	(1,372)	18,003
	<u>19,640</u>	<u>1,457</u>	<u>(1,722)</u>	<u>-</u>	<u>(1,372)</u>	<u>18,003</u>
Endowment Funds						
Listed investments	24,117	833	(636)	-	(3,055)	21,259
Investment property	4,704	-	(59)	-	(161)	4,484
	<u>28,821</u>	<u>833</u>	<u>(695)</u>	<u>-</u>	<u>(3,216)</u>	<u>25,743</u>
Total	<u>49,180</u>	<u>2,292</u>	<u>(2,420)</u>	<u>-</u>	<u>(4,603)</u>	<u>44,449</u>

16 DEBTORS

	2018 £'000	2017 £'000
Concessionary (interest free) loans to Parishes	525	624
Loans to Parishes	773	1,092
Loans to Schools	416	328
Other Debtors and prepayments	699	552
	<u>2,413</u>	<u>2,596</u>
Included within the above are debtors amounts due after more than one year as follows:		
Loans to Parishes	427	469
	<u>427</u>	<u>469</u>

THE CHICHESTER DIOCESAN FUND AND BOARD OF FINANCE INCORPORATED

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2018

17 CREDITORS: amounts falling due within one year	2018	2017
	£'000	£'000
Loans due in one year		
Church Commissioners value-linked loans	1,763	1,805
Deferred income		
Payments received in advance from Education Funding authority	493	232
Other Taxes and social security	667	51
Other creditors and accruals	1,108	1,444
Clergy Pension Scheme	800	800
	<u>4,831</u>	<u>4,332</u>
18 CREDITORS: amounts falling due after more than one year	2018	2017
	£'000	£'000
Loan repayment instalments due in more than one year		
Central Board of Finance other loans	130	150
Pension Scheme liabilities (see note 24)		
Clergy Pension Scheme	4,188	4,846
Church Workers Pension Scheme - DBS	43	-
	<u>4,361</u>	<u>4,996</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. Three 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 2018 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 2018

19 SUMMARY OF FUND MOVEMENTS

	Balances at 1 January 2018 £'000	Income £'000	Expenditure £'000	Transfer £'000	Gains and Losses £'000	Balances at 31 December 2018 £'000
UNRESTRICTED FUNDS						
General	4,131	15,823	(15,411)	112	(14)	4,641
Designated Funds						
Property	6,080	-	-	6	-	6,086
Parish Mission	376	54	(258)	70	-	242
Other designated funds	115	54	(138)	-	-	31
	<u>6,571</u>	<u>108</u>	<u>(396)</u>	<u>76</u>	<u>-</u>	<u>6,359</u>
Restricted Funds						
Diocesan Pastoral	15,878	-	(1,674)	8	(1,659)	12,553
Diocesan Stipend	-	1,120	(1,120)	-	-	-
Clergy Welfare	1,141	103	(135)	-	-	1,109
Clergy Welfare (B Wild)	846	34	(104)	-	124	900
Jenkinson Trust	18	2	(2)	-	-	18
Training	-	40	(40)	-	-	-
University chaplaincy	35	2	-	-	-	37
Hayllar trust	72	3	(1)	-	-	74
Poling endowment	5	29	(25)	-	-	9
The Arnold Bequest	39	18	(17)	-	-	40
Clergy Widows	45	-	-	-	-	45
SDF	(17)	165	(255)	107	-	-
RME	(7)	225	(227)	-	-	(9)
Archdeacons' loans	1,751	32	(1)	-	(79)	1,703
Aided Church Schools	1,940	617	(8)	(42)	(92)	2,415
Diocesan Overseas Council	107	24	(14)	-	-	117
Other restricted funds	101	20	(33)	-	-	88
	<u>21,955</u>	<u>2,434</u>	<u>(3,656)</u>	<u>73</u>	<u>(1,706)</u>	<u>19,100</u>
Endowment Funds						
<u>Expendable</u>						
Parsonage/Benefice houses	187,021	46	-	-	(6,594)	180,473
Diocesan Stipends	57,485	-	-	(249)	(3,301)	53,935
Clergy Welfare	2,342	-	-	(24)	(262)	2,056
Elfinward	2,218	-	-	57	(257)	2,018
Terry's Cross	5,262	-	-	(95)	-	5,167
<u>Permanent</u>						
Jenkinson	50	-	-	-	(6)	44
Training	924	-	-	-	(104)	820
University chaplaincy	624	-	-	38	(3)	659
Hayllar trust	75	-	-	-	(8)	67
Poling endowment	661	-	-	(2)	(78)	581
The Arnold Bequest	390	-	-	14	(46)	358
	<u>257,052</u>	<u>46</u>	<u>-</u>	<u>(261)</u>	<u>(10,659)</u>	<u>246,178</u>
Total funds	<u>289,709</u>	<u>18,411</u>	<u>(19,463)</u>	<u>-</u>	<u>(12,379)</u>	<u>276,278</u>

THE CHICHESTER DIOCESAN FUND AND BOARD OF FINANCE INCORPORATED

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2018

20 SUMMARY OF ASSETS BY FUND

	Fixed assets		Current	Creditors	Net
	Tangible	Investments	Assets		Assets
	£'000	£'000	£'000	£'000	£'000
UNRESTRICTED FUNDS					
General	164	109	5,090	(722)	4,641
Designated Funds					
Property	5,513	589	(16)	-	6,086
Parish Mission	-	-	242	-	242
Other designated funds	-	5	26	-	31
	<u>5,513</u>	<u>594</u>	<u>252</u>	<u>-</u>	<u>6,359</u>
Restricted Funds					
Diocesan Pastoral	-	15,366	(2,813)	-	12,553
Clergy Welfare	1,542	-	1,330	(1,763)	1,109
Clergy Welfare (B Wild)	-	728	173	(1)	900
Jenkinson Trust	-	-	18	-	18
University chaplaincy	-	-	37	-	37
Hayllar trust	-	-	74	-	74
Poling endowment	-	-	9	-	9
The Arnold Bequest	-	-	40	-	40
Clergy Widows	-	-	45	-	45
SDF	-	-	-	-	-
RME	-	-	(9)	-	(9)
Archdeacons' loans	-	850	853	-	1,703
Aided Church Schools	-	1,055	2,357	(997)	2,415
Diocesan Overseas Council	-	-	117	-	117
Other restricted funds	-	4	84	-	88
	<u>1,542</u>	<u>18,003</u>	<u>2,316</u>	<u>(2,761)</u>	<u>19,100</u>
Endowment Funds					
<u>Expendable</u>					
Parsonage/Benefice houses	176,139	-	4,334	-	180,473
Diocesan Stipends	43,946	19,841	(4,143)	(5,709)	53,935
Clergy Welfare	-	2,028	28	-	2,056
Elfinsward	-	1,990	28	-	2,018
Terry's Cross	5,167	-	-	-	5,167
<u>Permanent</u>					
Jenkinson	-	44	-	-	44
Training	-	809	11	-	820
University chaplaincy	631	28	-	-	659
Hayllar trust	-	67	-	-	67
Poling endowment	-	581	-	-	581
The Arnold Bequest	-	355	3	-	358
	<u>225,883</u>	<u>25,743</u>	<u>261</u>	<u>(5,709)</u>	<u>246,178</u>
Total funds	<u>233,102</u>	<u>44,449</u>	<u>7,919</u>	<u>(9,192)</u>	<u>276,278</u>

THE CHICHESTER DIOCESAN FUND AND BOARD OF FINANCE INCORPORATED

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2018

19a PRIOR YEAR 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)	-	-	0
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>1,133</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>0</u>	<u>31,975</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 2018

20a PRIOR YEAR SUMMARY OF ASSETS BY FUND

	Fixed assets		Current	Creditors £'000	Net
	Tangible £'000	Investments £'000	Assets £'000		Assets £'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
	<u>5,498</u>	<u>594</u>	<u>479</u>	<u>-</u>	<u>6,571</u>
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
	<u>1,543</u>	<u>19,640</u>	<u>2,940</u>	<u>(2,169)</u>	<u>21,955</u>
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
	<u>233,678</u>	<u>28,820</u>	<u>200</u>	<u>(5,646)</u>	<u>257,052</u>
Total funds	<u>240,738</u>	<u>49,180</u>	<u>9,118</u>	<u>(9,328)</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 2018

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 and diocesan sources to support parish mission projects 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 2018

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 2018

21 DESCRIPTION OF FUNDS (continued)

Strategic Development Fund	The Diocese has been awarded funding from the Church Commissioners towards three parish based mission projects in the Diocese. The funds received are restricted to be used on these projects.
RME Block Grant	A restricted grant received from Ministry Division to be used to meet the costs of ordination training.
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; where a benefice house is no longer required then it is usually transferred into the unrestricted corporate ownership of the CDBF.
Elfinsward	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 2018 the CDBF had capital expenditure commitments authorised but not contracted for of £NIL (2017 - £NIL), and contracted for but not yet due of £218,189 (2017 - £285,174).

23 OPERATING LEASES

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

	2018	2017
	£	£
	£'000	£'000
Other operating leases:		
Total amount payable within one year	40	40
Total amount payable in the second to fifth years inclusive	34	68
	<u>74</u>	<u>108</u>

Total lease payments recognised as an expense in the year were £39,999 (2017 £39,999).

THE CHICHESTER DIOCESAN FUND AND BOARD OF FINANCE INCORPORATED

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2018

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, a defined benefit scheme. This scheme is administered by the Church of England Pensions Board, which holds the assets of the schemes separately from those of the Responsible Bodies.

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

The scheme is considered to be a multi-employer scheme as described in Section 28 of FRS 102. This means it is not possible to attribute the Scheme's assets and liabilities to specific Responsible Bodies and this means 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 the figures highlighted in the table below as being recognised in the SOFA.

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. A valuation at 31 December 2018 is currently underway but the results of this are yet to be determined. 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 (with the remainder in return-seeking assets); 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 2018

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.

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

The deficit repair contributions payable under the recovery plan in force as at 31 December 2016, 31 December 2017 and 31 December 2018 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.

	2018 £'000	2017 £'000
Balance sheet liability at 1 January	5,646	6,587
Deficit contribution paid	(722)	(863)
Interest cost (recognised in SoFA)	74	92
Remaining change to the balance sheet liability (recognised in SoFA)*	(10)	(170)
Balance sheet liability at 31 December	<u>4,988</u>	<u>5,646</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:

	2018	2017	2016
Discount Rate	2.1% pa	1.4% pa	1.5% pa
Price inflation	3.1% pa	3.0% pa	3.1% pa
Increase to total pensionable payroll	1.6% pa	1.5% pa	1.6% 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 2016. In this valuation, the Life Risk Section was shown to be in deficit by £2.6m and £2.6m 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 £26.2m.

Following the valuation, the Employer has entered into an agreement with the Church Workers Pension Fund to pay expenses of £5,900 per year. In addition deficit payments of £7,387 per year have been agreed for 7 years from 1 April 2018 in respect of the shortfall in the Employer sub-pool. This obligation has been recognised as a liability within the Employer's financial statements.

THE CHICHESTER DIOCESAN FUND AND BOARD OF FINANCE INCORPORATED

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2018

24 PENSIONS (continued)

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.

	2018	2017
	£'000	£'000
Balance sheet liability at 1 January	-	-
Deficit contribution paid	(6)	-
Interest cost (recognised in SoFA)	-	-
Remaining change to the balance sheet liability (recognised in SoFA)*	<u>49</u>	<u>-</u>
Balance sheet liability at 31 December	<u><u>43</u></u>	<u><u>-</u></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:

	2018	2017	2016
Discount Rate	2.1% pa	0.0% pa	0.0% pa

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

The next valuation of the scheme will be carried out as at December 2019.

THE CHICHESTER DIOCESAN FUND AND BOARD OF FINANCE INCORPORATED

NOTES TO THE FINANCIAL STATEMENTS (continued) For the year ended 31 December 2018

24 PENSIONS (continued)

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

Since 1st October 2012 the CDBF participates in the Pension Builder Scheme (PB Classic) 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 2016.

For the PB Classic section the valuation revealed a deficit of £14.2m on the ongoing assumptions used. At the most recent annual review the Board chose not to grant a discretionary bonus, which will have acted to improve the funding position. There is no requirement for deficit payments at the current time.

For the Pension Builder 2014 section the valuation revealed a surplus of £1.8m on the ongoing assumptions used. There is no requirement for deficit payments at the current time.

The legal structure of the scheme is such that if another employer fails, CDBF 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 2018

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 £24,405 (2017 £27,325).

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 2018

25 PRIOR YEAR STATEMENT OF FINANCIAL ACTIVITIES

	Unrestricted Funds		Restricted Funds £'000	Endowment Funds £'000	Total Funds 2017 £'000
	General £'000	Designated £'000			
Income and endowments from					
Donations					
Parish contribution	14,455	-	-	-	14,455
Archbishops' Council	-	-	-	-	-
Other donations*	139	38	270	-	447
Charitable activities	732	-	115	-	847
Other activities	429	-	-	-	429
Investments	852	-	1,264	-	2,116
Other*	-	13	37	(88)	(38)
	<u>16,607</u>	<u>51</u>	<u>1,686</u>	<u>(88)</u>	<u>18,256</u>
Expenditure on					
Raising Funds	66	-	118	-	184
Charitable activities	15,507	264	3,850	-	19,621
Other	-	-	-	-	-
	<u>15,573</u>	<u>264</u>	<u>3,968</u>	<u>-</u>	<u>19,805</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>
Net gains on investments	8	66	1,133	2,264	3,471
Net income/(expenditure)	<u>1,042</u>	<u>(147)</u>	<u>(1,149)</u>	<u>2,176</u>	<u>1,922</u>
Transfer between funds	(86)	116	341	(371)	-
Other recognised gains/(losses)					
Gains/(losses) on revaluation of fixed assets	-	-	1	28,504	28,505
Net movement in funds	<u>956</u>	<u>(31)</u>	<u>(807)</u>	<u>30,309</u>	<u>30,427</u>
Total funds brought forward	3,175	6,602	22,762	226,743	259,282
Total funds carried forward	<u>4,131</u>	<u>6,571</u>	<u>21,955</u>	<u>257,052</u>	<u>289,709</u>

*In 2017 the SDF grant of £158k was reported in other income. In 2018 it was reported separately as a grant within Other Donations. The figures above have been amended to reflect this change.

THE CHICHESTER DIOCESAN FUND AND BOARD OF FINANCE INCORPORATED

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2018

25a PRIOR YEAR NOTES TO ACCOUNTS - 3 DONATIONS

Parish Contributions

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

	Unrestricted Funds		Restricted Funds	Endowment Funds	Total Funds	Total Funds
	General	Designated			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	<u>171</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>171</u>	<u>57</u>
Total Income	<u><u>14,455</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>14,455</u></u>	<u><u>14,334</u></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%)

Archbishops' Council

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

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	Total Funds
	General	Designated			2017	2016
	£'000	£'000	£'000	£'000	£'000	
All Churches Trust Grant	133	37	-	-	170	170
Grants from other organisations*	-	-	209	-	209	-
Donations	<u>6</u>	<u>1</u>	<u>61</u>	<u>-</u>	<u>68</u>	<u>39</u>
	<u><u>139</u></u>	<u><u>38</u></u>	<u><u>270</u></u>	<u><u>-</u></u>	<u><u>447</u></u>	<u><u>209</u></u>

*In 2017 the SDF grant of £158k was reported in other income. In 2018 it was reported separately as a grant within Other Donations. The figures above have been amended to reflect this change.

THE CHICHESTER DIOCESAN FUND AND BOARD OF FINANCE INCORPORATED

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2018

25b PRIOR YEAR NOTES TO ACCOUNTS - 4 CHARITABLE ACTIVITIES

	Unrestricted Funds		Restricted Funds	Endowment Funds	Total Funds	Total Funds
	General	Designated			2017	2016
	£'000	£'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>

25c PRIOR YEAR NOTES TO ACCOUNTS - 5 OTHER ACTIVITIES

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

25d PRIOR YEAR NOTES TO THE ACCOUNTS - 6 INVESTMENT INCOME

	Unrestricted Funds		Restricted Funds	Endowment Funds	Total Funds	Total Funds
	General	Designated			2017	2016
	£'000	£'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>

THE CHICHESTER DIOCESAN FUND AND BOARD OF FINANCE INCORPORATED

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2018

25e PRIOR YEAR NOTES TO THE ACCOUNTS - 7 OTHER INCOMING RESOURCES

	Unrestricted Funds		Restricted Funds	Endowment Funds	Total Funds 2017	Total Funds 2016
	General	Designated				
	£'000	£'000	£'000	£'000	£'000	£'000
Other income*	-	13	12		25	-
Gain/ (Loss) on sale of property	-	-	25	(88)	(63)	341
Gain on sale of redundant churches	-	-	-	-	-	73
	<u>-</u>	<u>13</u>	<u>37</u>	<u>(88)</u>	<u>(38)</u>	<u>414</u>

*In 2017 the SDF grant of £158k was reported in other income. In 2018 it was reported separately as a grant within Other Donations. The figures above have been amended to reflect this change.

25f PRIOR YEAR NOTES TO THE ACCOUNTS - 8 FUND RAISING COSTS

	Unrestricted Funds		Restricted Funds	Endowment Funds	Total Funds 2017	Total Funds 2016
	General	Designated				
	£'000	£'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

25g PRIOR YEAR NOTES TO THE ACCOUNTS - 9 CHARITABLE ACTIVITIES

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

THE CHICHESTER DIOCESAN FUND AND BOARD OF FINANCE INCORPORATED

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2018

25g PRIOR YEAR NOTES TO THE ACCOUNTS - 9 CHARITABLE ACTIVITIES (continued)

	Unrestricted Funds		Restricted Funds	Endowment Funds	Total Funds	Total Funds
	General	Designated			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 2018

25g PRIOR YEAR NOTES TO THE ACCOUNTS - 9 CHARITABLE ACTIVITIES (continued)

	Unrestricted Funds		Restricted Funds	Endowment Funds	Total Funds 2017	Total Funds 2016
	General	Designated				
	£'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)	815	-	-	-	815	810
	<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)	71	-	-	-	71	71
	<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 2018

25h PRIOR YEAR NOTES TO THE ACCOUNTS - 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>

25i PRIOR YEAR NOTES TO THE ACCOUNTS - 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	6	-	1,368	1,368	1,299
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	1	-	19	19	22
	<u>3</u>	<u>-</u>	<u>65</u>	<u>65</u>	<u>58</u>
From designated					
PCCs for Mission projects	26	-	249	249	193
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	0	-	-	-	2
	<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 2018

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

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. During the year Mr G Leonard (until 31 December 2018) and Mrs S Stonor (from 1 January 2019) were also trustees of the Mother Agnes Trust. Between 2004 and 2017 Chichester DBF 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 2018 in respect of the Magnet Centre is £375,841. In addition the DBF paid the salary of the Clerk to the Trustees of the Mother Agnes Trust on behalf of the Trust until 31 January 2019. As at 31 December 2018 the amount expended by Chichester DBF in respect of staff costs was £34,698. Chichester DBF has invoiced these sums but will not pursue payment until the sale of land by the Mother Agnes Trust.

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:

	2018	2017
	£'000	£'000
CBF Church of England Investment Fund income shares	11,220	11,622
CBF Church of England Investment Fund accumulation shares	183	166
CBF Church of England Fixed Interest Securities Fund shares	1,814	1,907
CBF Church of England Property Fund shares	266	235
CBF Church of England UK Equity Shares	9	10
CBF Church of England Global Equity Shares	127	112
Other common investment fund holdings	1,657	1,904
Direct holdings in UK equities	240	230
CBF Church of England Deposit Fund	1,630	1,700
Sundry debtors	-	3
Cash at bank	274	96
Sundry creditors	(146)	(453)
Total assets held as custodian trustee	<u>17,274</u>	<u>17,532</u>