



ANNUAL REPORT AND FINANCIAL STATEMENTS

For the year ended 31 December 2018

PORTSMOUTH DIOCESAN BOARD OF FINANCE

Company number - 226466

Registered charity number – 249256

A large print version is available on request from:

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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 Portsmouth Diocesan Board of Finance ("PDBF")'s principal object is to promote, assist and advance the work of the Church of England in the Diocese of Portsmouth by acting as the financial executive of the Portsmouth Diocesan Synod. The Diocese of Portsmouth covers principally South East Hampshire and the Isle of Wight.

STRATEGIC AIMS

In November 2015, the Diocesan Synod endorsed our Strategic Purpose, *Live|Pray|Serve*, through which we seek to grow in *depth, impact and number*, *Live|Pray|Serve* therefore aims to promote discipleship, church growth (both spiritually and numerically), and community engagement as well as reimagining ministry in our context. It is also our response to the Church of England's increasing emphasis on church growth, discipleship and outreach. *Live|Pray|Serve* therefore identifies four continuing streams of work:

- **Making disciples:** enabling those who are already Christians to grow in their faith, and creating accessible ways for newcomers to come to faith.
- **Growing churches:** enabling churches to cultivate fresh outreach initiatives that connect with their communities and so bring new people into God's pilgrim people.
- **Learning for life:** enabling churches and schools to have a holistic view of education that seeks to grow people in Christian faith and hope.
- **Transforming society:** communicating a Christian understanding of society and friendship as God's will for humanity; enabling the church to live out its calling as a place of debate, peace-making and justice.

We therefore seek to:-

- engage and equip new disciples;
- re-imagine the church and its patterns of ministry;
- develop our work with schools and colleges to articulate a vision of them as communities of faith and places of encounter with God; and
- rediscover the role of prophetic witness, with social engagement and transformation.

Our purpose is to participate in God's work towards the wise transformation of the world. We therefore look to Matthew 5:14-16, which speak of a distinctive witness to the world, rooted in prayer and service. As Christians in Portsmouth Diocese, reflecting the light of Christ, like a beacon across land and sea, we seek to transform this place, on the mainland and on our islands, as we respond and serve faithfully in this particular context.

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ACTIVITIES AND ACHIEVEMENTS IN THE YEAR

The following sets out activities and achievements for the year against key objectives. Overall it has been a year of considerable activity and many successes to be thankful for.

We are continuing to see positive signs of both spiritual and numerical growth across our Diocese and there are specific examples which evidence the impact of our strategic priorities:-

- The success of Harbour Church, which is bucking the trend of disciple making amongst children, young people and young adults, including those with no faith/church background. Since September 2016, Sunday attendance has continued to rise, reaching 331 adults and 60 children in October 2018;
- Harbour plants into St Alban's and St Georges in Portsmouth city means there are five worshipping congregations with usual Sunday attendance in excess of 400;
- St Jude's plant into St Margaret's Community Centre which has moved to being a church plant from its beginnings as a community outreach project. The St Jude's church plant is now celebrating a worshipping community of 63 adults and 10 children;
- The appointment of a pioneer minister at St James, Milton with a remit to reach children, young people and their families through a choir;
- Leesland Neighbourhood Church is thriving as the foundation of the pioneering work in urban Gosport; its activities which are reaching out into the community include the Trash Café and a toddler group.
- Attendance at fresh expressions has grown; 50 separate fresh expressions (up from 19 in 2013) with approximately 2232 worshippers (up from 1271 in 2013).

During 2018 work started on developing our next piece of major strategic work, 'Resourcing Growth'. This is linked to a two part bid for Strategic Development Funding. Part one of this bid for Strategic Development Funding was submitted in November 2018 and we were successful in being awarded the full £2.18m requested. This funding, along with the use of £1.22m of reserves and reallocated budgets will fund significant work in Portsmouth city:-

- Our first resource church, Harbour Church, will consolidate its planting of two new city congregations in two restored church buildings;
- Our second resource church, St Jude's Southsea, will continue to support its first plant and will develop it by moving it from its current community centre base, into a restored church building, St Margaret's Southsea. This will allow for yet further growth, community outreach and social enterprise;
- Our pioneer programme will be extended to work with St Luke's and St Peter's parish in the emerging Somertown/city centre area. This will facilitate greater engagement with the local church secondary academy and plans for pioneer ministry with young adults and a co-worker space.

'Resourcing Growth' has a second aspect, through which we seek to resource turnaround approaches in Havant, Gosport and Newport, Isle of Wight. We are seeking to invest approximately £2m from reserves and the reallocation of budgets, along with seeking £2.72m in Strategic Development Funding. This will enable a mixture of planting new congregations, the provision of operational support, and developing pioneering and fresh expression work through both lay and ordained ministry. The informal consultation on the proposed pastoral reorganisation in the three geographical areas began in October 2018 with the decision being taken in January 2019 to proceed to formal consultation.

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Sustainability

At the heart of this work is the commitment that deepened discipleship and meaningful community engagement is the key to not just sustainability but flourishing; where parishes are growing in depth and impact, numerical growth is more likely to follow.

Building on the Leading Your Church into Growth (LYCiG) programme of previous years, there has been a LYCiG follow up programme in 2018 as well as LYCiG local being run in some contexts to enhance parish growth in depth and impact.

The strong connection between the Mission Development work and the Stewardship work during 2018 provided a comprehensive and effective approach when working with parishes. This collaboration has been employed both when parishes request support but also relating to proactive parish engagement through the Viability Focus and Sustainability and Discipleship Focus Processes.

The average weekly gift in our Diocese has steadily increased over recent years and the committed giving of this nature is a positive indicator of deepening discipleship.

The Parish Giving Scheme (PGS) continues to offer a helpful vehicle for good stewardship practices; with 60% of parishes actively using the PGS and 25% of our planned givers using the PGS to give to their local church, the PGS is well established in our Diocese. As well as helping embed good stewardship practice in our Diocese, the PGS has had a positive impact on giving levels; the average weekly gift through the PGS had reached £16.31 by December 2018 which is higher than average for our Diocese.

Vocations

2018 was a fruitful year in which long term ministerial experience schemes, vocation promotion and discipleship support began to make an impact on vocation numbers such that:-

- Six candidates entered training in September 2018;
- Four candidates began Reader training on the Portsmouth Pathway;
- Seventeen candidates have gone to Diocesan Discernment Panel;
- Six candidates have been sponsored by Bishop Christopher to attend the Bishop's Advisory Panel in early 2019;
- Seven individuals were on track to attend local panels in early 2019;
- Eight individuals are engaged in serious vocations conversations.

Education

Our Diocesan Board of Education is a joint one with Winchester Diocese. Our aim is to enable every child and young person in church schools to have a life enhancing encounter with the Christian faith and the person of Jesus Christ, to nurture them to learn at their full potential and to assist them in becoming good citizens and to contribute to the common good of society. We seek to achieve this by supporting church schools in their pursuit of excellence, helping parishes to engage with schools and colleges, and by promoting religious education, collective worship and spiritual development.

Headlines of our 2018 work include: -

- Having completed the first phase of training for schools on the national *Understanding Christianity* project, we began a hugely popular similar programme for clergy;
- Introducing schools and parishes to the *Heartsmart* programme which is underpinned with Christian Values and focuses on emotional and mental health. 27 schools are now *Heartsmart* trained and deliver the full programme;

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- Completing a full review of our Governor Training programme, and undertaken a recruitment campaign in conjunction with two national charities;
- Introducing training and support for schools and parishes on *Open The Book, Godly Play* and *Prayer Spaces*;
- Working alongside the Local Authority to open a new 'all-through' school on the Isle of Wight;
- Training for schools, Foundation Governors and clergy on the new Statutory Inspection of Anglican (and Methodist) Schools (SIAMS) Framework;
- Training Curates on their role and responsibilities for Church of England Schools;
- Initiating a first 'Quiet Day' for Headteachers, Governors and clergy with great success, including the creation of a portable labyrinth for use in schools and parishes;
- Commencing a new programme of in-school support for the teaching of RE.

FUTURE PLANS

Our future plans will continue to develop the key themes of our strategy. In particular to continue:

- To progress the 'Resourcing Growth' strategic plan
- Increase vocations both lay and ordained
- Develop our education team and multi-academy trusts
- Support spiritual and numerical growth and the increased impact of all our parishes leading to not just sustainable, but flourishing communities.

FINANCIAL REVIEW

Financial Performance

Overall the diocesan finances ended the year in a robust position with a surplus of £2,876,926. This was due primarily to the extraordinary receipt of a little over three million pounds from the sale of glebe land at Wickham. Despite the continued uncertain and challenging economic times the parish share collection rate remained high at 98.8% and for the first time in years the provision being made for potentially uncollectable arrears could be reduced. The increase in net assets was due primarily to the revaluation upwards of the housing portfolio and the receipt from the sale of the Wickham glebe land.

General Fund income was £7,572,336 (2017: £7,190,628), an increase of £381,708. Parish share continued to come in at a high percentage of the amount requested. Payments received were 98.8% (2017: 98.5%) of the amount requested. Total income on other funds was £583,145 (2017: £493,760).

General fund expenditure was £7,427,802 (2017: £7,197,698) an increase of £230,104 (3.2%) mainly reflecting there being fewer clergy vacancies and the resourcing of additional pioneer ministers. Expenditure from other funds was £928,959 (2017: £282,456) an increase of £646,503.

Balance sheet position

The Trustees consider that the balance sheet, together with details in note 21, shows 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 the net assets at the balance sheet date totalled £74,078,350 (2017: £69,872,796) it must be remembered that included in this total are properties, mostly in use for the ministry, whose value amounted to £55,405,844 (2017: £54,206,535). Much of the remainder of the assets

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shown in the balance sheet are held in restricted funds, and cannot necessarily be used for the general purposes of the PDBF.

In March 2018 a little over £3 million was received from the sale of Glebe land in Wickham into the Stipends Capital fund and some of this has been used to facilitate both capital and maintenance work on the portfolio of parsonages.

Reserves policy

Having considered financial risk, liquidity requirements and the timing of cash flows throughout the year, the Trustees' policy is to hold not more than 6 weeks' normal expenditure in cash or on deposit, this being around £1m. The year-end total for 2018 significantly exceeded this at £3m, excluding the £1.1m held in the restricted Church Schools fund. This was due to an additional £405k being held in relation to the ongoing Isle of Wight schools creditor, plus the fact that half of the Wickham Glebe money had still to be invested due to imminent cash requirements in the New Year.

The free reserves, being the unrestricted general fund net of tangible assets totalled £2.1m (2017: £1.7m) which represented 5.0 months (2017: 3.8 months) of parish share requested. This is within the Trustees' aim to maintain between 3 and 6 months.

Designated funds

The Trustees may 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 the intended use of the reserve is set out in note 22. The total value of designated funds at the end of 2018 was £3.3m (2017: £3.0m).

Restricted and endowment funds

As set out in note 22 PDBF also holds and administers a large number of restricted and endowment funds. As at 31 December 2018 restricted funds totalled £4.5m (2017: £4.4m) and endowment funds totalled £51.9m (2017:£48.8m). Neither are available for the general purposes of the PDBF.

Grant making policy

The Memorandum of Association of the PDBF explicitly permits the PDBF to make grants in pursuance of its objects, and the nature of grants made in 2018 is indicated in note 12.

Investment policy and report

In managing their investments the PDBF continue to receive advice from their Investment Advisory Group (IAG), and the fund managers, CCLA Investment Management. The level of cash being held is kept under constant scrutiny as, despite the continuing low level of inflation, the interest rates have also remained very low such that the investment income relied upon for the underpinning of the mission work of the Diocese can only be achieved through an active investment strategy that delivers real growth in total return. The IAG continue to encourage a similar approach in relation to parish funds and members of the group continue to engage with parishes to provide support and guidance in this important area.

The investment policy of the IAG as set out in the terms of reference for this group are:

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- a) Not more than 6 weeks normal expenditure is to be held in cash for routine purposes. This money (currently about £1m) is to be held in the CBF Deposit fund (or such other bank deposit account as may be deemed suitable by the Board from time to time). It being understood that the bank current account be maintained in credit.
 - b) The Diocesan Secretary following discussion with the IAG is authorised to switch investments managed by CCLA from time to time in order to achieve the Board's required total return.
 - c) Any Fund managed by CCLA may be used for the Board's investments, but no other types of investment may be used without the Board's prior approval.
 - d) The Investment managers are to be instructed to achieve a yield of not less than 4% (taking into account the cash at 1 above), and a Total Return in line with the appropriate Benchmarks agreed by the Board annually.
 - e) This Policy will be reviewed at least annually by the Board.

The income from financial investments remained fairly static in 2018 at £686,885 (2017: £628,224).

For the year ended 31 December 2018 the investment portfolio achieved an overall income yield of 4.4% (2017: 4.4%) and a total return (being the increase/decrease in market value plus the actual yield/income received) of 4.4% (2017: 10.7%).

The benchmark against which each of the individual CCLA funds is compared is disclosed in their quarterly report and each fund outperformed the selected benchmark in the last quarter of 2018 to varying degrees. The PDBF's investment strategy continues to be to maintain a high level of income and also to concentrate on good quality companies and properties with long term growth potential. The property fund continues to produce the best income yield at 5.55% (2017: 5.7%) and in 2018 also achieved a robust capital performance which rose by 2.85% (2017: 2.2% increase). The global equity fund produced a yield of 3.85% (2017: 4.1%) and capital decrease of minus 2.14% (2017: 5.4% increase); the investment fund a yield of 3.36% (2017: 3.6%) and capital fall of minus 1.49% (2017: 8.8% increase). The % allocation of assets to funds was as follows:

	2018	2017
Investment fund	63%	60%
Property Fund	29%	32%
Global Equity Fund	8%	8%
	<u>100%</u>	<u>100%</u>

PRINCIPAL RISKS AND UNCERTAINTIES

As this report has evidenced, the PDBF is essentially fit for purpose: financially stable, proactive and responsive to the needs of the Diocese and parishes and the assets and investments held by the PDBF are well managed and secure.

The main risk and uncertainties facing the PDBF therefore currently relate to the general health of mission and ministry. The age profile of worshipping communities and of ministers is a concern, with a high proportion in the upper age brackets. This has potentially far reaching implications for the aims and objectives of both the PDBF and each PCC in the medium to long term.

The future plans of the PDBF as outlined above are designed specifically to address and mitigate these key risks and uncertainties and in this way to continue to fulfil its charitable aims and objectives and thus serve God faithfully in this Diocese, by responding to his call to action.

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Other key risks and mitigating actions are as follows:

- **Parish Share:** 62% of the diocese's income is given by parishes through parish share. A reduction in payments could have a large impact on the diocese's ability to deliver mission. As set out in the financial review parish share payments remain high. Through consultation and communication the diocese looks to actively involve parishes in the financial and strategic decisions. Through its mission strategy, which links closely to its stewardship strategy, the diocese seeks to help parishes grow.
- **Appointments:** A diocese is critically dependent on the quality of leadership, discipleship and pastoral care of its clergy. The pressure on appointments is exacerbated by a national shortage of clergy and the number of current retirements. Although extended vacancies are painful for all, the diocese seeks to maintain an appropriate high standard. Clear strategy, good levels of support and improving the quality of housing are also important to mitigating this risk. Longer term, promoting vocations and better training and support are also key mitigation strategies.
- **Safeguarding:** The care of children and vulnerable adults remains very important to the diocese. The diocese invests in suitable trained officers and training and support of parishes and schools. The dioceses safeguarding procedures have previously been inspected by the national review panel which validated their high quality. Work has been undertaken to implement their recommendations for further improvement and in 2018 plans were made to increase the personnel engaged in safeguarding to increase capacity and further strengthen the training programme across the Diocese.

STRUCTURE AND GOVERNANCE

Summary Information about the structure of the Church of England

The Church of England is the established church and HM The Queen is the 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 that geographical area. This charge is shared with priests within the benefices and parishes which together make up the Diocese.

The National Church has a General Synod comprising 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 Pension Board administers the pension schemes for clergy and lay workers. Within each Diocese, overall leadership lies with the Diocesan Bishop, who exercises that leadership assisted by the governance functions of the Diocesan Synod. The Diocese has eight deaneries, each with its own Synod, and within each parish there is a parochial church council which shares with the parish priest responsibility for the mission of the church in that parish.

Organisational structure

The Portsmouth Diocesan Board of Finance is constituted under the provisions of the Diocesan Boards of Finance Measure 1925. It is a registered charitable company and has responsibility for conducting the financial affairs of the diocese.

The Board of Directors is the main governing body of the charity. Its members are the Directors and Trustees. The Diocesan Synod, however, agrees the overall annual budget, including the overall level of parish contributions to be sought from parishes under the 'Fairer Shares' scheme. The Directors also form

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the Bishop's Council (Standing Committee of the Diocesan Synod), the Diocesan Mission and Pastoral Committee, and the Diocesan Parsonages Board. These arrangements achieve the uniting of the diocese's policy-setting and finance-controlling responsibilities. Membership comprises ex-officio members (the Bishop, Dean, Archdeacons, Diocesan Secretary, and Diocesan Synod vice presidents), clergy and lay members elected by their respective Diocesan Synod houses, and one member nominated by the Bishop. Members receive appropriate induction training and updates in their duties as trustees.

Trustee recruitment, selection and induction

Trustees are members of the Bishop's Council & Standing Committee and are selected as set out above. Trustees are given induction at the outset of the triennium and at other times as appropriate. They are also informed before seeking membership and, at all other relevant times, of the role and function of the Committee.

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 Portsmouth are set by the Diocesan Synod, and the PDBF. The responsibility for ensuring that these priorities and strategies are delivered is delegated to the Diocesan Secretary. The company meets once a year in general meeting to receive and approve the annual report and financial statements and to appoint the auditors. The Diocesan Synod each year receives and agrees the annual budget, prepared and approved by the PDBF. The Trustees, meeting within the context of the Bishop's Council and Standing Committee, normally hold eight meetings during the year to:

- plan the business of the synod, to prepare the agenda for its sessions, and to circulate to members, information about matters for discussion
- initiate proposals for action by the synod and to advise it on matters of policy which are placed before it
- advise the president on any matters which he may refer to the council
- transact the business of the synod when it is not in session
- undertake the responsibilities of the Diocesan Board of Finance
- undertake the responsibilities of the Diocesan Mission and Pastoral Committee (DMPC)
- to hold all boards and committees accountable for their work and to provide an annual report to synod of that work
- to work with deanery standing committees on the communication of diocesan issues and the understanding of deanery issues
- carry out such other functions as the Synod delegates to it.

The Trustees are assisted in their work by the following sub-committees:-

- The Property Sub Committee reports to the Directors; it oversees repairs to parsonages, glebe property, properties held for the charity's own use, and the disposal and purchase of property.
- The Diocesan Finance Committee includes representatives from all the deaneries and meets regularly to review and report on the finances of individual parishes and their ability to meet their parish share commitments, and to scrutinise and bring recommendations to the Bishops Council on matters of diocesan finance.

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- The Diocesan Mission and Pastoral Advisory Sub Committee was established in 2016 for a period initially of two years. Members are drawn mainly from the Board but also include other deanery representatives. The purpose of this committee is to enable space for more in depth consideration of DMPC matters so that considered recommendations are put to the DMPC for final decision.
- Investment Advisory Group that provides advice (the sub-committee has no executive authority) to the Diocesan Finance Committee and the Diocesan Secretary on PDBF's investments and funds available for investment.

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 deliver the business of the PDBF in accordance with the policies framed by the Trustees.

Connected Charities

The Portsmouth Diocesan Council for Social Responsibility (PDCSR) is a separately constituted company and charity, and PDBF Directors are also trustees and directors of the PDCSR. The PDCSR has a charitable collaboration with the PDBF, as the PDBF employs the staff, and provides accommodation, and office services to meet the business needs of the PDCSR and, in return, the PDCSR reimburse a major proportion of the staff and other costs involved.

Related Parties

The PDBF is required to comply with Measures passed by the General Synod of the Church of England and is required to make annual payments to the Archbishops' Council towards the costs and the national arrangements for training clergy. The PDBF currently receives annual grants from the Church Commissioners.

Fundraising

The Diocese provides guidance to the parishes with regards to fundraising but does not engage in fundraising activities itself. Due regard is given to the Fundraising Code of Practice set by Fundraising Regulator when providing the advice to the parishes.

Remuneration of key management personnel

The Board operates a set salary scale and employees are placed on this with regard to benchmarking against comparable roles in other dioceses and the external employment market. The salary scale is reviewed each year by the Board with reference to cost of living movements in clergy and national church staff pay. Emoluments of higher-paid employees are determined in consultation between the Bishop of Portsmouth (who is also chair of the Board), the Chair of the Finance Committee and the Diocesan Secretary.

Funds held as Custodian Trustee

The PDBF is custodian trustee of assets held on permanent trust by virtue of the Parochial Church Councils (Powers) Measure 1956 (as amended) 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 PDBF does not control them, and they are segregated from the PDBF's own assets by means of a separate bank account and accounting system. Further details of financial trust assets, whose market value amounted to £7.3m at 31 December 2018 (2017: £7.3m), are available from the PDBF on request, and are summarised in note 28. Where properties are held as custodian trustee, the deeds are identified as such and held in safe custody by the PDBF's solicitor, Messrs Brutton & Co

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Funds held on behalf of schools

The PDBF, on behalf of the joint Portsmouth and Winchester Diocesan Board of Education (which is not incorporated) receives contributions from governors of church schools within the Dioceses in connection with major repair and capital projects to church schools and also government grants in connection with the same. The staff of the Board of Education (who are employees of the PDBF) administer these monies as managing agent and make appropriate payments to contractors for work carried out. The monies do not belong to the PDBF or 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 creditors as at 31 December 2018 is £1,008,000 (2017: £1,003,801). The income and expenditure relating to school projects not reflected in the Statement of Financial Activities amounted to £2,093,000 and £2,189,000 respectively in 2018 (2017: £2,957,000 and £2,967,000).

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 that law the Trustees have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the Trustees must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of the affairs of the PDBF and of the surplus or deficit of the PDBF 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 DBF and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the PDBF 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 PDBF's website. Legislation in England and Wales governing the preparation and dissemination of financial statements and other information included in Annual Reports may differ from legislation in other jurisdictions.

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In all matters the Trustees have due regard to the Charity Governance Code (2017) which covers seven areas:

- Organisational purpose
- Leadership
- Integrity
- Decision making, risk and control
- Board effectiveness
- Diversity

Trustees confirm that they have referred and had due regard to the guidance contained in the Charity Commission's general guidance on public benefit when reviewing the DBF's aims and objectives and in planning future activities.

STATEMENT OF DISCLOSURE TO THE AUDITORS

So far as the Trustees are aware:

- a) there is no relevant audit information of which the charitable company's auditors are 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 auditors are aware of than information.

APPOINTMENT OF AUDITORS

The re-appointment of Haysmacintyre LLP as auditors to the PDBF 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 are the Trustees who served at any time during 2018 up to the date of this report:

Chairman:	The Rt Revd Christopher Foster – Lord Bishop of Portsmouth	
Ex-officio	The Very Revd D C Brindley (The Dean of Portsmouth) (res 31.08.18) The Ven G A Collins (Archdeacon of the Meon) The Ven Dr J W Grenfell (Archdeacon of Portsdown) The Ven P A Sutton (Archdeacon of the Isle of Wight) (res 31.08.18) The Revd Canon R C White (Chair of the House of Clergy) Canon D Sutton (Chair of the House of Laity) Mrs V James (Diocesan Secretary) (from 8.10.18) Mrs J Hollingsworth (Acting Diocesan Secretary) (resigned 8.10.18)	
Bishop's Nominee:	Canon J Gwynn (Chairman of Diocesan Finance Committee)	
Elected by:		
Synod House of Clergy	The Revd P Armstead The Revd M Bagg The Revd A Kerr (res 31.12.18) The Revd Dr P Chamberlain The Revd I Snares	The Revd Canon W Hughes Revd J Hunt (fr 1.1.19) The Revd Canon G Morris (res 17.07.18) The Revd M Duff
Synod House of Laity	Mr W Berry (res 31.12.18) Mr G Barwick (res 31.12.18) Canon D Bennison Mr N Chapman Mrs L Clay (res 31.12.18) Mrs M Crittenden Mrs E Davidson (fr 1.1.19) Canon L Docherty Mr K Doyle (res 31.12.18)	Mr M Emerton (fr 1.1.19) Canon S Forster Mrs I James Mr A Jordan (fr 1.1.19) Cdre M Lane (res 01.03.2018) Canon Dr H Mason Mr E Organ (fr 1.1.19) Mr R Solomon (res 9.4.18) Canon H Spurgeon

Senior staff and advisers

Diocesan Secretary	Victoria James
Director of Finance	Lisa Streeter (from 25.02.19)
Head of Mission and Resources and Acting Diocesan Secretary	Jenny Hollingsworth
Head of Mission, Discipleship and Ministry	Anthony Rustell
Head of Mission and Education and Director of Education	Jeff Williams

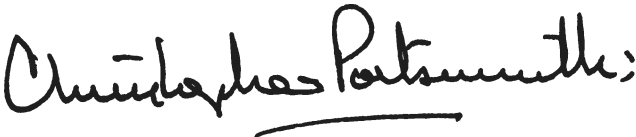
PORTSMOUTH DIOCESAN BOARD OF FINANCE

ANNUAL REPORT

For the year ended 31 December 2018

Registered Office:	Diocesan Office, Peninsular House, Wharf Road, Portsmouth, PO2 8HB
Bankers	Barclays PLC, PO Box 165, Crawley, RH10 1YX
Auditors	Haysmacintyre LLP, 10 Queen Street Place, London EC4R 1AG
Solicitors	Messrs Brutton & Co, West End House, 288 West Street, Fareham, PO16 0AJ
Investment advisers	CCLA, 80 Senator House, 85 Queen Victoria Street, London, EC4V 4ET
Glebe Agents	Carter Jonas LLP, 9-10 Jewry Street, Winchester SO23 8RZ
Insurers	EIG, Beaufort House, Brunswick Road, Gloucester, GL1 1JZ

ON BEHALF OF THE TRUSTEES



The Right Revd Christopher Foster
Chairman
8th May 2019



Victoria James
Diocesan Secretary
8th May 2019

INDEPENDENT AUDITORS REPORT TO THE MEMBERS OF PORTSMOUTH DIOCESAN BOARD OF FINANCE
For the year ended 31 December 2018

Opinion

We have audited the financial statements of Portsmouth Diocesan Board of Finance for the year ended 31 December 2018 which comprise the Statement of Financial Activities, the Income and Expenditure Account, the Balance Sheet, the Cash Flow Statement and 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 the charitable company's net movement in funds, including the 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 set out on page 11, 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.

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

INDEPENDENT AUDITORS REPORT TO THE MEMBERS OF PORTSMOUTH DIOCESAN BOARD OF FINANCE
For the year ended 31 December 2018

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 strategic report and the directors' report, which are included in the Trustees' Annual Report, have 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
- 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.

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 the 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 Auditors

10 Queen Street Place

London EC4R 1AG

22 May 2019

PORTSMOUTH DIOCESAN BOARD OF FINANCE

STATEMENT OF FINANCIAL ACTIVITIES
At 31 December 2018

	Note	Unrestricted funds		Restricted funds	Endowment funds	Total funds 2018	Total funds 2017
		General	Designated				
		£	£	£	£	£	£
Income and endowments from							
Donations							
Parish contributions	2a	5,062,937	-	-	-	5,062,937	4,740,419
Archbishops' Council	2b	441,870	-	197,627	-	639,497	480,172
Other donations	2c	158,198	1,784	15,913	-	175,895	192,190
Charitable activities	3	1,104,979	15,000	2,178	-	1,122,157	1,165,005
Other trading activities	4	268,812	-	-	-	268,812	264,241
Investments	5	391,126	93,931	164,841	91,871	741,769	677,891
Other	6	144,414	-	-	-	144,414	164,470
Total incoming resources		7,572,336	110,715	380,559	91,871	8,155,481	7,684,388
Expenditure on:							
Raising funds	7	30,886	-	-	-	30,886	29,118
Charitable activities	8	7,396,916	693,430	235,529	-	8,325,875	7,451,036
Total	10	7,427,802	693,430	235,529	-	8,356,761	7,480,154
Net income/(expenditure) before investment gains							
		144,534	(582,715)	145,030	91,871	(201,280)	204,234
Net gains/(losses) on investments	16	10,880	(14,295)	10,604	(13,686)	(6,497)	950,561
Gain on sale of Wickham Glebe land		-	-	-	3,084,703	3,084,703	-
Net income/(expenditure)		155,414	(597,010)	155,634	3,162,888	2,876,926	1,154,795
Transfers between funds	14	531,020	889,587	(164,039)	(1,256,568)	-	-
Other recognised gains/(losses)							
Gains/(losses) on revaluation of fixed assets	15	164,490	-	-	1,308,138	1,472,628	305,740
Actuarial Gain/(Loss) on pension deficit		-	-	-	(144,000)	(144,000)	105,000
		164,490	-	-	1,164,138	1,328,628	410,740
Net movement in funds		850,924	292,577	(8,405)	3,070,458	4,205,554	1,565,535
Total funds at 1 January 2018		13,522,131	3,037,622	4,475,742	48,837,301	69,872,796	68,307,261
Total funds at 31 December 2018	20	14,373,055	3,330,199	4,467,337	51,907,759	74,078,350	69,872,796

The net surplus/(deficit) of income over expenditure, together with details of income and expenditure required by the Companies Act, may be derived from net incoming resources before transfers, excluding movements on endowment funds, in the Statement of Financial Activities above. All incoming resources and resources expended derive from continuing activities.

The notes on pages 19 to 48 form part of the financial statements

PORTSMOUTH DIOCESAN BOARD OF FINANCE
Company No: 226466
BALANCE SHEET
At 31 December 2018

	Note	2018		2017	
		£	£	£	£
FIXED ASSETS					
Tangible Fixed Assets	15		55,405,844		54,206,535
Investments	16		18,202,624		16,308,099
			<u>73,608,468</u>		<u>70,514,634</u>
CURRENT ASSETS					
Debtors	17	811,013		633,867	
Cash on Deposit		3,816,343		2,100,639	
Cash at bank and in hand		220,695		982,928	
		<u>4,848,051</u>		<u>3,717,434</u>	
CREDITORS: amounts falling due within one year	18	2,431,889		2,265,532	
NET CURRENT ASSETS			<u>2,416,162</u>		<u>1,451,902</u>
Total assets less current liabilities			<u>76,024,630</u>		<u>71,966,536</u>
CREDITORS amounts falling due after more than one year	19		1,946,280		2,093,740
Pension scheme liabilities		1,826,100		1,922,400	
Loans		120,180		171,340	
NET ASSETS			<u>74,078,350</u>		<u>69,872,796</u>
FUNDS					
Unrestricted income funds:					
General funds			14,373,055		13,522,131
Designated funds			3,330,199		3,037,622
			<u>17,703,254</u>		<u>16,559,753</u>
Restricted funds			4,467,337		4,475,742
Endowment funds			51,907,759		48,837,301
TOTAL FUNDS	21		<u>74,078,350</u>		<u>69,872,796</u>

Revaluation reserves of the following amounts are included within the above funds: endowment funds £5.8m (2017: £4.6m), restricted funds £0.9m (2017: £0.9m), designated funds £0.8m (2017: £0.8m), general funds £1.4m (2017: £1.2m).

The Notes on pages 19 to 48 form part of these financial statements. The financial statements were approved by the Board of Trustees and authorised for issue on 8th May 2019 and signed on behalf of the Board by:



THE RIGHT REVD CHRISTOPHER FOSTER

PORTSMOUTH DIOCESAN BOARD OF FINANCE

CASH FLOW STATEMENT

For the year ended 31 December 2018

	2018		2017	
	£	£	£	£
Net cash flow from operating activities		(1,297,594)		(606,121)
Cash flows from investing activities				
Dividends, interest and rent from investments	690,749		638,275	
Purchase of property and equipment	(4,466)		(522,482)	
Purchase of investments	(1,850,002)		(401,040)	
Sale of property and equipment	384,414		642,575	
Sale of investments	3,084,703		-	
Net cash provided by/(used in) investing activities		2,305,398		357,328
Cash flows from financing activities				
Loans repaid to PDBF	8,328		31,543	
Loans repaid by PDBF	(62,661)		(72,048)	
Net cash used in financing		(54,333)		(40,505)
Change in cash and cash equivalents in the reporting period		953,471		(289,298)
Cash and cash equivalents at 1 January		3,083,567		3,372,865
Cash and cash equivalents at 31 December		4,037,038		3,083,567
<u>Reconciliation of net income to net cash flow from operating activities</u>				
		<u>2018</u>		<u>2017</u>
Net income for the year ended 31 December		2,876,926		1,154,795
Adjustments for:				
Depreciation charges		37,785		37,785
Losses/(gains) on investments		6,497		(950,561)
Dividends, interest and rent from investments		(741,769)		(677,891)
Gain on sale of functional assets		(144,414)		(164,470)
(Profit)/Loss on disposal of investments		(3,084,703)		-
Decrease/(Increase) in operating debtors		(185,474)		167,168
(Decrease)/Increase in operating creditors		(62,442)		(172,947)
Net cash provided by operating activities		(1,297,594)		(606,121)
<u>Analysis of cash and cash equivalents</u>				
Cash at bank and in hand		220,695		982,928
Cash on deposit		3,816,343		2,100,639
		4,037,038		3,083,567

PORTSMOUTH DIOCESAN BOARD OF FINANCE

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

1. ACCOUNTING POLICIES

Portsmouth DBF is a company limited by guarantee, incorporated in England and Wales, and is a Public Benefit Entity as defined by FRS102. 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 e), 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).

After reviewing the charity's forecasts and projections, the Trustees have a reasonable expectation that the charity has adequate resources to continue as a going concern for the foreseeable future. The Trustees therefore continue to adopt the going concern basis in preparing this Annual Report and Financial Statements

The principal accounting policies and estimation techniques are as follows.

a) Income

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

- i) **Parish Share** is recognised as income of the year in respect of which it is receivable.
- ii) **Rent** receivable is recognised as income in the period with respect to which it relates.
- 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 of the year to which they are receivable.
- vi) **Donations** other than grants are recognised when receivable.
- vii) **Gains on disposal of fixed assets for the PDBF's own use** (i.e. non-investment assets) are accounted for as other income. 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. However, the income is fully expended within the year of receipt and the legal restrictions, therefore, are satisfied. It is on this basis that the income and the (normally much larger) related expenditure are both included in the unrestricted column of the Statement of Financial Activities for the sake of greater clarity and simplicity in financial reporting.

b) Expenditure

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

- i) **Costs of raising funds** are constrained to costs relating to the temporary renting out of parsonages and investment management costs of glebe and any other investment properties.
- ii) **Charitable expenditure** is analysed between contributions to the Archbishops' Council, and expenditure on resourcing mission and ministry within 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 PDBF, such grants being recognised as expenditure when

PORTSMOUTH DIOCESAN BOARD OF FINANCE

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

the conditions attaching are fulfilled. Grants offered subject to such conditions which have not been met at the year-end are noted as a commitment, but not accrued as expenditure.

- iv) **Support costs** consist of central management, administration and governance costs. The amount spent on raising funds and other activities is considered to be immaterial and all support costs are allocated to the purpose of charitable activities. Costs are allocated wherever possible directly to the activity to which they relate, but where such direct allocation is not possible, the remainder is allocated on an approximate staff time basis.
- v) **Pension contributions.** The PDBF's staff are members of the Church Workers Pension Fund; either the Pension Builder or the Defined Benefit Schemes, and Clergy are members of the Church of England Funded Pensions Scheme (see note 26). The pension costs charged as resources expended represent both the PDBF's contributions payable in respect of the accounting period, in accordance with FRS102 and the funding of the deficit. Deficit funding for the pension schemes to which PDBF participates is accrued at current value in creditors distinguished between contributions falling due within one year and after more than one year.

c) **Tangible fixed assets and depreciation**

Freehold properties

Properties are accounted for at their fair value and are reviewed on a five year cycle and revalued accordingly. 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 PDBF has a policy of regular structural inspection, repair and maintenance, which in the case of residential properties is in accordance with the Repair of Benefices Buildings Measure 1972 and properties are therefore unlikely to deteriorate or suffer from obsolescence. In addition, disposals of properties occur well before the end of their economic lives and disposal proceeds are usually not less than their carrying value. 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.

Parsonage houses

The PDBF 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 PDBF 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 estimated current market value. This treatment is also applied to any property where the title will revert to the PCC in the event that it should no longer be required as a parsonage. Parsonage houses are revalued on a five year cycle.

Property cost values

For the purposes of the calculation of a revaluation reserve, where the actual cost is not known, the cost value is deemed to be the value at which the property was brought into the current accounting system in 2007.

d) **Depreciation on leasehold property**

Depreciation is provided on leasehold properties over the lesser of 50 years or the life of the lease.

PORTSMOUTH DIOCESAN BOARD OF FINANCE

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

1. ACCOUNTING POLICIES (continued)

e) 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. The single property held as an investment is revalued by the Diocesan surveyor on a five year cycle alongside all other properties. Glebe land is valued at ten times the annual rental income.

- ii) **Leases.** The PDBF has entered only into operating lease arrangements for the use of certain assets, the rental for which is charged in full as expenditure in the year to which it relates. Where rent free periods are given as part of an operating lease, the impact of this rent free period is reflected in the Statement of Financial Activities over the shorter of the overall lease term or first break clause whichever is shorter in time.

f) Fund balances

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

- **Unrestricted funds** are the PDBF's corporate funds and are freely available for any purpose within the charitable company's objects, at the discretion of the PDBF. There are two types of unrestricted funds:
 - **General funds** which the PDBF intends to use for the general purposes of the PDBF and
 - **Designated funds** set aside out of unrestricted funds by the PDBF 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 endowment funds administered by the PDBF (Stipends Fund Capital, Parsonage Houses and Schools), 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. Trusts where the PDBF 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.

g) Key Judgements

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates. The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements:

- Basis for non-depreciation of functional residential property
- Assumptions underpinning the clergy and church Workers' pension scheme liabilities.

PORTSMOUTH DIOCESAN BOARD OF FINANCE

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

2 DONATIONS

2a Parish Contributions

	Unrestricted funds		Restricted funds	Endowment funds	Total funds 2018
	General	Designated			
	£	£	£	£	£
Parish share					
Parish share requested	5,004,374	-	-	-	5,004,374
Short fall/surplus against cash received	(62,107)				(62,107)
Payments received	4,942,267				4,942,267
Change in amounts receivable	120,670	-	-	-	120,670
Parish share receivable	5,062,937	-	-	-	5,062,937

	Unrestricted funds		Restricted funds	Endowment funds	Total funds 2017
	General	Designated			
	£	£	£	£	£
Parish share					
Parish share requested	4,906,246	-	-	-	4,906,246
Short fall/surplus against cash received	(73,104)				(73,104)
Payments received	4,833,142				4,833,142
Change in amounts receivable	(92,723)	-	-	-	(92,723)
Parish share receivable	4,740,419	-	-	-	4,740,419

The majority of donations are collected from the parishes of the diocese through the parish share system. Parish share payments received represented 98.8% (2017: 98.5%) of the amount requested; including the movements in amounts receivable, parish share receivable was 101.2% (2017: 96.6%) of the amount requested.

2b Archbishops' Council

	Unrestricted funds		Restricted funds	Endowment funds	Total funds 2018
	General	Designated			
	£	£	£	£	£
Selective allocation	346,870	-	-	-	346,870
Parish mission development fund	95,000	-	-	-	95,000
CC grant for RME	-	-	67,435	-	67,435
Strategic Development Fund	-	-	130,192	-	130,192
	441,870	-	197,627	-	639,497

	Unrestricted funds		Restricted funds	Endowment funds	Total funds 2017
	General	Designated			
	£	£	£	£	£
Selective allocation	333,134	-	-	-	333,134
Parish mission development fund	95,000	-	-	-	95,000
CC grant for RME	-	-	17,082	-	17,082
Strategic Development Fund	-	-	34,956	-	34,956
	428,134	-	52,038	-	480,172

PORTSMOUTH DIOCESAN BOARD OF FINANCE

**NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2018**

2c Other donations

	Unrestricted funds		Restricted funds	Endowment funds	Total funds 2018
	General	Designated			
	£	£			
All Churches Trust	72,532	-	-	-	72,532
Donations	33,720	1,784	25,786	-	61,290
Grants from trusts	51,946	-	(9,873)	-	42,073
	158,198	1,784	15,913	-	175,895

	Unrestricted funds		Restricted funds	Endowment funds	Total funds 2017
	General	Designated			
	£	£			
All Churches Trust	72,532	-	-	-	72,532
Donations	36,304	3,741	31,814	-	71,859
Grants from trusts	37,571	-	10,228	-	47,799
	146,407	3,741	42,042	-	192,190

3. CHARITABLE ACTIVITIES

	Unrestricted funds		Restricted funds	Endowment funds	Total funds 2018
	General	Designated			
	£	£			
Statutory fees and chaplaincy income	353,791	-	-	-	353,791
Miscellaneous income	94,197	15,000	2,178	-	111,375
Section income:					
Mission Discipleship and Ministry	3,898	-	-	-	3,898
Mission and Education	507,329	-	-	-	507,329
Mission and Resources	42,181	-	-	-	42,181
Mission and Society	103,583	-	-	-	103,583
	1,104,979	15,000	2,178	-	1,122,157

	Unrestricted funds		Restricted funds	Endowment funds	Total funds 2017
	General	Designated			
	£	£			
Statutory fees and chaplaincy income	362,671	-	-	-	362,671
Miscellaneous income	89,059	18,302	3,206	42,808	153,375
Section income:					
Mission Discipleship and Ministry	6,261	-	-	-	6,261
Mission and Education	502,528	-	-	-	502,528
Mission and Resources	58,216	-	-	-	58,216
Mission and Society	81,954	-	-	-	81,954
	1,100,689	18,302	3,206	42,808	1,165,005

PORTSMOUTH DIOCESAN BOARD OF FINANCE

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

4. OTHER TRADING ACTIVITIES

	Unrestricted funds		Restricted funds	Endowment funds	Total funds 2018
	General	Designated			
	£	£			
Rental income from properties	268,812	-	-	-	268,812
	268,812	-	-	-	268,812

	Unrestricted funds		Restricted funds	Endowment funds	Total funds 2017
	General	Designated			
	£	£			
Rental income from properties	264,241	-	-	-	264,241
	264,241	-	-	-	264,241

5. INVESTMENT INCOME

	Unrestricted funds		Restricted funds	Endowment funds	Total funds 2018
	General	Designated			
	£	£			
Dividends receivable	343,341	92,649	159,682	91,213	686,885
Interest receivable	6,938	1,282	5,159	658	14,037
Rents receivable	40,847	-	-	-	40,847
	391,126	93,931	164,841	91,871	741,769

	Unrestricted funds		Restricted funds	Endowment funds	Total funds 2017
	General	Designated			
	£	£			
Dividends receivable	301,729	91,700	142,937	91,858	628,224
Interest receivable	3,389	1,196	3,487	445	8,517
Rents receivable	41,150	-	-	-	41,150
	346,268	92,896	146,424	92,303	677,891

PORTSMOUTH DIOCESAN BOARD OF FINANCE

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

6. OTHER INCOME

	Unrestricted funds		Restricted funds	Endowment funds	Total funds 2018
	General	Designated			
	£	£			
Gain on sale of properties	144,414	-	-	-	144,414
	144,414	-	-	-	144,414

	Unrestricted funds		Restricted funds	Endowment funds	Total funds 2017
	General	Designated			
	£	£			
Gain on sale of properties	164,470	-	-	-	164,470
	164,470	-	-	-	164,470

7. FUND RAISING COSTS

	Unrestricted funds		Restricted funds	Endow't funds	Total funds 2018
	General	Designated			
	£	£			
Glebe agent's fees and repairs	12,395	-	-	-	12,395
Management fees of rentals	18,491	-	-	-	18,491
	30,886	-	-	-	30,886

	Unrestricted funds		Restricted funds	Endow't funds	Total funds 2017
	General	Designated			
	£	£			
Glebe agent's fees and repairs	9,319	-	-	-	9,319
Management fees of rentals	19,799	-	-	-	19,799
	29,118	-	-	-	29,118

PORTSMOUTH DIOCESAN BOARD OF FINANCE

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

8. CHARITABLE ACTIVITIES

	Unrestricted funds		Restricted funds £	Endow't funds £	Total funds 2018 £
	General £	Designated £			
Contributions to Archbishops' Council					
Training for ministry	177,178	-	-	-	177,178
National church responsibilities	141,477	-	-	-	141,477
Grants and provisions	14,945	-	-	-	14,945
Mission agency pension contributions	1,725	-	-	-	1,725
Retired clergy housing costs	59,560	-	-	-	59,560
	394,885	-	-	-	394,885
Resourcing ministry and mission					
Training for ministry	-	-	96,516	-	96,516
Parish ministry:					
Stipends and national insurance	2,765,928	-	-	-	2,765,928
Pension costs	626,527	-	-	-	626,527
Housing costs	1,008,216	572,746	-	-	1,580,962
Removal, resettlement & other grants	169,586	-	35,203	-	204,789
Other expenses	90,327	5,757	23,736	-	119,820
	4,660,584	578,503	155,455	-	5,394,542
Support for ministry and mission					
Mission Discipleship and Ministry	618,671	114,927	126,024	-	859,622
Mission and Education	777,981	-	(42,121)	-	735,860
Mission and Resources	633,813	-	-	-	633,813
Mission and Society	269,080	-	(3,829)	-	265,251
Governance	26,102	-	-	-	26,102
Other Diocesan Central Support	15,800	-	-	-	15,800
	2,341,447	114,927	80,074	-	2,536,448
	7,396,916	693,430	235,529	-	8,325,875

	Unrestricted funds		Restricted funds £	Endow't funds £	Total funds 2017 £
	General £	Designated £			
Contributions to Archbishops' Council					
Training for ministry	203,442	-	-	-	203,442
National church responsibilities	135,950	-	-	-	135,950
Grants and provisions	14,945	-	-	-	14,945
Mission agency pension contributions	1,562	-	-	-	1,562
Retired clergy housing costs	56,178	-	-	-	56,178
	412,077	-	-	-	412,077
Resourcing ministry and mission					
Training for ministry	-	-	15,696	-	15,696
Parish ministry:					
Stipends and national insurance	2,715,887	-	-	-	2,715,887
Pension costs	598,691	-	-	-	598,691
Housing costs	1,045,631	179,977	-	-	1,225,608
Removal, resettlement & other grants	93,459	-	31,505	-	124,964
Other expenses	94,638	10,963	2,006	-	107,607
	4,548,306	190,940	49,207	-	4,788,453
Support for ministry and mission					
Mission Discipleship and Ministry	577,812	16,828	34,956	-	629,596
Mission and Education	662,236	-	(21,196)	-	641,040
Mission and Resources	703,559	60	-	-	703,619
Mission and Society	221,669	-	11,661	-	233,330
Governance	27,421	-	-	-	27,421
Other Diocesan Central Support	15,500	-	-	-	15,500
	2,208,197	16,888	25,421	-	2,250,506
	7,168,580	207,828	74,628	-	7,451,036

PORTSMOUTH DIOCESAN BOARD OF FINANCE

**NOTES TO THE FINANCIAL STATEMENTS
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9 OTHER RESOURCES EXPENDED

There was no miscellaneous income falling into this category in either 2018 or 2017.

10. ANALYSIS OF EXPENDITURE INCLUDING ALLOCATION OF SUPPORT COSTS

	Activities Undertaken Directly £	Grant Funding of Activities £	Support Costs £	TOTAL 2018 £
Raising funds	30,886	-	-	30,886
Contributions to Archbishops' Council	-	394,885	-	394,885
Parish Ministry	5,306,767	87,775	-	5,394,542
Support for Ministry and Mission	1,419,190	60,573	320,825	1,800,588
Education	735,860	-	-	735,860
	7,492,703	543,233	320,825	8,356,761

	Activities Undertaken Directly £	Grant Funding of Activities £	Support Costs £	TOTAL 2017 £
Raising funds	29,118	-	-	29,118
Contributions to Archbishops' Council	-	412,077	-	412,077
Parish Ministry	4,741,316	47,137	-	4,788,453
Support for Ministry and Mission	1,246,413	66,477	296,576	1,609,466
Education	641,040	-	-	641,040
	6,657,887	525,691	296,576	7,480,154

11. ANALYSIS OF SUPPORT COSTS

	Unrestricted funds		Restricted funds	Endow't funds	Total funds 2018 £
	General £	Designated £	£	£	£
Central administration	294,723	-	-	-	294,723
Governance	26,102	-	-	-	26,102
	320,825	-	-	-	320,825

	Unrestricted funds		Restricted funds	Endow't funds	Total funds 2017 £
	General £	Designated £	£	£	£
Central administration	269,155	-	-	-	269,155
Governance	27,421	-	-	-	27,421
	296,576	-	-	-	296,576

Auditors remuneration for the year was £13,530 (2017 £14,634), and the cost of operating lease rentals was £5,890 (2017 £9,690)

PORTSMOUTH DIOCESAN BOARD OF FINANCE

NOTES TO THE FINANCIAL STATEMENTS
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12. ANALYSIS OF GRANTS

	Number	Individuals £	Institutions £	Total £
From unrestricted funds for national Church responsibilities:				
Contributions to Archbishop's Council	1	-	394,885	394,885
From unrestricted funds:				
Cathedral	1	-	15,800	15,800
Retired Lay Worker Pension Grant	1	1,917	-	1,917
Removal and resettlement grants	19	85,858	-	85,858
Mission Opportunity Fund parish grants	10	-	18,660	18,660
	31	87,775	34,460	122,235
From restricted funds for various purposes:				
Bishops Lent Appeal grants	7	-	26,113	26,113
	39	87,775	455,458	543,233
2017				
	Number	Individuals £	Institutions £	Total £
From unrestricted funds for national Church responsibilities:				
Contributions to Archbishop's Council	1	-	412,077	412,077
From unrestricted funds:				
Cathedral	1	-	15,500	15,500
Retired Lay Worker Pension Grant	1	1,917	-	1,917
Removal and resettlement grants	19	45,220	-	45,220
Mission Opportunity Fund parish grants	10	-	19,472	19,472
	31	47,137	34,972	82,109
From restricted funds for various purposes:				
Bishops Lent Appeal grants	7	-	31,505	31,505
	39	47,137	478,554	525,691

13. STAFF COSTS

Employee costs during the year were as follows:

	2018 £	2017 £
Wages and salaries	1,295,591	1,127,936
National insurance contributions	128,927	110,331
Pension costs	220,545	223,727
	<u>1,645,063</u>	<u>1,461,994</u>

PORTSMOUTH DIOCESAN BOARD OF FINANCE

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The average number of people employed during the year based on full time equivalents was:

	2018	2017
	fte	fte
Mission & Education	10.6	8.5
Mission Discipleship and Ministry	7.5	6.0
Mission & Resources	11.2	12.6
Mission & Society	3.8	3.1
(of which 2.2 are externally funded)		
	<u>33.1</u>	<u>30.2</u>
Parochial Assistants	0.7	0.7
	<u>33.8</u>	<u>30.9</u>

The average number of individuals employed during the year was:

	2018	2017
	no.	no.
Mission & Education	17	15
Mission Discipleship and Ministry	9	9
Mission & Resources	16	16
Mission & Society	7	6
	<u>49</u>	<u>46</u>
Parochial Assistants	2	2
	<u>51</u>	<u>48</u>

The number of staff whose emoluments (including benefits in kind but excluding pension contributions) amounted to more than £60,000 were as follows:

	2018	2017
£60,000 - £70,000	0	1
£70,000 - £80,000	0	1
£80,000 - £90,000	1	0

Pension payments of £14,361 (2017:£41,000) were made for these employees.

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 & Company Secretary	Victoria James (from 8.10.18)
Director of Finance	Malcolm Twigger-Ross (20%) left 02.18
Deputy Diocesan Secretary	Jenny Hollingsworth (SMP)
Head of Mission and Discipleship	Revd Anthony Rustell
Head of Education	Jeff Williams (33%)

Remuneration, pensions and expenses for these 5 employees amounted to £178,000 (2017: £246,000)

PORTSMOUTH DIOCESAN BOARD OF FINANCE

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

13. STAFF COSTS (continued)

Trustees' emoluments

No Trustee received any remuneration for services as Trustee. The Trustees received travelling and out of pocket expenses, totalling £28,136 (2017 - £32,587) in respect of General Synod duties, duties as archdeacon or area/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 PDBF during the year:

	Stipend	Housing
The Archdeacon of the Meon (Collins)	Yes	Yes
The Archdeacon of Portsdown (Grenfell)	Yes	Yes
The Archdeacon of the Isle of Wight (P Sutton)	Yes	Yes
Chair of House of Clergy (Canon R C White)	Yes	Yes
The Revd M Bagg	Yes	Yes
The Rev Canon W Hughes	Yes	Yes
The Revd Canon G Morris (Resigned 17/7/18)	Yes	Yes
The Revd Dr Paul Chamberlain	Yes	Yes
The Revd Ian Snares	Yes	Yes
The Revd Paul Armstead	Yes	Yes
The Revd Mike Duff	Yes	Yes
The Revd Allie Kerr - (Resigned 31/12/18)	Yes	Yes

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

The PDBF paid an average of 95 (2017 – 95) stipendiary clergy as office-holders holding parochial or diocesan appointments in the diocese, and the costs were as follows:

	2018	2017
	£'000	£'000
Stipends	2,516	2,396
National insurance contributions	193	185
Pension costs - current year	594	529
- deficit reduction	172	132
	<u>3,475</u>	<u>3,242</u>

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14. ANALYSIS OF TRANSFERS BETWEEN FUNDS

	Unrestricted funds		Restricted funds	Endowment funds
	General	Designated		
	£	£	£	£
Reclassification of Brading (Mall Rd) from parsonage to freehold property	450,000	-	-	(450,000)
Budgeted transfer from the Education Restricted fund to support the activities of the education team	99,200	-	(99,200)	-
Transfer of prior year under-spends from Building Repair fund	53,393	(53,393)	-	-
Transfer from Education fund to support P&WCSGF operations following partial repayment of loan from WDBF	-	-	(35,000)	-
	-	-	35,000	-
Portsmouth share of Interest earned by P&WCSG Fund	977	-	(977)	-
To charge the General Fund for the reduction in pension deficit provision	(251,000)	-	-	251,000
To transfer part of the proceeds from the sale of Wickham glebe land for use on parsonage improvements as approved by Bishops Council	1,010,000	-	-	(1,010,000)
Budgeted transfer from Catherington Trust for Spirituality Advisor	38,517	(38,517)	-	-
Budgeted transfer to Office repair fund	(10,000)	10,000	-	-
Budgeted transfer to Lambeth Conference fund	(1,040)	1,040	-	-
Transfer to Building Repair fund from General reserves as authorised by Bishops Council	(610,000)	610,000	-	-
Transfer from General to Mission fund to fund items in Strategic Development Phase 1 budget approved by Bishops Council	(439,811)	439,811	-	-
Clergy conference costs net of budgeted transfer to conference fund	24,354	(24,354)	-	-
Transfer of income to general fund to offset relevant expenditure	166,430	(55,000)	(63,862)	(47,568)
	<u>531,020</u>	<u>889,587</u>	<u>(164,039)</u>	<u>(1,256,568)</u>

PORTSMOUTH DIOCESAN BOARD OF FINANCE

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

15. TANGIBLE FIXED ASSETS – Land and Buildings

	Freehold Land and Buildings £	Leasehold Buildings £	Total 2018 £
At Cost or Valuation			
At 1 January 2018	52,732,940	1,851,443	54,584,383
Additions	4,466	-	4,466
Disposals	(240,000)	-	(240,000)
Revaluation	1,472,628	-	1,472,628
At 31 December 2018	<u>53,970,034</u>	<u>1,851,443</u>	<u>55,821,477</u>
Accumulated depreciation			
At 1 January 2018	-	377,848	377,848
Charge for the year	-	37,785	37,785
At 31 December 2018	<u>-</u>	<u>415,633</u>	<u>415,633</u>
Net book value at 31 December 2018	<u>53,970,034</u>	<u>1,435,810</u>	<u>55,405,844</u>
Net book value at 31 December 2017	<u>52,732,940</u>	<u>1,473,595</u>	<u>54,206,535</u>
	Freehold Land and Buildings £	Leasehold Buildings £	Total 2017 £
At Cost or Valuation			
At 1 January 2017	51,782,823	1,851,443	53,634,266
Additions	1,122,482	-	1,122,482
Reclassified as functional assets	-	-	-
Disposals	(478,104)	-	(478,104)
Revaluation	305,740	-	305,740
At 31 December 2017	<u>52,732,940</u>	<u>1,851,443</u>	<u>54,584,383</u>
Accumulated depreciation			
At 1 January 2017	-	340,063	340,063
Charge for the year	-	37,785	37,785
Disposals	-	-	-
At 31 December 2017	<u>-</u>	<u>377,848</u>	<u>377,848</u>
Net book value at 31 December 2017	<u>52,732,940</u>	<u>1,473,595</u>	<u>54,206,535</u>
Net book value at 31 December 2016	<u>51,782,823</u>	<u>1,511,380</u>	<u>53,294,203</u>

All of the properties in the balance sheet are freehold and are vested in the PDBF, except for benefice houses which are vested in the incumbent. All properties are held at market value and are subject to a five-year cycle of survey and consequent repairs are charged as expenditure. The Diocesan Office at Peninsular House is a leasehold property for which the premium is being amortised over 50 years. Just under half of the office space is sublet as it is not required for diocesan use. The carrying value of this property valued on a part functional, part investment basis would not be materially different from that quoted above.

PORTSMOUTH DIOCESAN BOARD OF FINANCE

**NOTES TO THE FINANCIAL STATEMENTS
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16. FIXED ASSETS INVESTMENTS

	At 1st January 2018 £	Additions £	Disposals £	Change in Market Value £	At 31st December 2018 £
Unrestricted General Funds					
Unlisted investments	1,620,723	-	-	10,880	1,631,603
Designated Funds					
Unlisted investments	2,380,126	3,074	-	(14,295)	2,368,905
Restricted Funds					
Unlisted investments	3,716,718	397,946	-	10,604	4,125,268
Endowment Funds					
Unlisted investments	7,868,185	1,500,000	-	(6,009)	9,362,176
Investment Property	362,000		-	-	362,000
Investment Land	360,347	2		(7,677)	352,672
Total Funds	<u>16,308,099</u>	<u>1,901,022</u>	<u>-</u>	<u>(6,497)</u>	<u>18,202,624</u>

The glebe land at Wickham which was disposed in 2018 was previously recognised at £nil value.

17. DEBTORS

	2018 £	2017 £
Due within one year		
Loans to parishes	6,956	23,622
Parish share receivable	283,802	151,839
Prepayments and accrued income	347,204	304,841
Other debtors	158,190	147,042
	<u>796,152</u>	<u>627,344</u>
Due after one year		
Loans to parishes	14,861	6,523
Other debtors	-	-
	<u>14,861</u>	<u>6,523</u>
Total	<u>811,013</u>	<u>633,867</u>

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18. CREDITORS: amounts falling due within one year

	2018	2017
	£	£
Accruals	394,420	309,302
Other creditors	691,422	633,661
* P&WCSG Fund Creditors	1,088,760	1,003,801
Loan repayments	40,637	52,138
Deferred income	13,750	53,030
Pension scheme liabilities:		
Clergy Pension Scheme	202,900	173,400
	2,431,889	2,225,332

* The P&WCSG fund holds £1,088,760 (2017: £1,003,801) on deposit with CCLA and Barclays

19. CREDITORS: amounts falling due after more than one year

	2018	2017
	£	£
Loan repayment instalments due after more than one year		
1 - 2 years	40,060	51,160
2 -5 years	80,120	120,180
After 5 years	-	-
Pension scheme liabilities:		
Clergy Pension Scheme	1,826,100	1,560,600
	1,946,280	1,731,940

PORTSMOUTH DIOCESAN BOARD OF FINANCE

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20. SUMMARY OF FUND MOVEMENTS

	Balances at 1 January 2018 £	Incoming resources £	Outgoing resources £	Transfers £	Gains and losses £	Balances at 31 December 2018 £
Unrestricted funds - General	13,522,131	7,572,336	(7,427,802)	531,020	175,370	14,373,055
Unrestricted funds - Designated						
Brown, Doig, Silver Bequest	27,249	-	-	-	(435)	26,814
Circus Charity Fund	1,836	-	-	-	(25)	1,811
Diocesan Conference Fund	43,086	156	-	(24,354)	-	18,888
Car Loan Fund	231,100	9,171	-	(9,170)	(1,773)	229,328
Diocesan Loan Fund	467,475	18,162	-	(18,162)	(9,443)	458,032
Parsonages Repairs Fund	381,353	21,052	(28,616)	(21,052)	6,331	359,068
CME Fund	139,027	77	-	(77)	-	139,027
Valpy Bequest	25,656	-	-	-	(411)	25,245
Winterbotham Legacy	110,606	4,867	-	(4,867)	(658)	109,948
Office Repair Fund	75,752	16,671	-	8,328	(669)	100,082
Mission Fund	334,870	1,821	(120,684)	439,811	-	655,818
Lambeth Conference Fund	9,547	-	-	1,040	-	10,587
Evangelism Fund	1,495	-	-	-	-	1,495
Building Repair Fund	201,533	-	(544,130)	556,607	-	214,010
Catherington House Fund	987,037	38,738	-	(38,517)	(7,212)	980,046
	3,037,622	110,715	(693,430)	889,587	(14,295)	3,330,199
Restricted funds						
Barclay Bequest	5,280	143	-	-	(61)	5,362
Ben Aug Fund	79,660	-	-	-	(1,272)	78,388
Bishop's Lent Appeal	2,438	25,788	(26,113)	-	-	2,113
Christian Healing Fund	243	1	-	-	-	244
Harrison Parochial Loan Fund	17,681	230	-	-	-	17,911
Huckstepp Legacy	119,664	-	(240)	-	2,250	121,674
James Legacy	17,892	-	-	-	(265)	17,627
New Churches Fund	1,035,529	36,971	-	-	(10,894)	1,061,606
Turret House Fund	80,725	2,701	-	-	(1,340)	82,086
Surrexit Fund	9,882	51	-	-	-	9,933
Strategic Development	-	130,192	(148,502)	-	-	(18,310)
Pastoral Fund	1,885,684	66,041	(1,258)	(63,862)	16,609	1,903,214
P&WCSGF	4,109	3,037	(2,061)	34,023	-	39,108
Youth Development	6,011	(9,840)	3,829	-	-	-
Corban Fund	32,587	926	-	-	(398)	33,115
Eckersley Clergy families	319,209	10,001	(8,850)	-	(4,406)	315,954
Education Restricted	857,762	46,882	44,182	(134,200)	10,381	825,007
Resourcing Ministerial Education	1,386	67,435	(96,516)	-	-	(27,695)
	4,475,742	380,559	(235,529)	(164,039)	10,604	4,467,337

PORTSMOUTH DIOCESAN BOARD OF FINANCE

NOTES TO THE FINANCIAL STATEMENTS
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20. SUMMARY OF FUND MOVEMENTS (continued)

	Balances at 1 January 2018 £	Incoming resources £	Outgoing resources £	Transfers £	Gains and losses £	Balances at 31 December 2018 £
Expendable Endowment funds						
Parsonage Houses	39,805,767	-	-	(450,000)	1,308,138	40,663,905
Education Endowment	1,448,625	29,309	-	-	(768)	1,477,166
Permanent Endowment funds						
Stipends Capital Fund	3,083,706	-	-	(759,000)	2,945,871	5,270,577
Bells Loan Fund	327,032	10,827	-	-	(5,362)	332,497
Boyd Richardson Trust	138,928	-	-	-	(2,219)	136,709
Constance Trust	26,025	-	-	-	(416)	25,609
Cowes St M Ben Aug	834	-	-	-	(12)	822
Diocesan House Trust	196,735	-	-	-	(1,964)	194,771
Fawdry Bequest	33,205	-	-	-	(491)	32,714
Glebe Fund	962,261	47,568	-	(47,568)	1,861	964,122
Glebe Property	2,666,275	-	-	-	(7,677)	2,658,598
Glebe House Cottage Trust	3,800	-	-	-	(56)	3,744
Hayling St M Curacy End	1,086	-	-	-	(15)	1,071
Lambert Loan Fund	143,022	4,167	-	-	(1,735)	145,454
	48,837,301	91,871	-	(1,256,568)	4,235,155	51,907,759
Total Funds	69,872,796	8,155,481	(8,356,761)	-	4,406,834	74,078,350

PORTSMOUTH DIOCESAN BOARD OF FINANCE

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

20. SUMMARY OF FUND MOVEMENTS (continued)

2017

	Balances at 1 January 2017 £	Incoming resources £	Outgoing resources £	Transfers £	Gains and losses £	Balances at 31 December 2017 £
Unrestricted funds - General	13,416,911	7,190,628	(7,197,698)	(222,084)	334,374	13,522,131
Unrestricted funds - Designated						
Brown, Doig, Silver Bequest	24,902	-	-	-	2,347	27,249
Circus Charity Fund	1,699	-	-	-	137	1,836
Diocesan Conference Fund	34,794	88	-	8,204	-	43,086
Car Loan Fund	217,309	9,144	-	(9,144)	13,791	231,100
Diocesan Loan Fund	437,221	18,474	-	(18,067)	29,847	467,475
Parsonages Repairs Fund	377,029	20,707	(33,262)	-	16,879	381,353
CME Fund	140,808	43	279	(2,103)	-	139,027
Valpy Bequest	23,446	-	-	-	2,210	25,656
Winterbotham Legacy	102,783	4,657	-	(4,658)	7,824	110,606
Office Repair Fund	77,430	19,866	(60)	(25,090)	3,606	75,752
Mission Fund	359,178	3,762	(28,070)	-	-	334,870
Lambeth Conference Fund	8,547	-	-	1,000	-	9,547
Evangelism Fund	1,495	-	-	-	-	1,495
Building Repair Fund	228,791	-	(146,715)	119,457	-	201,533
Catherington House Fund	918,976	38,198	-	(37,863)	67,726	987,037
	2,954,408	114,939	(207,828)	31,736	144,367	3,037,622
Restricted funds						
Barclay Bequest	4,814	137	-	-	329	5,280
Ben Aug Fund	72,798	-	-	-	6,862	79,660
Bishop's Lent Appeal	2,128	31,815	(31,505)	-	-	2,438
Christian Healing Fund	242	1	-	-	-	243
Harrison Parochial Loan Fund	17,430	251	-	-	-	17,681
Huckstepp Legacy	115,643	-	-	-	4,021	119,664
James Legacy	16,464	-	-	-	1,428	17,892
New Churches Fund	928,570	35,337	-	-	71,622	1,035,529
Turret House Fund	71,876	2,558	-	-	6,291	80,725
Surrexit Fund	9,882	29	-	(29)	-	9,882
Strategic Development	-	34,956	(34,956)	-	-	-
Pastoral Fund	1,845,718	57,468	(2,006)	(54,262)	38,766	1,885,684
P&WCSGF	4,108	2,184	(1,487)	(696)	-	4,109
Youth Development	7,384	10,288	(11,661)	-	-	6,011
Corban Fund	29,546	892	-	-	2,149	32,587
Eckersley Clergy families	285,683	9,759	-	-	23,767	319,209
Education Restricted	801,523	40,953	22,683	(29,298)	21,901	857,762
Resourcing Ministerial Education	-	17,082	(15,696)	-	-	1,386
	4,213,809	243,710	(74,628)	(84,285)	177,136	4,475,742

PORTSMOUTH DIOCESAN BOARD OF FINANCE

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

20. SUMMARY OF FUND MOVEMENTS (continued)

	Balances at 1 January 2017 £	Incoming resources £	Outgoing resources £	Transfers £	Gains and losses £	Balances at 31 December 2017 £
Expendable Endowment funds	39,739,256	-	-	25,000	41,511	39,805,767
Parsonage Houses	1,372,639	31,465	-	-	44,521	1,448,625
Education Endowment						
Permanent Endowment funds	2,338,723	-	-	297,000	447,983	3,083,706
Stipends Capital Fund	296,805	10,618	-	-	19,609	327,032
Bells Loan Fund	126,961	-	-	-	11,967	138,928
Boyd Richardson Trust	23,783	-	-	-	2,242	26,025
Constance Trust	772	-	-	-	62	834
Cowes St M Ben Aug	181,505	-	-	-	15,230	196,735
Diocesan House Trust	30,554	-	-	-	2,651	33,205
Fawdry Bequest	864,680	89,138	-	(47,367)	55,810	962,261
Glebe Fund	2,612,178	-	-	-	54,097	2,666,275
Glebe Property	3,497	-	-	-	303	3,800
Glebe House Cottage Trust	1,005	-	-	-	81	1,086
Hayling St M Curacy End	129,775	3,890	-	-	9,357	143,022
Lambert Loan Fund						
	47,722,133	135,111	-	274,633	705,424	48,837,301
Total Funds	68,307,261	7,684,388	(7,480,154)	-	1,361,301	69,872,796

PORTSMOUTH DIOCESAN BOARD OF FINANCE

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

21. SUMMARY OF ASSETS BY FUND

2018

	Fixed Assets		Current Assets	Liabilities	Net Assets
	Tangible £	Investments £			
Unrestricted funds - General	12,289,987	1,631,603	1,295,368	(843,903)	14,373,055
Unrestricted funds - Designated					
Brown, Doig, Silver Bequest	-	28,717	(1,903)	-	26,814
Circus Charity Fund	-	1,676	135	-	1,811
Diocesan Conference Fund	-	-	18,888	-	18,888
Car Loan Fund	-	228,487	841	-	229,328
Diocesan Loan Fund	-	479,976	(21,944)	-	458,032
Parsonages Repair Fund	-	429,611	(70,543)	-	359,068
CME Fund	-	-	139,027	-	139,027
Valpy Bequest	-	27,037	(1,792)	-	25,245
Winterbotham Legacy	-	124,330	(14,382)	-	109,948
Office Repair Fund	-	44,122	55,960	-	100,082
Mission Fund	-	-	655,818	-	655,818
Lambeth Conference Fund	-	-	10,587	-	10,587
Evangelism Fund	-	-	1,495	-	1,495
Building Repair Fund	-	-	214,010	-	214,010
Catherington House Fund	-	1,004,950	(24,904)	-	980,046
	-	2,368,906	961,293	-	3,330,199
Restricted funds					
Barclay Bequest	-	4,022	1,340	-	5,362
Ben Aug Fund	-	83,953	(5,565)	-	78,388
Bishop's Lent Appeal	-	-	2,113	-	2,113
Christian Healing Fund	-	-	244	-	244
Harrison Parochial Loan Fund	-	-	17,911	-	17,911
Huckstepp Legacy	-	119,833	1,841	-	121,674
James Legacy	-	17,474	153	-	17,627
New Churches Fund	-	1,027,569	34,037	-	1,061,606
Turret House Fund	-	81,567	519	-	82,086
Surrexit Fund	-	-	9,933	-	9,933
Pastoral Fund	-	1,479,190	424,024	-	1,903,214
P&WCSGF	-	-	1,127,868	(1,088,760)	39,108
Youth Development	-	-	-	-	-
Corban Trust	-	26,293	6,822	-	33,115
Eckersley Clergy families	-	290,785	25,169	-	315,954
Education Restricted	-	994,582	246,931	(416,506)	825,007
Resourcing Ministerial Education	-	-	(27,695)	-	(27,695)
Strategic Development	-	-	(18,310)	-	(18,310)
	-	4,125,268	1,847,335	(1,505,266)	4,467,337

PORTSMOUTH DIOCESAN BOARD OF FINANCE

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

21. SUMMARY OF ASSETS BY FUND (continued)

	Fixed Assets		Current	Liabilities	Net
	Tangible	Investments	Assets		Assets
	£	£	£	£	£
Expendable Endowment funds					
Parsonage Houses	41,185,857	-	(521,952)	-	40,663,905
Education Endowment	-	883,577	593,589	-	1,477,166
Permanent Endowment funds					
Stipends Capital Fund	-	6,724,874	574,703	(2,029,000)	5,270,577
Bells Loan Fund	-	290,603	41,894	-	332,497
Boyd Richardson Trust	-	146,415	(9,706)	-	136,709
Constance Trust	-	27,427	(1,818)	-	25,609
Cowes St M Ben Aug	-	760	62	-	822
Diocesan House Trust	-	206,624	(11,853)	-	194,771
Fawdry Bequest	-	32,429	285	-	32,714
Glebe Fund	-	1,092,286	(128,164)	-	964,122
Glebe Property	1,930,000	552,671	175,927	-	2,658,598
Glebe House Cottage Trust	-	3,704	40	-	3,744
Hayling St M Curacy End	-	990	81	-	1,071
Lambert Loan Fund	-	114,487	30,967	-	145,454
	43,115,857	10,076,847	744,055	(2,029,000)	51,907,759
Total Funds	55,405,844	18,202,624	4,848,051	(4,378,169)	74,078,350

PORTSMOUTH DIOCESAN BOARD OF FINANCE

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

21. SUMMARY OF ASSETS BY FUND (continued)

2017

	Fixed Assets		Current Assets £	Liabilities £	Net Assets £
	Tangible £	Investments £			
Unrestricted funds - General	11,953,282	1,620,723	748,575	(800,449)	13,522,131
Unrestricted funds - Designated					
Brown, Doig, Silver Bequest	-	29,152	(1,903)	-	27,249
Circus Charity Fund	-	1,701	135	-	1,836
Diocesan Conference Fund	-	-	43,086	-	43,086
Car Loan Fund	-	230,260	840	-	231,100
Diocesan Loan Fund	-	489,419	(21,944)	-	467,475
Parsonages Repair Fund	-	423,280	(41,927)	-	381,353
CME Fund	-	-	139,027	-	139,027
Valpy Bequest	-	27,447	(1,791)	-	25,656
Winterbotham Legacy	-	121,914	(11,308)	-	110,606
Office Repair Fund	-	44,791	30,961	-	75,752
Mission Fund	-	-	334,870	-	334,870
Lambeth Conference Fund	-	-	9,547	-	9,547
Evangelism Fund	-	-	1,495	-	1,495
Building Repair Fund	-	-	201,533	-	201,533
Catherington House Fund	-	1,012,162	(25,125)	-	987,037
	-	2,380,126	657,496	-	3,037,622
Restricted funds					
Barclay Bequest	-	4,083	1,197	-	5,280
Ben Aug Fund	-	85,225	(5,565)	-	79,660
Bishop's Lent Appeal	-	-	2,438	-	2,438
Christian Healing Fund	-	-	243	-	243
Harrison Parochial Loan Fund	-	-	17,681	-	17,681
Huckstepp Legacy	-	117,583	2,081	-	119,664
James Legacy	-	17,739	153	-	17,892
New Churches Fund	-	1,008,962	26,567	-	1,035,529
Turret House Fund	-	80,209	516	-	80,725
Surrexit Fund	-	-	9,882	-	9,882
Pastoral Fund	-	1,096,834	788,850	-	1,885,684
P&WCSGF	-	-	1,007,910	(1,003,801)	4,109
Youth Development	-	-	6,011	-	6,011
Corban Trust	-	26,691	5,896	-	32,587
Eckersley Clergy families	-	295,191	24,018	-	319,209
Education Restricted	-	984,201	292,583	(419,022)	857,762
Resourcing Ministerial Education	-	-	1,386	-	1,386
	-	3,716,718	2,181,847	(1,422,823)	4,475,742

PORTSMOUTH DIOCESAN BOARD OF FINANCE

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

21. SUMMARY OF ASSETS BY FUND (continued)

	Fixed Assets		Current	Liabilities	Net
	Tangible	Investments	Assets		Assets
	£	£	£	£	£
Expendable Endowment funds					
Parsonage Houses	40,323,253	-	(517,486)	-	39,805,767
Education Endowment	-	884,345	564,280	-	1,448,625
Permanent Endowment funds					
Stipends Capital Fund	-	5,219,706	-	(2,136,000)	3,083,706
Bells Loan Fund	-	295,966	31,066	-	327,032
Boyd Richardson Trust	-	148,634	(9,706)	-	138,928
Constance Trust	-	27,842	(1,817)	-	26,025
Cowes St M Ben Aug	-	772	62	-	834
Diocesan House Trust	-	208,588	(11,853)	-	196,735
Fawdry Bequest	-	32,920	285	-	33,205
Glebe Fund	-	1,090,425	(128,164)	-	962,261
Glebe Property	1,930,000	560,347	175,928	-	2,666,275
Glebe House Cottage Trust	-	3,761	39	-	3,800
Hayling St M Curacy End	-	1,005	81	-	1,086
Lambert Loan Fund	-	116,221	26,801	-	143,022
	42,253,253	8,590,532	129,516	(2,136,000)	48,837,301
Total Funds	54,206,535	16,308,099	3,717,434	(4,359,272)	69,872,796

22. DESCRIPTION OF FUNDS

Unrestricted funds - General

General Fund	DBF's revenue operations
Leasehold Property	Property for the charities own use
Freehold Property	Housing other clergy
FHP Capital Fund	Provision of clergy housing

Unrestricted funds - Designated

Brown, Doig, Silver Bequest	To offset DBF office costs
Circus Charity Fund	For stipends
Diocesan Conference Fund	To offset cost of diocesan Clergy Conference
Car Loan Fund	Loans to DBF employees
Diocesan Loan Fund	Loans to Parishes
Parsonages Repairs Fund	Repair and maintenance of parsonages
Pastoral Fund	Management of money in accordance with the Pastoral Measure 1983
Ministerial Training	In service education and training
Transition Fund	Pension Support for clergy
Valpy Bequest	For stipends
Winterbotham Legacy	For DBF's own purposes
Office Repair Fund	Repair and maintenance of Office Equipment
Strategic Development Fund	For activities specifically identified in the strategic plan
Mission Fund	For outward focussed mission activities
Lambeth Conference Fund	To offset the next Lambeth conference costs
Evangelism Fund	For evangelism within the diocese
Building Repair Fund	Additional repair work on Diocesan properties
Catherington House Fund	For work of the Diocesan Spirituality Adviser
New Churches Fund	For 'new churches' buildings

PORTSMOUTH DIOCESAN BOARD OF FINANCE

**NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2018**

22. DESCRIPTION OF FUNDS (continued)

Restricted funds

Barclay Bequest	For 'new churches' buildings
Ben Aug Fund	For stipends
Bishop's Lent Appeal	Bishop's annual charity appeal
Christian Healing Fund	For Christian healing work
Harrison Parochial Loan Fund	Loans to Parishes
Huckstepp Legacy	Support Ordinands
James Legacy	Support Ordinands
Turret House Fund	For church building projects
Surrexit Fund	For youth development
P&WCSGF	Income from school governors' funds
Youth Development	For work with the young people of the diocese
Corban Trust Fund	For work of the Diocesan Spirituality Adviser
Eckersley Clergy Families	For the support of clergy and their families
Education Restricted Fund	Education within the diocese of Portsmouth
Resourcing Ministerial Education	Grants received to fund ordinand training

Expendable Endowment funds

Parsonage Houses	Housing incumbents/priests in charge
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**Original
Capital**

Permanent Endowment funds

	£	
Stipends Capital Fund		For stipends
Bells Loan Fund	14,563	Loans to parishes in Portsmouth Deanery
Boyd Richardson Trust	2,500	For DBF's own purposes
Constance Trust	500	To offset DBF office costs
Cowes St M Ben Aug	679	For stipend (Cowes:St Mary)
Diocesan House Trust	4,800	Upkeep of DBF offices & payment of staff
Fawdry Bequest	12,001	For clergy widows & DBF general purposes
Glebe Fund		Glebe funds held on deposit
Glebe Property		Glebe held for investment and housing
Glebe House Cottage Trust	2,200	For DBF's own purposes
Hayling St M Curacy Ed	630	For stipend (Hayling Island)
Lambert Loan Fund	21,300	Loans to clergy and PCCs
Education Endowment		

23. CAPITAL COMMITMENTS & OPERATING LEASES

At 31 December 2018 the PDBF had capital expenditure commitments authorised but not contracted for of £NIL (2017 - £NIL), and contracted for but not yet due of £NIL (2017 - £NIL).

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

	2018	2017
	£	£
Operating leases payable:		
Within 1 year	3,231	2,157
In 1-5 years	4,037	797
	<u>7,268</u>	<u>2,954</u>

PORTSMOUTH DIOCESAN BOARD OF FINANCE

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

24. FINANCIAL INSTRUMENTS

Financial assets measured at fair value comprise unlisted investments and bank deposits. Financial assets measured at amortised cost comprise trade debtors, other debtors and loans to parishes. Financial liabilities measured at amortised cost comprise pension liabilities, bank loans, other creditors and amounts held for other bodies.

	2018	2017
	£	£
Financial assets measured at fair value	21,524,990	18,669,319
Financial assets measured at amortised cost	180,007	177,187
Financial liabilities measured at amortised cost	(2,023,719)	(1,863,000)

25. POST BALANCE SHEET EVENTS AND CONTINGENT LIABILITIES

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

26. PENSIONS

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

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

Church of England Funded Pension Scheme

With effect from 1 January 1998, diocesan clergy became members of the Church of England Funded Pensions Scheme. This defined benefit scheme provides benefits based on the National Minimum Stipend in the year before their date of retirement and provides for that part of the benefit that relates to pensionable service after 1 January 1998. Benefits are currently being accrued on the basis of half of the National Minimum Stipend (NMS) being paid as the normal pension on reaching the age of 68 on completion of maximum service of 41.5 years, or 1.25 times this amount for archdeacons, plus a lump sum of three times the pension based on the previous year's NMS payable from the scheme. Pensions in respect of pensionable service before 1 January 1998 will be provided for by the Church Commissioners under the previous arrangements.

The membership figures that we hold as at December 2017 and December 2018 for Portsmouth DBF are set out in the table below. These are used as part of the Board's calculation of the deficit contributions in payment at each year-end, which in turn feed into the FRS102 calculations, so are provided here for reference.

	December 2018	December 2017
Number of members at this Responsible Body	112	107

PORTSMOUTH DIOCESAN BOARD OF FINANCE

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

Portsmouth DBF participates in the Church of England Funded Pensions Scheme for stipendiary clergy, a defined benefit pension 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 each specific Responsible Body, 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 (2018: £594,399, 2017: £562,691), plus the figures highlighted in the table below as being recognised in the SoFA, giving a total charge of £766,399 for 2018 (2017: 493,691).

A valuation of the Scheme is carried out once every three years. The most recent Scheme valuation completed was carried out at as 31 December 2015. A valuation at 31 December 2018 is currently under way, 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%.

PORTSMOUTH DIOCESAN BOARD OF FINANCE

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

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

% of pensionable stipends	January 2016 to December 2017	January 2018 to December 2025
Deficit repair contributions	14.1%	11.9%

The deficit recovery contributions 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 balance sheet liability over 2017 and over 2018 is set out in the table below.

	2018	2017
Balance sheet liability at 1 January	2,136,000	2,538,000
Deficit contribution paid	-279,000	-333,000
Interest cost (recognised in SoFA)	28,000	36,000
Remaining change to the balance sheet liability* (recognised in SoFA)	144,000	-105,000
Balance sheet liability at 31 December	2,029,000	2,136,000

* 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:

	December 2018	December 2017	December 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 Responsible Body fails, Portsmouth DBF could become responsible for paying a share of that Responsible Body's pension liabilities.

PORTSMOUTH DIOCESAN BOARD OF FINANCE

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

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.

Following extensive consultation the trustees reluctantly decided that it was no longer sustainable to continue with this scheme and at the end of May 2017 it was closed to all staff.

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

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

The scheme is a multi-employer scheme as described in Section 28 of FRS 102. It is not possible to attribute DBS assets and liabilities to specific employers, since each employer, through the Life Risk Section, is exposed to actuarial risks associated with the current and former employees of other entities participating in DBS. This means that contributions are accounted for as if DBS were a defined contribution scheme.

Section 28.11A of FRS 102 requires agreed deficit recovery payments to be recognised as a liability. As at 31 December 2018 and 31 December 2017 there was no liability to be recognised as the PDBF paid in 2012 the deficit that had been assessed from the 2010 valuation and there was no additional liability from the 2013 or 2016 valuations.

The DBS pensions costs charged to the SoFA during the year are contributions payable towards expenses accrued in 2018 of £7,467 (2017: £5,200).

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

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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. Discretionary increases may also be added, depending on 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 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 a multi-employer scheme as described in Section 28 of FRS 102 as it is not possible to attribute the Pension Builder Scheme's assets and liabilities to specific employers. This means 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 of £167,308 (2017: £124,736). A valuation of the Pension Builder Scheme is carried out once every three years. The most recent was carried out as at 31 December 2016.

For the Pension Builder 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, Portsmouth DBF could become responsible for paying a share of that employer's pension liabilities.

Teachers' pension scheme (TPS)

The PDBF made contributions to the TPS on behalf of 4 employees who had previously been teachers. The 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. Membership is automatic for full-time teachers and from 1 January 2007, automatic for teachers in part-time employment following appointment or a change of contract, although they are able to opt out.

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.

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 2017 and full details are available on the Government website at: <https://www.gov.uk/government/collections/teachers-pension-scheme>

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27. RELATED PARTY TRANSACTIONS

The Portsmouth Diocesan Council for Social Responsibility (PDCSR) is a separate charitable limited company whose directors are the same as the directors of the PDBF. Staff engaged in the activities of PDCSR are employed by the PDBF and a contribution towards their staff costs was made by the PDCSR for £97,709 (2017: £75,049). The PDBF has also supported the work of the PDCSR for several years and in 2017 provided free use of office space.

28. FUNDS HELD AS CUSTODIAN TRUSTEE

The PDBF 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 PDBF does not control them. The financial assets held in this way may be summarised as follows:

	2018	2017
	£	£
CBF Investment Fund income shares	4,438,567	4,459,667
CBF Investment Fund accumulation shares	79,262	49,262
CBF Property Fund income shares	781,490	781,490
CBF Global Equity Fund	181,197	149,836
CBF Fixed Interest Securities Fund Shares	661,530	697,624
CBF COIF Investments	205,489	205,489
Other unit trust units	54,119	54,119
UK Equity holdings	5,804	37,165
UK Gilt-edged stocks	80,254	79,496
Other Fixed interest stock	6,239	6,239
Foreign Equities	7,769	7,769
Deposits & Cash at Bank	797,887	805,088
Net Creditors	(3,005)	(2,780)
Total assets held as custodian trustee	<u>7,296,602</u>	<u>7,330,464</u>

