



ANNUAL REPORT AND FINANCIAL STATEMENTS

For the year ended 31 December 2016

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 2016. 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 a new Strategic Purpose, **Live: Pray: Serve**, which identifies four 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.

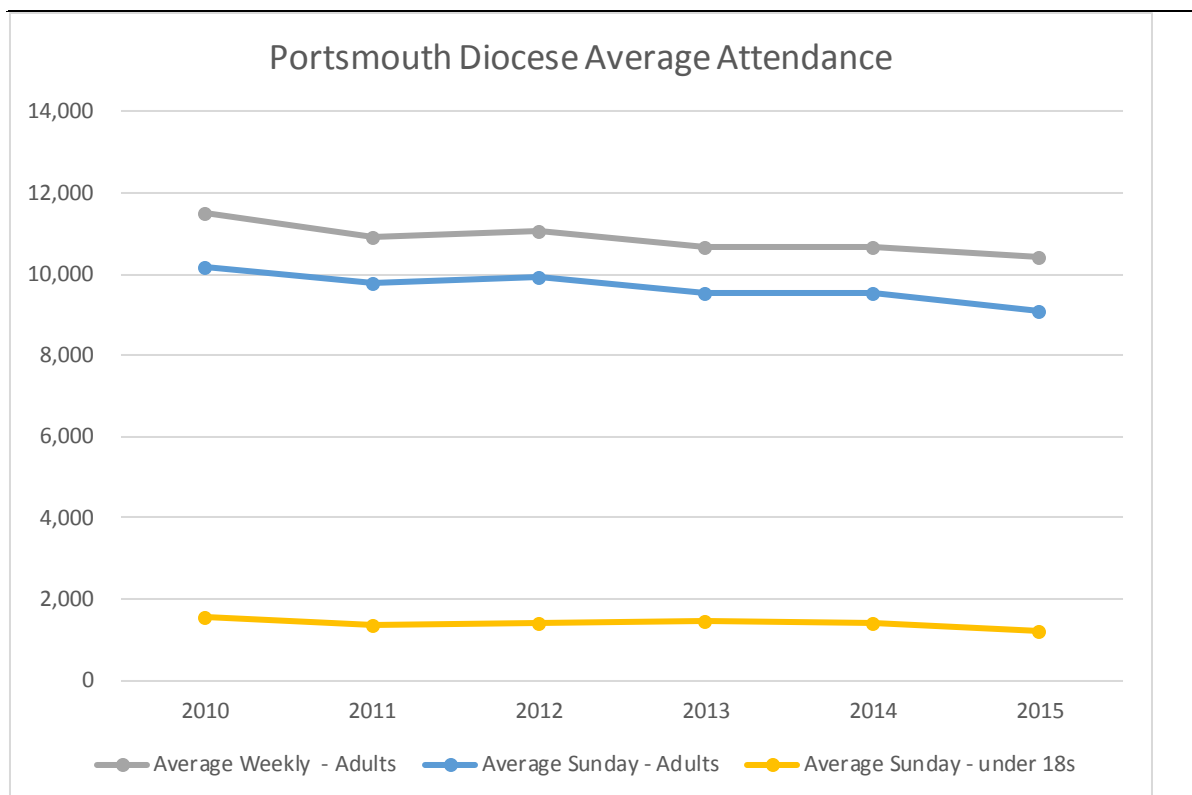
This builds on our previous major initiatives, Kairos and Ministry for Mission, that also aimed to promote discipleship, church growth and community engagement. It is also our response to the Church of England's increasing emphasis on church growth, discipleship and outreach.

The challenge facing Portsmouth Diocese is the need to reverse a trend of consistent long-term decline in church attendance in common across the Church of England, for example a loss in Portsmouth of 11.5% over 10 years from 2001-2011. The need for a bolder, stronger, and clearer vision and definition of our purpose has emerged, along with a coherent and dynamic sense of how to implement change. We need urgently to engage and equip new disciples; to re-imagine the church and its patterns of ministry; to develop our work with schools and colleges to articulate a vision of them as communities of faith and places of encounter with God; and to 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. Our starting point has been verses in 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, and 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.

Pioneer Ministry & New Churches

We have started a £2.7m strategy to create new worshipping communities across south-east Hampshire and the Isle of Wight over the next five years. We were successful in gaining grant funding from Archbishops' Council for £0.9m and this, with money from our reserves and budget re-allocations, will fund new pioneer posts, the establishment of a new church in Portsmouth City Centre and help other churches develop new forms of ministry.

Harbour Church, which has been created in a refurbished department store in Portsmouth city centre, held its first ever Sunday service in September after a summer of preparation. The church has been created as a church plant from St Peter's Church, Brighton – 20 worshippers moved jobs or started university courses in Portsmouth to form the core congregation. The church specifically aims to reach out to students and young adults, although all are welcome. The new congregation also aims to improve the lives of the homeless, those with addictions, the unemployed and those in debt via a series of community initiatives. The new vicar, the Rev Alex Wood, said: "I'm grateful for the hard work of so many people to make sure the building was ready, and I'm looking forward to seeing how God will use this new congregation to make a real difference to the lives of people in Portsmouth." The church has continued to grow and already has around 300 worshippers attending Sunday services each week and 350 people attending mid-week groups.

We have been recruiting clergy and lay people who can find new, pioneering ways to reach non-

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churchgoers with the gospel message, alongside traditional forms of church. That may involve creating new worshipping communities or ways of developing Christian discipleship that are different to the standard, geographical parish model. We have recruited a team of new pioneer ministers to work in specific parts of Gosport, Havant and Portsmouth. Some of our existing clergy have also been given responsibilities to pioneer in new housing developments in Whiteley and Berewood. We also have delivered training for our existing clergy to work in more pioneering ways. Our team of pioneer ministers includes Tim Watson, in the Leesland area of Gosport; Nicky Pybus, in the Highbury area of Cosham; and Barney and Sara Barron, in the PO9 area of Havant. In addition we have 2 part time parish priests who have taken on additional hours and specific additional pioneering responsibilities and one pioneer ordinand. Our pioneer ministers are being supported and guided by our Dean of Pioneer Ministry, Canon Peter Hall. Going forward, we will carefully consider and prioritise future pioneer appointments to balance the need to reach new communities arising in significant housing developments due to come on stream and the existing need to engage afresh with our existing densely populated urban areas.

Vocations

We are committed to expanding our vocations work. After 2 unsuccessful recruitment rounds seeking a new Diocesan Director of Vocations & Ordinands, a strong internal candidate has been appointed to work with and coordinate the ordinand work. Many of our ordinands are training alongside those preparing for Reader ministry on our local Portsmouth Pathway scheme, which is based in an area of deprivation and able to offer contextualised training.

We have a strong couple of years of potential ordained vocations coming through and we plan to continue our commitment to increasing the number of training posts with the aim of growing and retaining ministers in the diocese.

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. In 2016 we enhanced our Governor Training; provided Deanery roadshows; set up a network of skilled support volunteers; and also focussed on equipping parishes for work with community schools.

The close of the year saw the commissioning of a review of our Education team staffing with a view to developing and enhancing the staff team and the services we are able to offer through them. The review reported to the Bishops' Councils early in 2017. The intention is to increase our Education team and service level income to enable it to meet the challenges of the development of multi-academy trusts and the needs of our schools.

Sustainability

In 2016 we invested in providing wide scale quality training aimed at equipping churches to grow. In October over 110 representatives, lay and ordained, from parishes took part in the Leading Your Church into Growth (LYCIG) conference and 3 local follow up events are planned for 2017. We shall

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also hold a further LYCIG conference in October 2017, with a view overall to 80– 90% of our parishes having taken part.

Our Stewardship Adviser has continued to focus her work in two main areas: assisting parishes in developing effective stewardship practices and in developing a deeper understanding of stewardship as a key part of discipleship; and supporting parishes to ensure their financial practices are sound. The national Parish Giving Scheme (PGS) continues to offer a helpful vehicle in this work, with 48% of our parishes now being members.

We have learned that parishes struggling to survive need earlier intervention and so we have developed a new system to identify and target support which culminates in one or more Viability Focus Meetings (VFM). This process commences with a letter from the Archdeacon requiring an enhanced and supported programme of preparation involving review, reflection and mission planning, in the light of which the parish are invited to a VFM meeting to present their plans for recovery. While it is early days to gauge the impact of VFM, our initial impressions and feedback from parishes has been that this process is achieving the aim of bringing a 'wake up' call and in re-energising mission.

We have identified that there are areas of the Diocese where a more strategic approach to sustainability of mission and plant (buildings) are urgently needed but recognise we are not sufficiently resourced and structured centrally to do this well at present. In 2017 we will plan how this work may be achieved through re-organisation and procurement of available resources.

Finally, we are also mid-way through a substantial programme of investing reserves in improving our existing clergy housing stock.

FUTURE PLANS

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

- To implement the pioneer ministry and new churches strategy
- Increase vocations both lay and ordained
- Develop our education team and multi-academy trusts
- Help long-term viability and growth of all our parishes

We will also develop stronger indicators and measures to focus our efforts and provide feed-back on performance.

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FINANCIAL REVIEW

Financial Performance

The overall financial result was positive: parish share collection was good and, although clergy vacancies were higher than prayed for, largely because of not being successful in appointing to Isle of Wight posts, this has enabled us to put further money towards investing in mission, curacies and infrastructure, particularly in the Isle of Wight.

General Fund income was £7,217,677 (2015: £6,970,605), an increase of £247,072 (3.5%). Parish share continued to come in at a high percentage of the amount requested. Payments received were 98.1% (2015: 101.2%) of the amount requested. Total income on other funds was £3,123,094 (2015: £565,679) an increase of £2,557,415. This increase reflected the transfer in of education funds of £2,155,258 from Portsmouth Diocesan Education Trust, a gain on a parsonage development of £425,178 and new funding from Archbishops' Council for strategic development.

General fund expenditure was £6,737,939 (2015: £6,655,471) an increase of £82,468 (1.2%) mainly reflecting inflation and fewer clergy vacancies. Expenditure on other funds was £365,233 (2015: £308,895) an increase of £56,338. Expenditure on strategic development (launching a new church in central Portsmouth and new pioneer minister posts) was offset by less housing expenditure.

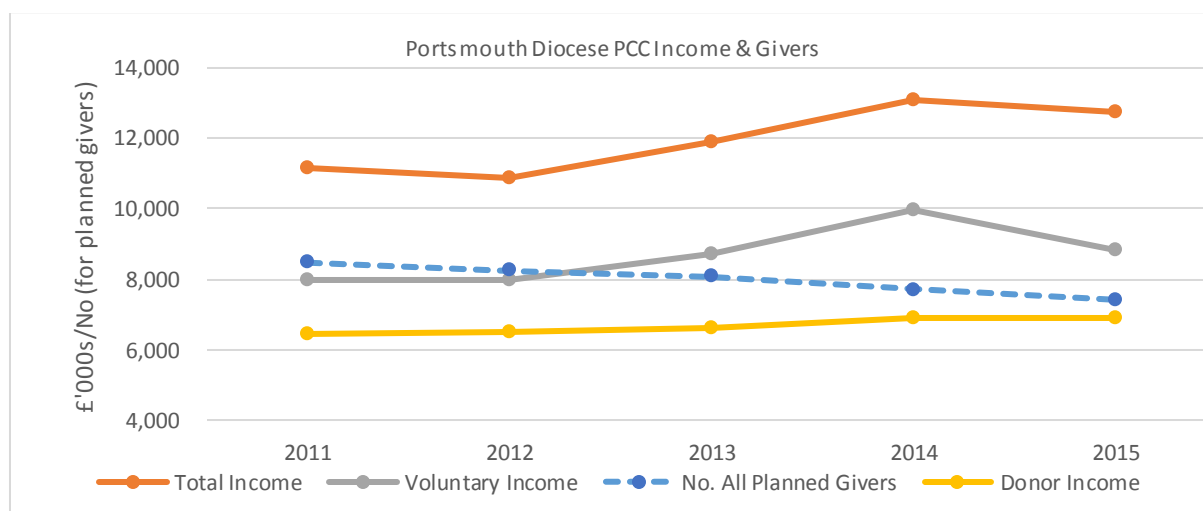
The net surplus on general funds after transfers excluding investment gains was £87,500 (2015: £266,306).

Portsmouth Diocesan Education Trust

The property and funds of Portsmouth Diocesan Education Trust were transferred to the Portsmouth Diocesan Board of Finance during the year. The financial value of these was £2.2m on transfer and will now be accounted for within the DBF's accounts. This will enable a clearer overall view of the Diocesan finances and funds and save on needing to produce separate accounts.

Parish Financial Performance

The long term financial stability of PDBF depends on the financial strength of its parishes. Aggregated figures are only available up to 31 December 2015. These show that parishes' total income decreased in 2015. However this was because of lower legacy income, a very variable income source, and donation income continued to grow albeit marginally. However, the number of regular givers also continued its decline, mirroring the overall decline in attendance statistics and the long-term mission (and financial) risks for the Diocese.



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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 £68,307,261 (2015: £61,996,274) it must be remembered that included in this total are properties, mostly in use for the ministry, whose value amounted to £53,894,203 (2015: £50,949,643). Much of the remainder of the assets shown in the balance sheet are held in restricted funds, and cannot necessarily be used for the general purposes of the PDBF.

Reserves policy

Having considered financial risk, liquidity requirements and the timing of cashflows throughout the year, the Trustees' policy is to hold not more than 6 weeks' normal expenditure in cash or on deposit, this being around £800,000. The year-end total for 2016 was higher at £1.3 million, as a result of a property sale in November and funds being held on behalf of others.

The free reserves, being the unrestricted general fund net of tangible assets totalled £1.8m (2015: £1.6m) which represented 4.5 months (2015: 4 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 2016 was £2.9m (2015: £2.4m).

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 2016 restricted funds totalled £4.1m (2015: £2.8m) and endowment funds totalled £47.9m (2015: £43.6m). 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 2016 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 have engaged with several parishes during the year to provide support and guidance in this important area.

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

- a) Not more than 6 weeks normal expenditure is to be held in cash for routine purposes. This money (currently about £800,000) 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.

During the year, the investments held under Portsmouth Diocesan Education Trust (£1.2m) were transferred to the PDBF although, as it was towards the end of the year, their contribution to the overall investment income for this year was small.

During the year CCLA changed the payment date of dividends on certain funds. This led to the Trustees adopting a full accrual basis for fund income which produced additional one-off income in 2016 equivalent of about £80,000 (2 months of income). Investment yields in this report are stated in terms of 12 months' income.

For the year ended 31 December 2016 the investment portfolio achieved an overall yield of 4.6% (2015: 4.5%) and a total return (being the increase/decrease in market value plus the actual yield/income received) of 11.3% (2015: 8.1%).

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 2016 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 5.5% (2015: 6.0%) at the cost of more volatile capital performance falling by 3.0% (2015: 8.4% increase). The global equity fund produced a yield of 4.6% (2015: 3.0%) and capital increase of 12.6% (2015: 1.1% fall); the investment fund a yield of 3.9% (2015: 3.9%) and capital growth of 11.1% (2015: 1.4%). The % allocation of assets to funds was as follows:

	2016	2015
Investment fund	58%	56%
Property Fund	33%	35%
Global Equity Fund	9%	9%
	<u>100%</u>	<u>100%</u>

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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. In common with the wider church, active membership has fallen and that trend, although slow, continues. 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.

Other key risks and mitigating actions are as follows:

- **Parish Share:** 67% of the diocese's income is given by parishes through parish share. A reduction in payments could have a large effect 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, the diocese seeks to help parishes grow. In 2014, the diocese also appointed a full-time stewardship officer to support parishes.
- **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. As reported above, the dioceses safeguarding procedures were inspected by the new national review panel which validated their high quality. We are now implementing their recommendations for further improvement.

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

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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 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

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- 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.

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 Education Trust (PDET) and the Portsmouth Diocesan Council for Social Responsibility (PDCSR) are separately constituted companies and charities, and PDBF Directors are also trustees and directors of both the PDET and PDCSR. During the year the assets and liabilities held by PDET were transferred to PDBF and PDET will be wound up. 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

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national arrangements for training clergy. The PDBF currently receives annual grants from the Church Commissioners.

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 £7.0m at 31 December 2016 (2015: £6.5m), are available from the PDBF on request, and are summarised in note 29. 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

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 2016 is £1,178,000 (2015: £1,263,000). The income and expenditure relating to school projects not reflected in the Statement of Financial Activities amounted to £2,547,000 and £2,622,000 respectively in 2016 (2015: £3,189,000 and £3,120,000).

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TRUSTEES' RESPONSIBILITIES

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

Company law requires the Trustees (as Directors) to prepare financial statements for each financial year. Under 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.

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 that information.

APPOINTMENT OF AUDITORS

The re-appointment of Haysmacintyre 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 2016. The following are the Trustees who served at any time during 2016 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)
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)
The Revd Canon R C White (Chair of the House of Clergy)
Canon D Sutton (Chair of the House of Laity)
The Revd W P Kennedy (The Diocesan Secretary)

Bishop's Nominee: Canon J Gwynn (Chairman of Diocesan Finance Committee)

Elected by:

Synod House of Clergy	The Revd P Armstead	The Revd Canon W Hughes
	The Revd M Bagg	The Revd A Kerr
	The Revd Dr P Chamberlain	The Revd Canon G Morris
	The Revd I Snares	The Revd M Duff

Synod House of Laity	Mr W Berry (fr 15.2.17)	Canon S Forster
	Mr G Barwick	Mrs I James
	Canon D Bennison	Cdre M Lane
	Mr N Chapman	Canon Dr H Mason
	Mrs L Clay	Mr G Ringrow (resigned 7.3.16)
	Mrs M Crittenden (fr 24.6.16)	Mr R Solomon
	Canon L Docherty	Canon H Spurgeon
	Mr K Doyle	Mr J Steadman (resigned 7.10.16)

Senior staff and advisers

Diocesan Secretary	Wendy Kennedy
Director of Finance	Malcolm Twigger-Ross
Head of Mission and Resources and Deputy 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 2016

Registered Office:	Diocesan Office, Peninsular House, Wharf Road, Portsmouth, PO2 8HB
Bankers	Barclays PLC, PO Box 165, Crawley, RH10 1YX
Auditors	haysmacintyre, 26 Red Lion Square, London WC1R 4AG
Solicitors	Messrs Brutton & Co, West End House, 288 West Street, Fareham, PO160AJ
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	ELG, Beaufort House, Brunswick Road, Gloucester, GL1 1JZ

ON BEHALF OF THE TRUSTEES

The Right Revd Christopher Foster

Chairman

10th May 2017

The Revd Wendy P Kennedy

Diocesan Secretary

10th May 2017

We have audited the financial statements of Portsmouth Diocesan Board of Finance for the year ended 31 December 2016 which comprise the Statement of Financial Activities, the Balance Sheet, Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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 auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charitable company and its members, as a body, for our audit work, for this report, or for the opinion we have formed.

Respective responsibilities of Trustees and auditor

As explained more fully in the Statement of Trustees' Responsibilities set out on page 12, 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.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

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 2016 and its 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.

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 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 Annual Report (which incorporates the strategic report and the directors' report) has been prepared in accordance with applicable legal requirements.

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

Matters on which we are required to report by exception

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

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

Adam Halsey, Senior Statutory Auditor

For and on behalf of Haysmacintyre
Chartered Accountants and Statutory Auditors
10th May 2017

26 Red Lion Square
London
WC1R 4AG

PORTSMOUTH DIOCESAN BOARD OF FINANCE

STATEMENT OF FINANCIAL ACTIVITIES
At 31 December 2016

	Note	Unrestricted funds		Restricted funds	Endowment funds	Total funds 2016	Total funds 2015
		General	Designated				
		£	£	£	£	£	£
Income and endowments from							
Donations							
Parish contributions	2a	4,877,245	-	-	-	4,877,245	4,651,007
Archbishops' Council	2b	460,057	-	183,675	-	643,732	473,013
Portsmouth Diocesan Education Trust	2c	-	-	826,471	1,328,787	2,155,258	-
Other donations	2d	148,690	4,725	36,412	-	189,827	446,761
Charitable activities	3	1,084,350	4,347	2,321	-	1,091,018	1,127,312
Other activities	4	264,162	-	-	-	264,162	259,469
Investments	5	383,173	106,706	126,572	77,900	694,351	560,781
Other	6	-	-	425,178	-	425,178	17,941
Total incoming resources		7,217,677	115,778	1,600,629	1,406,687	10,340,771	7,536,284
Expenditure on:							
Raising funds	7	30,075	-	-	-	30,075	5,578
Charitable activities	8	6,707,864	98,470	266,763	-	7,073,097	6,863,847
Other	9	-	-	-	-	-	94,941
Total	10	6,737,939	98,470	266,763	-	7,103,172	6,964,366
Net income/(expenditure) before investment gains							
		479,738	17,308	1,333,866	1,406,687	3,237,599	571,918
Net gains on investments	16	48,408	155,844	137,171	484,388	825,811	330,847
Net income/(expenditure)		528,146	173,152	1,471,037	1,891,075	4,063,410	902,765
Transfers between funds	14	(392,238)	(1,077,262)	1,343,489	126,011	-	-
Other recognised gains/(losses)							
Gains/(losses) on revaluation of fixed assets	15	126,921	-	-	2,120,656	2,247,577	(759,108)
Net movement in funds		262,829	(904,110)	2,814,526	4,137,742	6,310,987	143,657
Total funds at 1 January 2016		13,154,082	3,858,518	1,399,283	43,584,391	61,996,274	61,852,617
Total funds at 31 December 2016	20	13,416,911	2,954,408	4,213,809	47,722,133	68,307,261	61,996,274

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 41 form part of the financial statements

PORTSMOUTH DIOCESAN BOARD OF FINANCE

BALANCE SHEET
At 31 December 2016

Company Number –226466

	Note	2016		2015	
		£	£	£	£
FIXED ASSETS					
Tangible Fixed Assets	15		53,294,203		50,949,643
Investments	16		14,916,882		12,699,698
			68,211,085		63,649,341
CURRENT ASSETS					
Debtors	17	1,432,578		379,693	
Cash on Deposit		2,106,904		1,694,864	
Cash at bank and in hand		1,265,961		1,483,880	
		4,805,443		3,558,437	
CREDITORS: amounts falling due within one year	18		2,181,679		2,440,108
NET CURRENT ASSETS			2,623,764		1,118,329
Total assets less current liabilities			70,834,849		64,767,670
CREDITORS amounts falling due after more than one year	19		2,527,588		2,771,396
Pension scheme liabilities		2,284,200		2,448,000	
Loans		243,388		323,396	
NET ASSETS			68,307,261		61,996,274
FUNDS					
Unrestricted income funds:					
General funds			13,416,911		13,154,082
Designated funds			2,954,408		3,858,518
			16,371,319		17,012,600
Restricted funds			4,213,809		1,399,283
Endowment funds			47,722,133		43,584,391
TOTAL FUNDS	21		68,307,261		61,996,274

Revaluation reserves of the following amounts are included within the above funds: endowment funds £4.0m (2015: £2.2m), restricted funds £0.7m (2015: £0.4m), designated funds £0.7m (2015: £0.6m), general funds £0.7m (2015: £0.5m).

The Notes on pages 19 to 41 form part of these financial statements. The financial statements were approved by the Board of Trustees and authorised for issue on 10 May 2017 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 2016

	2016		2015	
	£	£	£	£
Net cash inflow from operating activities		1,263,042		893,001
Cash flows from investing activities				
Dividends, interest and rent	683,009		517,224	
Interest received on loans	1,637		1,637	
Interest from cash on deposit	9,705		13,138	
	<u>694,351</u>		<u>531,999</u>	
Receipts from sale of:				
Tangible fixed assets	268,273		471,926	
Investments	-		2,000	
	<u>268,273</u>		<u>473,926</u>	
Payments to acquire:				
Tangible fixed assets	(577,863)		(366,215)	
Investments	(1,391,373)		(1,065,004)	
	<u>(1,969,236)</u>		<u>(1,431,219)</u>	
Net cash used in investing activities		(1,006,612)		(425,294)
Cash flows from financing activities				
Loans repaid by PDBF	(67,930)		(203,270)	
Loans repaid to PDBF	5,621		39,140	
	<u>(62,309)</u>		<u>(164,130)</u>	
Net cash used in financing		(62,309)		(164,130)
		<hr/>		<hr/>
Change in cash and cash equivalents in the reporting period		194,121		303,577
Cash and cash equivalents at 1 January		3,178,744		2,875,167
Cash and cash equivalents at 31 December		<u>3,372,865</u>		<u>3,178,744</u>
<u>Reconciliation of net income to net cash flow from operating activities</u>				
		<u>2016</u>		<u>2015</u>
Net income for the year ended 31 December		4,063,410		902,765
Adjustments for:				
Depreciation charges		37,785		37,785
Gains on investments		(825,811)		(330,847)
Dividends, interest and rent		(694,351)		(560,781)
(Profit)/loss on sale of functional assets		(425,178)		87,775
(Increase)/Decrease in debtors		(458,506)		280,667
(Decrease)/Increase in creditors		(434,307)		475,637
Net cash provided by operating activities		<u>1,263,042</u>		<u>893,001</u>
<u>Analysis of cash and cash equivalents</u>				
Cash at bank and in hand		1,265,961		1,483,880
Cash on deposit		2,106,904		1,694,864
		<u>3,372,865</u>		<u>3,178,744</u>

PORTSMOUTH DIOCESAN BOARD OF FINANCE

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

1. ACCOUNTING POLICIES

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).

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 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.

PORTSMOUTH DIOCESAN BOARD OF FINANCE

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

1. ACCOUNTING POLICIES (continued)

- 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.

Investment land and buildings

Glebe properties which are held for investment purposes and rented out have been included at their fair value. Glebe land is valued at ten times the annual rental income.

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 2016

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.
- 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 2016

2 DONATIONS

2a Parish Contributions

	Unrestricted funds		Restricted funds	Endowment funds	Total funds	Total funds
	General	Designated			2016	2015
	£	£			£	£
Parish share						
Parish share requested	4,814,765	-	-	-	4,814,765	4,742,106
Short fall/surplus against cash received	(89,236)				(89,236)	11,839
Payments received	4,725,529				4,725,529	4,753,945
Change in amounts receivable	151,716	-	-	-	151,716	(102,938)
Parish share receivable	4,877,245	-	-	-	4,877,245	4,651,007

The majority of donations are collected from the parishes of the diocese through the parish share system. Parish share payments received represented 98.1% (2015: 100.2%) of the amount requested; including the movements in amounts receivable, parish share receivable was 101.3% (2015: 98.1%) of the amount requested.

2b Archbishops' Council

	Unrestricted funds		Restricted funds	Endowment funds	Total funds	Total funds
	General	Designated			2016	2015
	£	£			£	£
Selective allocation	364,877	-	-	-	364,877	377,773
Parish mission development fund	95,180	-	-	-	95,180	95,240
Strategic Development Fund	-	-	183,675	-	183,675	-
	460,057	-	183,675	-	643,732	473,013

2c Portsmouth Diocesan Education Trust (PDET)

PDET transferred its funds to PDBF during the year.

2d Other donations

	Unrestricted funds		Restricted funds	Endowment funds	Total funds	Total funds
	General	Designated			2016	2015
	£	£			£	£
All Churches Trust	72,532	-	-	-	72,532	70,763
Donations	43,768	4,725	23,246	-	71,739	338,782
Grants from trusts	32,390	-	13,166	-	45,556	37,216
	148,690	4,725	36,412	-	189,827	446,761

PORTSMOUTH DIOCESAN BOARD OF FINANCE

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2016

3. CHARITABLE ACTIVITIES

	Unrestricted funds		Restricted funds	Endowment funds	Total funds	Total funds
	General	Designated			2016	2015
	£	£	£	£	£	
Statutory fees and chaplaincy income	399,086	-	-	-	399,086	432,927
Miscellaneous income	69,299	4,347	2,321	-	75,967	80,291
Section income:						
Mission Discipleship and Ministry	10,394	-	-	-	10,394	9,258
Mission and Education	425,319	-	-	-	425,319	397,981
Mission and Resources	89,051	-	-	-	89,051	87,668
Mission and Society	91,201	-	-	-	91,201	119,187
	1,084,350	4,347	2,321	-	1,091,018	1,127,312

4. OTHER TRADING ACTIVITIES

	Unrestricted funds		Restricted funds	Endowment funds	Total funds	Total funds
	General	Designated			2016	2015
	£	£	£	£	£	
Rental income from properties	264,162	-	-	-	264,162	259,469
	264,162	-	-	-	264,162	259,469

5. INVESTMENT INCOME

	Unrestricted funds		Restricted funds	Endowment funds	Total funds	Total funds
	General	Designated			2016	2015
	£	£	£	£	£	
Dividends receivable	343,498	105,148	121,647	77,441	647,734	483,133
Interest receivable	4,400	1,558	4,925	459	11,342	14,704
Rents receivable	35,275	-	-	-	35,275	35,329
	383,173	106,706	126,572	77,900	694,351	533,166

6. OTHER INCOME

	Unrestricted funds		Restricted funds	Endowment funds	Total funds	Total funds
	General	Designated			2016	2015
	£	£	£	£	£	
Gain on sale of properties	-	-	425,178	-	425,178	40
Gain on sale of glebe land/redundant churches	-	-	-	-	-	17,901
	-	-	425,178	-	425,178	17,941

PORTSMOUTH DIOCESAN BOARD OF FINANCE

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

7. FUND RAISING COSTS

	Unrestricted funds		Restricted funds	Endow't funds	Total funds	
	General	Designated			2016	2015
	£	£			£	£
Glebe agent's fees and repairs	7,724	-	-	-	7,724	5,378
Management fees of rentals	22,351	-	-	-	22,351	200
	30,075	-	-	-	30,075	5,578

8. CHARITABLE ACTIVITIES

	Unrestricted funds		Restricted funds	Endow't funds	Total funds	
	General	Designated			2016	2015
	£	£			£	£
Contributions to Archbishops' Council						
Training for ministry	158,895	-	-	-	158,895	158,157
National church responsibilities	122,819	-	-	-	122,819	120,228
Grants and provisions	15,450	-	-	-	15,450	14,840
Mission agency pension contributions	9,569	-	-	-	9,569	9,348
Retired clergy housing costs	53,070	-	-	-	53,070	50,362
	359,803	-	-	-	359,803	352,935
Resourcing ministry and mission						
Parish ministry:						
Stipends and national insurance	2,581,031	-	-	-	2,581,031	2,462,062
Pension costs	661,135	-	-	-	661,135	593,407
Housing costs	856,259	36,450	-	-	892,709	1,042,836
Removal, resettlement & other grants	135,596	-	25,127	-	160,723	169,274
Other expenses	35,468	16,138	1,121	-	52,727	43,612
	4,269,489	52,588	26,248	-	4,348,325	4,311,191
Support for ministry and mission						
Mission Discipleship and Ministry	581,864	45,882	183,675	-	811,421	577,110
Mission and Education	558,615	-	43,674	-	602,289	544,661
Mission and Resources	660,948	-	-	-	660,948	753,871
Mission and Society	239,004	-	13,166	-	252,170	284,339
Governance	22,841	-	-	-	22,841	24,440
Other Diocesan Central Support	15,300	-	-	-	15,300	15,300
	2,078,572	45,882	240,515	-	2,364,969	2,199,721
	6,707,864	98,470	266,763	-	7,073,097	6,863,847

9 OTHER RESOURCES EXPENDED

	Unrestricted funds		Restricted funds	Endow't funds	Total funds	
	General	Designated			2016	2015
	£	£			£	£
Loss on sale of property	-	-	-	-	-	94,941
	-	-	-	-	-	94,941

PORTSMOUTH DIOCESAN BOARD OF FINANCE

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2016

10. ANALYSIS OF EXPENDITURE INCLUDING ALLOCATION OF SUPPORT COSTS

	Activities Undertaken Directly £	Grant Funding of Activities £	Support Costs £	TOTAL 2016 £
Raising funds	30,075	-	-	30,075
Contributions to Archbishops' Council	-	359,803	-	359,803
Parish Ministry	4,277,355	70,970	-	4,348,325
Support for Ministry and Mission Education	1,413,760 602,289	68,622 -	280,298 -	1,762,680 602,289
	6,323,479	499,395	280,298	7,103,172

Support costs comprise general management and administration costs incurred in the diocesan office.
 The basis of allocation of support costs is activity based

11. ANALYSIS OF SUPPORT COSTS

	Unrestricted funds		Restricted funds	Endow't funds	Total funds 2016 £
	General £	Designated £	£	£	£
Central administration	257,457	-	-	-	257,457
Governance	22,841	-	-	-	22,841
	280,298	-	-	-	280,298

12. ANALYSIS OF GRANTS

	Number	Individuals £	Institutions £	Total £
From unrestricted funds for national Church responsibilities:				
Contributions to Archbishop's Council	1	-	359,803	359,803
From unrestricted funds:				
Cathedral	1	-	15,300	15,300
Retired Lay Worker Pension Grant	1	1,917	-	1,917
Removal and resettlement grants	32	69,053	-	69,053
Mission Opportunity Fund parish grants	5	-	28,195	28,195
	39	70,970	43,495	114,465
From restricted funds for various purposes:				
Bishops Lent Appeal grants	13	-	25,127	25,127
	53	70,970	428,425	499,395

PORTSMOUTH DIOCESAN BOARD OF FINANCE

NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 December 2016

13. STAFF COSTS

Employee costs during the year were as follows:

	2016	2015
	£	£
Wages and salaries	1,126,483	1,094,701
National insurance contributions	104,408	89,184
Pension costs	241,941	242,942
	<u>1,472,832</u>	<u>1,426,827</u>

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

	2016	2015
	fte	fte
Mission & Education	8.0	7.3
Mission Discipleship and Ministry	6.2	6.3
Mission & Resources	13.2	13.3
Mission & Society	3.4	3.4
(of which 2.2 are externally funded)		
	<u>30.8</u>	<u>30.3</u>
Parochial Assistants	<u>1.6</u>	<u>1.8</u>
	<u>32.4</u>	<u>32.1</u>

The average number of individuals employed during the year was:

	2016	2015
	no.	no.
Mission & Education	11	11
Mission Discipleship and Ministry	10	8
Mission & Resources	16	17
Mission & Society	7	5
	<u>44</u>	<u>41</u>
Parochial Assistants	<u>3</u>	<u>4</u>
	<u>47</u>	<u>45</u>

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

	2016	2015
	Nbr	Nbr
£60,000 - £70,000	1	1
£70,000 - £80,000	1	1

Pension payments of £42,000 (2015:£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 2016 they were:

Diocesan Secretary and Company Secretary	Revd Wendy Kennedy
Director of Finance	Malcolm Twigger-Ross (24%)
Deputy Diocesan Secretary	Jenny Hollingsworth
Head of Mission and Discipleship	Revd Anthony Rustell
Head of Education	Jeff Williams (33%)

Remuneration, pensions and expenses for these 5 employees amounted to £280,000 (2015: £270,000)

PORTSMOUTH DIOCESAN BOARD OF FINANCE

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

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 £32,000 (2015 - £27,000) 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	Salary
The Archdeacon of the Meon (Collins)	Yes	Yes	No
The Archdeacon of Portsdown (Grenfell)	Yes	Yes	No
The Archdeacon of the Isle of Wight (P Sutton)	Yes	Yes	No
Chair of House of Clergy (Canon R C White)	Yes	Yes	No
Chair of House of Laity (D Sutton)	No	No	No
The Diocesan Secretary (Revd W Kennedy)	No	No	Yes
Bishop's Nomination (J Gwynn)	No	No	No
House of Clergy elected members:			
The Revd M Bagg	Yes	Yes	No
The Revd W Hughes	Yes	Yes	No
The Revd Canon G Morris	Yes	Yes	No
The Revd Dr Paul Chamberlain - Appointed 1.1.16	Yes	Yes	No
The Revd Ian Snares - Appointed 1.1.16	Yes	Yes	No
The Revd Paul Armstead - Appointed 1.1.16	Yes	Yes	No
The Revd Mike Duff - Appointed 1.1.16	Yes	Yes	No
The Revd Allie Kerr - Appointed 1.1.16	Yes	Yes	No

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 93 (2015 – 89) stipendiary clergy as office-holders holding parochial or diocesan appointments in the diocese, and the costs were as follows:

	2016 £'000	2015 £'000
Stipends	2,396	2,243
National insurance contributions	185	175
Pension costs - current year	529	511
- deficit reduction	132	295
	<u>3,242</u>	<u>3,224</u>

PORTSMOUTH DIOCESAN BOARD OF FINANCE

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2016

14. ANALYSIS OF TRANSFERS BETWEEN FUNDS

	Unrestricted funds		Restricted funds	Endowment funds
	General	Designated		
	£	£	£	£
Transfer to conference fund for costs net of budget	(7,733)	7,733	-	-
Portsmouth share of Interest earned by P&WCSG Fund	1,378	-	(1,378)	-
Transfer of unspent IME budget to Ministerial Training fund	(8,124)	8,124	-	-
Transfer to clear old balance in Transition fund	9	(9)		
To charge the cost of reduction in pension deficit provision to the General Fund	(182,000)	-	-	182,000
Transfer from Catherington Trust fund for Spirituality Advisor	33,846	(33,846)	-	-
Budgeted transfer to Office repair fund	(10,394)	10,394	-	-
Budgeted transfer to Lambeth Conference fund	(1,000)	1,000	-	-
Transfer to Mission fund to fund new strategic posts	(29,140)	29,140	-	-
Transfer to Building Repair fund per 2016 budget	(228,211)	228,211		
Transfer to Mission fund for mission opportunity fund grants	(30,000)	30,000		
Transfer to Ministerial Training fund for curates	(90,000)	90,000		
Transfer of income to general fund to offset relevant expenditure	159,131	(36,742)	(66,400)	(55,989)
Transfer of Pastoral Fund from designated to restricted		(1,411,267)	1,411,267	
	<u>(392,238)</u>	<u>(1,077,262)</u>	<u>1,343,489</u>	<u>126,011</u>

PORTSMOUTH DIOCESAN BOARD OF FINANCE

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2016

15. TANGIBLE FIXED ASSETS – Land and Buildings

	Freehold Land and Buildings £	Leasehold Buildings £	Total 2016 £
At Cost or Valuation			
At 1 January 2016	49,400,478	1,851,443	51,251,921
Additions	577,863	-	577,863
Disposals	(443,095)	-	(443,095)
Revaluation	2,247,577	-	2,247,577
At 31 December 2016	<u>51,782,823</u>	<u>1,851,443</u>	<u>53,634,266</u>
Accumulated depreciation			
At 1 January 2016	-	302,278	302,278
Charge for the year	-	37,785	37,785
At 31 December 2016	<u>-</u>	<u>340,063</u>	<u>340,063</u>
Net book value at 31 December 2016	<u>51,782,823</u>	<u>1,511,380</u>	<u>53,294,203</u>
Net book value at 31 December 2015	<u>49,400,478</u>	<u>1,549,165</u>	<u>50,949,643</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.

16. FIXED ASSETS INVESTMENTS

	At 1st January 2016 £	Additions £	Disposals £	Change in Market Value £	At 31st December 2016 £
Unrestricted General Funds					
Unlisted investments	1,502,170	-	-	48,408	1,550,578
Designated Funds					
Unlisted investments *	2,074,173	2,829	-	155,844	2,232,846
Restricted Funds					
Unlisted investments *	2,377,960	587,745	-	137,171	3,102,876
Endowment Funds					
Unlisted investments	6,242,847	638,799	-	480,684	7,362,330
Investment Property	200,000	162,000	-	-	362,000
Investment Land	302,548	-	-	3,704	306,252
Total Funds	<u>12,699,698</u>	<u>1,391,373</u>	<u>-</u>	<u>825,811</u>	<u>14,916,882</u>

PORTSMOUTH DIOCESAN BOARD OF FINANCE

**NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2016**

17. DEBTORS

	2016	2015
	£	£
Due within one year		
Loans to parishes	25,893	21,720
Parish share receivable	251,202	146,135
Prepayments and accrued income	271,157	88,522
Accrued sale proceeds	600,000	-
Other debtors	248,531	76,427
	<u>1,396,783</u>	<u>332,804</u>
Due after one year		
Loans to parishes	35,795	44,070
Other debtors	-	2,819
	<u>35,795</u>	<u>46,889</u>
Total	<u><u>1,432,578</u></u>	<u><u>379,693</u></u>

18. CREDITORS: amounts falling due within one year

	2016	2015
	£	£
Accruals	46,534	640,414
Other creditors	617,772	198,558
* P&WCSG Fund Creditors	1,178,163	1,262,147
Loan repayments	52,138	40,060
Deferred income	33,272	26,929
Pensions scheme liabilities:		
Clergy Pension Scheme	253,800	272,000
	<u>2,181,679</u>	<u>2,440,108</u>

* The P&WCSG fund holds £1,178,163 (2015: £1,262,147) on deposit with CCLA and Barclays

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

	2016	2015
	£	£
Loan repayment instalments due after more than one year		
1 - 2 years	40,060	40,060
2 - 5 years	120,180	120,180
After 5 years	83,148	163,156
Pensions scheme liabilities:		
Clergy Pension Scheme	2,284,200	2,448,000
	<u>2,527,588</u>	<u>2,771,396</u>

PORTSMOUTH DIOCESAN BOARD OF FINANCE

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2016

20. SUMMARY OF FUND MOVEMENTS

	Balances at 1 January 2016 £	Incoming resources £	Outgoing resources £	Transfers £	Gains and losses £	Balances at 31 December 2016 £
Unrestricted funds - General						
General Fund	606,037	7,153,773	(6,688,568)	(392,238)	(3,065)	675,939
Leasehold Property	1,549,165	-	(37,785)	-	-	1,511,380
Freehold Property	10,012,155	-	-	-	126,921	10,139,076
FHP Capital Fund	986,725	63,904	(11,586)	-	51,473	1,090,516
Unrestricted funds - General	13,154,082	7,217,677	(6,737,939)	(392,238)	175,329	13,416,911
Unrestricted funds - Designated						
Brown, Doig, Silver Bequest	22,224	-	-	-	2,678	24,902
Circus Charity Fund	1,543	-	-	-	156	1,699
Diocesan Conference Fund	26,915	146	-	7,733	-	34,794
Car Loan Fund	201,131	10,534	-	(10,533)	16,177	217,309
Diocesan Loan Fund	387,042	21,512	-	(20,948)	49,615	437,221
Parsonages Repairs Fund	385,192	25,135	(36,450)	-	3,152	377,029
Pastoral Fund	1,411,267	-	-	(1,411,267)	-	-
CME Fund	42,684	72	-	98,052	-	140,808
Transition Fund	9	-	-	(9)	-	-
Valpy Bequest	20,924	-	-	-	2,522	23,446
Winterbotham Legacy	95,698	5,045	-	(5,045)	7,085	102,783
Office Repair Fund	57,048	6,017	-	10,250	4,115	77,430
Mission Fund	357,298	4,760	(62,020)	59,140	-	359,178
Lambeth Conference Fund	7,547	-	-	1,000	-	8,547
Evangelism Fund	1,495	-	-	-	-	1,495
Building Repair Fund	580	-	-	228,211	-	228,791
Catherington House Fund	839,921	42,557	-	(33,846)	70,344	918,976
	3,858,518	115,778	(98,470)	(1,077,262)	155,844	2,954,408
Restricted funds						
Barclay Bequest	4,295	144	-	-	375	4,814
Ben Aug Fund	64,968	-	-	-	7,830	72,798
Bishop's Lent Appeal	4,007	23,248	(25,127)	-	-	2,128
Christian Healing Fund	241	1	-	-	-	242
Harrison Parochial Loan Fund	17,366	64	-	-	-	17,430
Huckstepp Legacy	116,154	-	-	-	(511)	115,643
James Legacy	14,834	-	-	-	1,630	16,464
New Churches Fund	819,157	36,466	-	-	72,947	928,570
Turret House Fund	62,347	2,486	-	-	7,043	71,876
Surrexit Fund	9,882	48	-	(48)	-	9,882
Strategic Development	-	183,675	(183,675)	-	-	-
Pastoral Fund	-	493,851	(1,121)	1,344,915	8,073	1,845,718
P&WCSGF	4,108	4,219	(2,841)	(1,378)	-	4,108
Youth Development	7,284	13,266	(13,166)	-	-	7,384
Corban Fund	26,163	931	-	-	2,452	29,546
Eckersley Clergy families	248,477	10,087	-	-	27,119	285,683
Education Restricted	-	832,143	(40,833)	-	10,213	801,523
	1,399,283	1,600,629	(266,763)	1,343,489	137,171	4,213,809

PORTSMOUTH DIOCESAN BOARD OF FINANCE

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2016

20. SUMMARY OF FUND MOVEMENTS (continued)

	Balances at 1 January 2016 £	Incoming resources £	Outgoing resources £	Transfers £	Gains and losses £	Balances at 31 December 2016 £
Expendable Endowment funds						
Parsonage Houses	37,722,806	-	-	-	2,016,450	39,739,256
Education Endowment	-	1,334,652	-	-	37,987	1,372,639
Permanent Endowment funds						
Stipends Capital Fund	1,837,730	-	-	182,000	318,993	2,338,723
Bells Loan Fund	255,565	11,995	-	-	29,245	296,805
Boyd Richardson Trust	113,306	-	-	-	13,655	126,961
Constance Trust	21,225	-	-	-	2,558	23,783
Cowes St M Ben Aug	701	-	-	-	71	772
Diocesan House Trust	165,591	-	-	-	15,914	181,505
Fawdry Bequest	27,530	-	-	-	3,024	30,554
Glebe Fund	816,557	55,989	-	(55,989)	48,123	864,680
Glebe Property	2,504,268	-	-	-	107,910	2,612,178
Glebe House Cottage Trust	3,152	-	-	-	345	3,497
Hayling St M Curacy End	913	-	-	-	92	1,005
Lambert Loan Fund	115,047	4,051	-	-	10,677	129,775
	43,584,391	1,406,687	-	126,011	2,605,044	47,722,133
Total Funds	61,996,274	10,340,771	(7,103,172)	-	3,073,388	68,307,261

PORTSMOUTH DIOCESAN BOARD OF FINANCE

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2016

21. SUMMARY OF ASSETS BY FUND

	Fixed Assets		Current Assets	Liabilities	Net Assets
	Tangible	Investments			
	£	£	£	£	£
General Fund	-	393,742	843,120	(560,923)	675,939
Leasehold Property	1,511,380	-	-	-	1,511,380
Freehold Property	10,367,471	-	(228,395)	-	10,139,076
FHP Capital Fund	-	1,156,837	(66,321)	-	1,090,516
Unrestricted funds - General	11,878,851	1,550,579	548,404	(560,923)	13,416,911
Unrestricted funds - Designated					
Brown, Doig, Silver Bequest	-	26,805	(1,903)	-	24,902
Circus Charity Fund	-	1,564	135	-	1,699
Diocesan Conference Fund	-	-	34,794	-	34,794
Car Loan Fund	-	216,469	840	-	217,309
Diocesan Loan Fund	-	459,572	(22,351)	-	437,221
Parsonages Repair Fund	-	406,401	(29,372)	-	377,029
CME Fund	-	-	140,808	-	140,808
Valpy Bequest	-	25,237	(1,791)	-	23,446
Winterbotham Legacy	-	111,177	(8,394)	-	102,783
Office Repair Fund	-	41,185	36,245	-	77,430
Mission Fund	-	-	359,178	-	359,178
Lambeth Conference Fund	-	-	8,547	-	8,547
Evangelism Fund	-	-	1,495	-	1,495
Building Repair Fund	-	-	228,791	-	228,791
Catherington House Fund	-	944,436	(25,460)	-	918,976
	-	2,232,846	721,562	-	2,954,408
Restricted funds					
Barclay Bequest	-	3,754	1,060	-	4,814
Ben Aug Fund	-	78,363	(5,565)	-	72,798
Bishop's Lent Appeal	-	-	2,128	-	2,128
Christian Healing Fund	-	-	242	-	242
Harrison Parochial Loan Fund	-	-	17,430	-	17,430
Huckstepp Legacy	-	113,562	2,081	-	115,643
James Legacy	-	16,311	153	-	16,464
New Churches Fund	-	909,389	19,181	-	928,570
Turret House Fund	-	71,361	515	-	71,876
Surrexit Fund	-	-	9,882	-	9,882
Pastoral Fund	-	1,051,870	793,848	-	1,845,718
P&WCSGF	-	-	1,182,271	(1,178,163)	4,108
Youth Development	-	-	11,376	(3,992)	7,384
Corban Trust	-	24,542	5,004	-	29,546
Eckersley Clergy families	-	271,424	14,259	-	285,683
Education Restricted	-	562,300	667,412	(428,189)	801,523
	-	3,102,876	2,721,277	(1,610,344)	4,213,809

PORTSMOUTH DIOCESAN BOARD OF FINANCE

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

21. SUMMARY OF ASSETS BY FUND (continued)

	Fixed Assets		Current	Liabilities	Net
	Tangible	Investments	Assets		Assets
	£	£	£	£	£
Expendable Endowment funds					
Parsonage Houses	39,485,352	-	253,904	-	39,739,256
Education Endowment	-	838,785	533,854	-	1,372,639
Permanent Endowment funds					
Stipends Capital Fund	-	4,876,723	-	(2,538,000)	2,338,723
Bells Loan Fund	-	276,356	20,449	-	296,805
Boyd Richardson Trust	-	136,667	(9,706)	-	126,961
Constance Trust	-	25,601	(1,818)	-	23,783
Cowes St M Ben Aug	-	710	62	-	772
Diocesan House Trust	-	193,358	(11,853)	-	181,505
Fawdry Bequest	-	30,270	284	-	30,554
Glebe Fund	-	1,034,615	(169,935)	-	864,680
Glebe Property	1,930,000	506,250	175,928	-	2,612,178
Glebe House Cottage Trust	-	3,458	39	-	3,497
Hayling St M Curacy End	-	924	81	-	1,005
Lambert Loan Fund	-	106,864	22,911	-	129,775
	41,415,352	8,030,581	814,200	(2,538,000)	47,722,133
Total Funds	53,294,203	14,916,882	4,805,443	(4,709,267)	68,307,261

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
CME Fund	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
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

PORTSMOUTH DIOCESAN BOARD OF FINANCE

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

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
New Churches Fund	For 'new churches' buildings – formed out of the Pastoral Fund.
Turret House Fund	For church building projects
Surrexit Fund	For youth development
Strategic Development	Activities funded by strategic development grant funding from Archbishops' Council
Pastoral Fund	Funds governed by the Pastoral Measures Act 2011
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 families
Education restricted	To support church schools.

Expendable Endowment funds

Parsonage Houses	Housing incumbents/priests in charge
Education endowment	For education – capital may be expended on maintaining Church Schools as set out in the Education Act 2011.

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

23. CAPITAL COMMITMENTS & OPERATING LEASES

At 31 December 2016 the PDBF had capital expenditure commitments authorised but not contracted for of £NIL (2015 - £NIL), and contracted for but not yet due of £NIL (2015 - £NIL).

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

	2016	2015
	£	£
Operating leases payable:		
Within 1 year	5,440	5,440
In 1-5 years	3,318	8,758
After 5 years	-	-
	<u>8,758</u>	<u>14,198</u>

PORTSMOUTH DIOCESAN BOARD OF FINANCE

NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 December 2016

24. FINANCIAL INSTRUMENTS

	2016	2015
	£	£
Financial assets measured at fair value	17,621,495	15,375,894
Financial assets measured at amortised cost	910,219	145,036
Financial liabilities measured at amortised cost	(2,101,873)	(1,772,765)

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.

25. POST BALANCE SHEET EVENTS AND CONTINGENT LIABILITIES

On 27 April 2017 outline planning permission was given for a development in Wickham that substantially increased the value of certain glebe land. Although the value is subject to various uncertainties, it should be between £3m and £4m. There were no other 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.

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

PORTSMOUTH DIOCESAN BOARD OF FINANCE

NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 December 2016

26. PENSIONS (continued)

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

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

- An investment strategy of:
 - for investments backing liabilities for pensions in payment, an allocation to gilts, of 33% from the valuation date until 31 December 2019 and thereafter increasing linearly to 70% by 31 December 2030; and;
 - a 100% allocation to return-seeking assets for investments backing liabilities prior to retirement;
- Investment returns of 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 in line with the CMI 2015 core projections, with a long term annual rate 1.5%.

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

% of pensionable stipends	January 2015 to December 2017	January 2018 to 31 December 2025
Deficit repair contributions	14.1%	11.9%

As at December 2015, the deficit repair contributions payable under the recovery plan in force were 14.1% of pensionable stipends until December 2025. For senior office holders, pensionable stipends are adjusted in the calculations by a multiple, as set out in the Scheme's rules.

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

	2016 £'000s	2015 £'000s
Balance sheet liability at 1 January	2,720	2,933
Deficit contribution paid	(314)	(295)
Interest cost (recognised in SoFA)	64	18
Remaining change to the balance sheet liability* (recognised in SoFA)	68	(18)
Balance sheet liability at 31 December	2,538	2,720

* Comprises change in agreed deficit recovery plan and change in discount rate 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 2016	December 2015	December 2014
Discount rate	1.5% pa	2.5% pa	2.3% pa
Price inflation	3.1% pa	2.4% pa	2.7% pa
Increase to total pensionable payroll	1.6% pa	0.9% pa	1.2% pa

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

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2016

26. PENSIONS (continued)

Church Workers Pension Fund

Portsmouth DBF (DBS) participates in the Defined Benefits Scheme section of CWPF for lay staff. The Scheme is administered by the Church of England Pensions Board, which holds the assets of the schemes separately from those of the Employer and the other participating employers. The Church Workers Pension Fund has a section known as the Defined Benefits Scheme, a deferred annuity section known as Pension Builder Classic and a cash balance section known as Pension Builder 2014.

Defined Benefits Scheme

The Defined Benefits Scheme ("DBS") section of the Church Workers Pension Fund provides benefits for lay staff based on final pensionable salaries. For funding purposes, the DBS is divided into sub-pools in respect of each participating employer as well as a further sub-pool, known as the Life Risk Pool. The Life Risk Pool exists to share certain risks between employers, including those relating to mortality and post-retirement investment returns. The division of the DBS into sub-pools is notional and is for the purpose of calculating ongoing contributions. They do not alter the fact that the assets of the DBS are held as a single trust fund out of which all the benefits are to be provided. From time to time, a notional premium is transferred from employers' sub-pools to the Life Risk Pool and all pensions and death benefits are paid from the Life Risk Pool.

It is not possible to attribute the scheme's assets and liabilities to specific employers, since each employer, through the Life Risk Pool, is exposed to actuarial risks associated with the current and former employees of other entities participating in the DBS. The scheme is considered to be a multi-employer scheme as described in Section 28 of FRS 102 and as such contributions are accounted for as if the Scheme were a defined contribution scheme. The pensions costs charged to the SoFA in the year are contributions payable towards benefits and expenses accrued in that year, 2016: £139,000 (2015: £145,000), plus any impact of deficit contributions (see below), giving a total charge of £139,000 for 2016 (2015: £145,000).

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

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

Following the valuation the Employer has entered into an agreement with the Church Workers Pension Fund to pay a contribution rate of 29.9% of pensionable salary and expenses of £5,200 per year. The PDBF paid deficit recovery amount identified for its share of scheme liabilities in 2012

Section 28.11A of FRS 102 requires agreed deficit recovery payments to be recognised as a liability. As at 31 December 2016 and 31 December 2015 there was no liability to be recognised as PDBF paid in 2012 the deficit that has been assessed from the 2010 valuation and there was no additional liability from the 2013 valuation.

**NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2016**

26. PENSIONS (continued)

Pension Builder Scheme

Portsmouth DBF (PB Classic) participates in the Pension Builder Scheme section of CWPF for lay staff. The Scheme is administered by the Church of England Pensions Board, which holds the assets of the schemes separately from those of the Employer and the other participating employers. The Church Workers Pension Fund has a section known as the Defined Benefits Scheme, a deferred annuity section known as Pension Builder Classic. The Pension Builder Scheme of the Church Workers Pension Fund is made up of two sections, Pension Builder Classic and Pension Builder 2014, both of which are classed as defined benefit schemes.

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

Pension Builder 2014 is a cash balance scheme that provides a lump sum that members use to provide benefits at retirement. Pension contributions are recorded in an account for each member. This account may have bonuses added by the Board before retirement. The bonuses depend on investment experience and other factors. There is no requirement for the Board to grant any bonuses. The account, plus any bonuses declared, is payable from members' Normal Pension Age.

There is no sub-division of assets between employers in each section of the Pension Builder Scheme. The scheme is considered to be a multi-employer scheme as described in Section 28 of FRS 102. This is because it is not possible to attribute the Pension Builder Scheme's assets and liabilities to specific employers and that contributions are accounted for as if the Scheme were a defined contribution scheme. The pensions costs charged to the SoFA in the year are contributions payable (2016:£102,000, 2015:£97,000).

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

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

Teachers' pension scheme (TPS)

The PDBF made contributions to the TPS on behalf of 3 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 2012 and full details are available on the Government website at: <https://www.gov.uk/government/collections/teachers-pension-scheme>

PORTSMOUTH DIOCESAN BOARD OF FINANCE

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2016

27. PRIOR YEAR COMPARATIVE SOFA

	Unrestricted funds		Restricted Funds	Endowment Funds	Total Funds 2015
	General	Designated			
	£,000	£,000	£,000	£,000	£,000
Income and endowments from:					
Donations					
Charitable activities	1,116,238	8,074	-	3,000	1,127,312
Other activities	259,469	-	-	-	259,469
Investments	329,466	134,308	40,172	56,835	560,781
Other	-	17,901	-	40	17,941
Total	6,970,605	173,560	332,244	59,875	7,536,284
Expenditure on:					
Raising funds					
Charitable activities	6,554,952	264,326	44,569	-	6,863,847
Other	94,941	-	-	-	94,941
Total	6,655,471	264,326	44,569	-	6,964,366
Net income/(expenditure) before investment gains	315,134	(90,766)	287,675	59,875	571,918
Net gains on investments	53,620	107,655	22,566	147,006	330,847
Net income/(expenditure)	368,754	16,889	310,241	206,881	902,765
Transfers between funds	(48,828)	(118,195)	(1,774)	168,797	-
Other recognised gains/(losses)					
Gains/(losses) on revaluation of fixed assets	(136,930)	-	-	(622,178)	(759,108)
Net movement in funds	182,996	(101,306)	308,467	(246,500)	143,657
Total funds as at 1 January 2015	12,971,086	3,959,824	1,090,816	43,830,891	61,852,617
Total funds as at 31 December 2015	13,154,082	3,858,518	1,399,283	43,584,391	61,996,274

28. 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 £117,549 (2015: £115,263). The PDBF has also supported the work of the PDCSR for several years and in 2016 provided office space to the value of £8,400.

The Portsmouth Diocesan Education Trust (PDET) is a separate charitable limited company whose directors are the same as the directors of the PDBF. During the year, PDET transferred its funds to PDBF.

PORTSMOUTH DIOCESAN BOARD OF FINANCE

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

29. 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:

	2016	2015
	£	£
CBF Investment Fund income shares	4,156,040	3,715,372
CBF Investment Fund accumulation shares	78,932	68,500
CBF Property Fund income shares	764,678	297,956
CBF Global Equity Fund	142,119	122,671
CBF Fixed Interest Securities Fund Shares	709,201	1,158,783
CBF COIF Investments	87,313	82,599
Other unit trust units	45,694	46,514
UK Equity holdings	36,063	35,972
UK Gilt-edged stocks	79,320	79,320
Other Fixed interest stock	142,705	133,505
Foreign Equities	7,611	7,611
Deposits & Cash at Bank	741,093	784,670
Total assets held as custodian trustee	<u>6,990,769</u>	<u>6,533,473</u>