



Diocese of Portsmouth

ANNUAL REPORT AND FINANCIAL STATEMENTS

For the year ended 31 December 2017

PORTSMOUTH DIOCESAN BOARD OF FINANCE

Company number - 226466

Registered charity number – 249256

A large print version is available on request from

Mrs J Dobbs
Portsmouth Diocesan Office
Peninsular House
Wharf Road
Portsmouth
PO2 8HB

email: jane.dobbs@portsmouth.anglican.org

TABLE OF CONTENTS

Page Number

Annual Report

Legal Objects	1
Strategic Report:	
Strategic Aims	1
Activities and Achievements in the year	2
Future plans	4
Financial review	5
Principal risks and uncertainties	8
Structure and Governance	8
Trustees Responsibilities	12
Administrative details	14
Independent Auditors Report	16
Statement of Financial Activities	17
Balance Sheet	18
Cash Flow Statement	19
Notes to the Financial Statements	20

PORTSMOUTH DIOCESAN BOARD OF FINANCE

ANNUAL REPORT

For the year ended 31 December 2017

The Trustees, who are also Directors for the purposes of company law, present their annual report, together with the audited financial statements, for the year ended 31 December 2017. The directors/trustees are one and the same and in signing as trustees they are also signing the strategic report sections in their capacity as directors. This combined report satisfies the legal requirements for:

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

LEGAL OBJECTS

The 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.

PORTSMOUTH DIOCESAN BOARD OF FINANCE

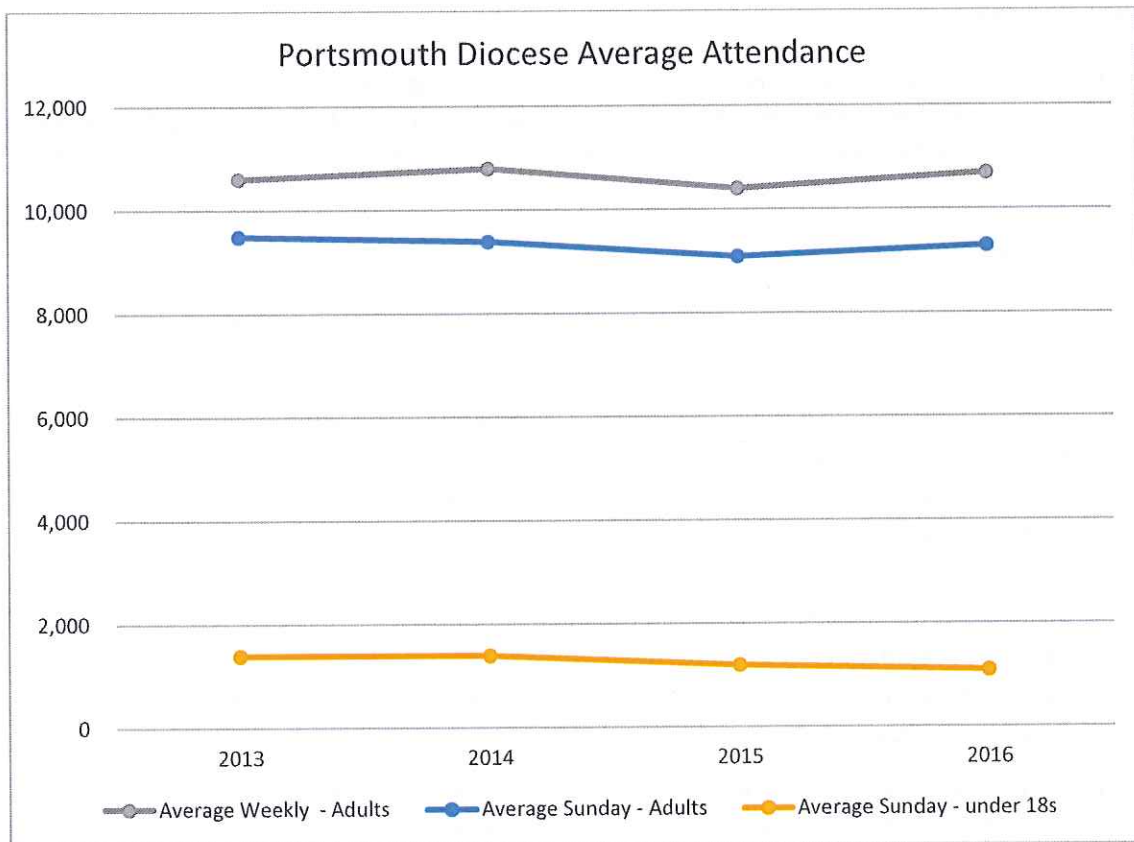
ANNUAL REPORT

For the year ended 31 December 2017

ACTIVITIES AND ACHIEVEMENTS IN THE YEAR

The following sets out activities and achievements for the year against key objectives.

We are starting to see many positive signs. The backdrop of aging congregations means that it will be difficult to reverse overall decline in attendance figures in spite of new growth. However we have been successful in reducing the rate of decline over the last five years and 2016 saw a small increase driven by the success of Harbour Church, our new Church Plant in central Portsmouth.



Pioneer Ministry & New Churches

We are in the second year of 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 this year and this, with money from our reserves and budget re-allocations, has funded new pioneer posts, the establishment of a new church in Portsmouth City Centre and helped other churches develop new forms of ministry.

There has been growth in existing and new church communities as a result of this work, including reaching students and younger people at Harbour Church, our new church plant in central Portsmouth that started in September 2016, with Sunday attendance of around 300 across two services. A Tots and Toddler outreach service from Harbour to St Alban's Church attracts around 60 people each week, with up to 400 at occasional "festival" type services. A Cathedral pioneer curate

PORTSMOUTH DIOCESAN BOARD OF FINANCE

ANNUAL REPORT

For the year ended 31 December 2017

has been appointed with a brief to initiate new congregations around youth, music, and festival church. A community outreach project at St Margaret's Southsea has been initiated by St Jude's Church, with a view to growing a church plant. A trash café partnership has become the foundation of new pioneering work in urban Gosport, and PO9 pioneers in Leigh Park have grown food bank, café church, school chaplaincy, and gardening projects as the foundations of new church communities. Attendance at various fresh expressions has grown since the last count: there are now 50 separate fresh expressions (up from 19 in 2013) with 2232 worshippers (up from 1271 in 2013). New vocations explorers are investigating pioneer church planting ministry.

Vocations

We are committed to expanding our vocations work. The new Diocesan Director of Vocations & Ordinands began full time in role in 2017, and has worked to coordinate the vocations and ordination processes in the diocese in collaboration with the two Associate DDOs. The new Resourcing Ministerial Education (RME) systems of funding for ordination training have presented opportunities and challenges for all dioceses, and this diocese remains committed to using both residential and non-residential forms of training. Our non-residential ordinands are training alongside those preparing for Reader ministry on the local Portsmouth Pathway course, which is run by Ripon College Cuddesdon. We plan to continue our commitment to increasing the number of training posts with the aim of growing and retaining ministers in the diocese.

Since a very large cohort entered training in 2015, numbers in the training system have fallen back to around five recommendations for training a year. In 2018, we will be launching a major initiative to boost the number of vocations to ordained ministry.

Education

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

Headlines of our 2017 work include : leading on a major delivery of training for the national 'Understanding Christianity' project; strengthened our invites to our termly regional meetings with Heads and Chairs of Governors for Foundation Governors and clergy; further enhancement of our Governor Training; further embedding of our successful intergenerational initiatives; undertook close working with the Local Authority in revising the Agreed Syllabus and associated work with the 6 SACRES; further development of opportunities for churches to engage with schools- exemplified in the Ewe Matter project; provided specific guidance for schools on a range of important ethical and practical areas.

The Bishop's Councils in both dioceses endorsed the Education Team staffing review, with the intention of enhancing the staffing complement and the services we are able to offer through them. The team remained understaffed until September 2017 when it returned to previous staffing levels. Further financial planning and work on generating potential income streams is being undertaken before the proposals of the staffing review can be implemented fully.

PORTSMOUTH DIOCESAN BOARD OF FINANCE

ANNUAL REPORT

For the year ended 31 December 2017

Sustainability

In 2016, we invested in providing wide scale quality training aimed at equipping churches to grow. In October 2016, over 110 representatives, lay and ordained, from parishes successfully took part in the Leading Your Church into Growth (LYCIG) conference and three local follow up events took place in 2017. We therefore held a further LYCIG conference in October 2017 for 100 participants, so that over 80% of our parishes had taken part. This second LYCIG conference was so successful that several parishes have since applied to take part in national conferences. All of these parishes have been given access to the LYCIG Local Mission Action Planning tool, to the Everybody Welcome church audit, and to a number of discipleship and nurture resources. A mystery worship scheme is now available to help churches with this work.

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 59% of our parishes now being members.

We have learned that parishes struggling to survive need earlier intervention and so we have implemented 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. Sixteen parishes have now taken part, with others identified for the future. 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. It has been particularly significant that the VFM initiative has been able to find synergy with the LYCIG work in those parishes that have participated in both. The process continues and is proving successful as parishes are engaging in terms of mission development and improved stewardship practices. So far three parishes have completed the process and have indicated a desire to use the model themselves in the future by way of review and continued development. Work continues with the remaining parishes and it is hoped they will also further flourish within the continuing process.

Finally, we are also nearing completion of a substantial programme of investing reserves (£600,000 over three years) 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 trust;
- Help long-term viability and growth of all our parishes.

PORTSMOUTH DIOCESAN BOARD OF FINANCE

ANNUAL REPORT

For the year ended 31 December 2017

FINANCIAL REVIEW

Financial Performance

The PDBF ended the year in a sound financial position. The parish share collection was once again good despite challenging economic times for many parishes, and investment income continued to meet the targets set. Whilst expenditure was up due to a variety of reasons the prudent use of previously designated reserves enabled the ongoing mission to continue unabated.

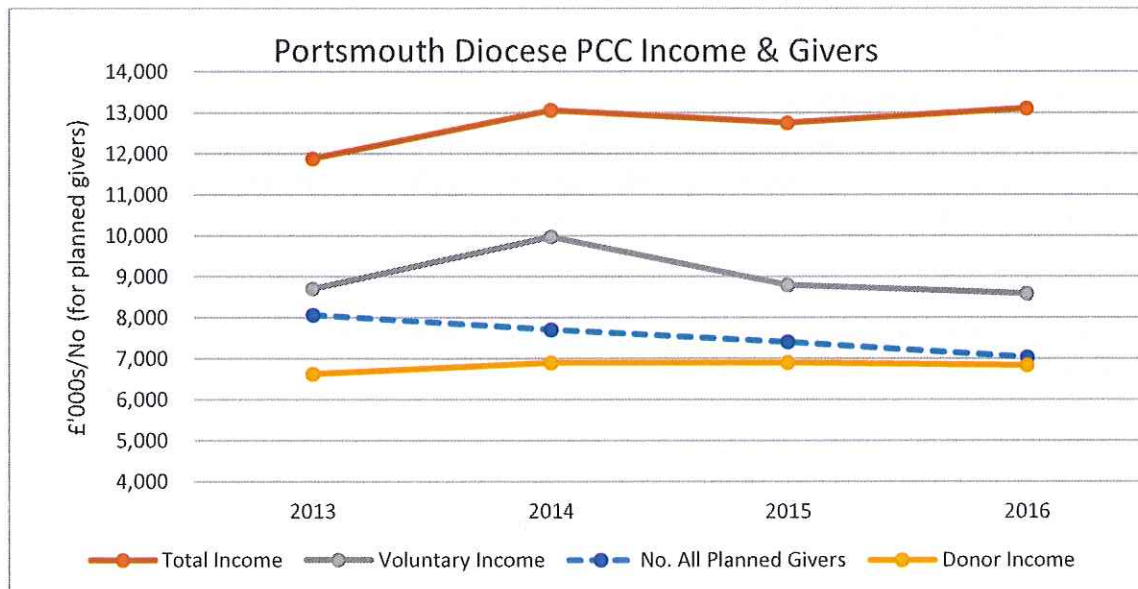
General Fund income was £7,190,628 (2016: £7,217,677), a decrease of £27,049. Parish share continued to come in at a high percentage of the amount requested. Payments received were 98.5% (2016: 98.1 %) of the amount requested. Total income on other funds was £493,760 (2016: £3,123,094).

General fund expenditure was £7,197,698 (2016: £6,737,939) an increase of £459,759 (6.8%) mainly reflecting there being fewer clergy vacancies and the resourcing of additional pioneer ministers. Expenditure from other funds was £282,456 (2016: £365,233) a decrease of £82,777.

There was a net deficit on general funds after transfers and excluding revaluation gains of £229,154 (2016: £87,500 surplus). This was largely caused by the use of reserves for additional property work.

Parish Financial Performance

The long term financial stability of PDBF depends on the financial strength of its parishes. Aggregated figures up to 31 December 2016 show that parishes' total income increased by 3% in 2016 to £13.1m (2015: £12.8m) although donation income fell by 1% to £6.8m (2015: £6.9m). The number of regular givers also continued its decline reducing by 5% (2015: 4% decline) although again the average donation increased to off-set this so that overall planned giving increased by 1.9% (2015: 0.4% increase).



PORTSMOUTH DIOCESAN BOARD OF FINANCE

ANNUAL REPORT

For the year ended 31 December 2017

Balance sheet position

The Trustees consider that the balance sheet, together with details in note 20, 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 £69,872,796 (2016: £68,307,261) it must be remembered that included in this total are properties, mostly in use for the ministry, whose value amounted to £54,206,535 (2016: £53,894,203). 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 £1m. The year-end total for 2017 was within this boundary at £983,000.

The free reserves, being the unrestricted general fund net of tangible assets totalled £1.7m (2016: £1.8m) which represented 3.8 months (2016: 4.5 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 21. The total value of designated funds at the end of 2017 was £3.0m (2016: £2.9m).

Restricted and endowment funds

As set out in note 21 PDBF also holds and administers a large number of restricted and endowment funds. As at 31 December 2017 restricted funds totalled £4.4m (2016: £4.1m) and endowment funds totalled £48.8m (2016: £47.9m). 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 2017 is indicated in note 11.

Investment policy and report

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

PORTSMOUTH DIOCESAN BOARD OF FINANCE

ANNUAL REPORT

For the year ended 31 December 2017

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

The income from financial investments remained fairly static in 2017 at £628,224 (2016: £647,734). Underlying these figures was an additional income of £71,000 arising from the education fund assets that were transferred in from the Portsmouth Diocesan Education Trust (PDET) at the end of 2016, and the absence of the one-off income of £80,000 that arose in 2016 due to the change in the payment date of dividends by CCLA.

For the year ended 31 December 2017 the investment portfolio achieved an overall yield of 4.4% (2016: 4.6%) and a total return (being the increase/decrease in market value plus the actual yield/income received) of 10.7% (2016: 11.31%).

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 2017 to varying degrees. The PDBF's investment strategy continues 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 5.7% (2016: 5.5%) at the cost of more volatile capital performance which rose by just 2.2% (2016: (3.0%) decrease). The global equity fund produced a yield of 4.1% (2016: 4.6%) and capital increase of 5.4% (2016: 12.6% increase); the investment fund a yield of 3.6% (2016: 3.9%) and capital growth of 8.8% (2016: 11.1%). The % allocation of assets to funds was as follows:

	2017	2016
Investment fund	60%	58%
Property Fund	32%	33%
Global Equity Fund	8%	9%
	<u>100%</u>	<u>100%</u>

PORTSMOUTH DIOCESAN BOARD OF FINANCE

ANNUAL REPORT

For the year ended 31 December 2017

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 steadily over the years. This year, we have had a small increase in attendance figures driven by the success of Harbour Church, this congregation is not yet part of the parish share system. 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:** 62% 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, with particular focus on those struggling to meet their parish share.
- **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 of ministry during such periods. 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 Diocese's 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.

PORTSMOUTH DIOCESAN BOARD OF FINANCE

ANNUAL REPORT

For the year ended 31 December 2017

The National Church has a General Synod comprising ex-officio and elected representatives from each Diocese and it agrees and lays before Parliament, Measures for the governance of the church's affairs which, if enacted by Parliament, have the force of statute law. In addition to the General Synod, the Archbishops' Council has a coordinating role for work authorised by the Synod; the Church Commissioners manage the historic assets of the Church of England; and the Church of England Pension Board administers the pension schemes for clergy and lay workers. Within each Diocese, overall leadership lies with the Diocesan Bishop, who exercises that leadership assisted by the governance functions of the Diocesan Synod. The Diocese has eight deaneries, each with its own Synod, and within each parish there is a parochial church council which shares with the parish priest responsibility for the mission of the church in that parish.

Organisational structure

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

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

PORTSMOUTH DIOCESAN BOARD OF FINANCE

ANNUAL REPORT

For the year ended 31 December 2017

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

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

The Property Sub Committee reports to the Directors; it oversees repairs to parsonages, glebe property, properties held for the charity's own use, and the disposal and purchase of property.

The Diocesan Finance Committee includes representatives from all the deaneries and meets regularly to review and report on the finances of individual parishes and their ability to meet their parish share commitments, and to scrutinise and bring recommendations to the Bishops Council on matters of diocesan finance.

The Diocesan Mission and Pastoral Advisory Sub Committee was established in 2016 for a period initially of two years. Members are drawn mainly from the Board but also include other deanery representatives. The purpose of this committee is to enable space for more in depth consideration of DMPC matters so that considered recommendations are put to the DMPC for final decision.

Investment Advisory Group that provides advice (the sub-committee has no executive authority) to the Diocesan Finance Committee and the Diocesan Secretary on PDBF's investments and funds available for investment.

Delegation of day to day delivery

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

Connected Charities

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

PORTSMOUTH DIOCESAN BOARD OF FINANCE

ANNUAL REPORT

For the year ended 31 December 2017

Related Parties

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

Fundraising

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

Remuneration of key management personnel

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

Funds held as Custodian Trustee

The PDBF is custodian trustee of assets held on permanent trust by virtue of the Parochial Church Councils (Powers) Measure 1956 (as amended) and the Incumbents and churchwardens (Trusts) Measure 1964 where the managing trustees are parochial church councils and others. These assets are not aggregated in the financial statements as the PDBF does not control them, and they are segregated from the PDBF's own assets by means of a separate bank account and accounting system. Further details of financial trust assets, whose market value amounted to £7.3m at 31 December 2017 (2016: £7.0m), are available from the PDBF on request, and are summarised in note 28. Where properties are held as custodian trustee, the deeds are identified as such and held in safe custody by the PDBF's solicitor, Messrs Brutton & Co

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 2017 is £1,008,000 (2016: £1,178,000). The income and expenditure relating to school projects not reflected in the Statement of Financial Activities amounted to £2,957,000 and £2,967,000 respectively in 2017 (2016: £2,547,000 and £2,622,000).

PORTSMOUTH DIOCESAN BOARD OF FINANCE

ANNUAL REPORT

For the year ended 31 December 2017

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.

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

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

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.

PORTSMOUTH DIOCESAN BOARD OF FINANCE

ANNUAL REPORT

For the year ended 31 December 2017

ADMINISTRATIVE DETAILS

Trustees

No Trustee had any beneficial interest in the company during 2017. The following are the Trustees who served at any time during 2017 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) (retired 28.2.18) Mrs J Hollingsworth (Acting Diocesan Secretary) (from 9.1.18)	
Bishop's Nominee:	Canon J Gwynn (Chairman of Diocesan Finance Committee)	
Elected by:		
Synod House of Clergy	The Revd P Armstead The Revd M Bagg The Revd Dr P Chamberlain The Revd I Snares	The Revd Canon W Hughes The Revd A Kerr The Revd Canon G Morris The Revd M Duff
Synod House of Laity	Mr W Berry Mr G Barwick Canon D Bennison Mr N Chapman Mrs L Clay Mrs M Crittenden Canon L Docherty Mr K Doyle	Canon S Forster Mrs I James Cdre M Lane Canon Dr H Mason Mr R Solomon Canon H Spurgeon

Senior staff and advisers

Diocesan Secretary	Wendy Kennedy (ret 28.2.2018)
Director of Finance	Malcolm Twigger-Ross (res 5.3.18)
Head of Mission and Resources and Acting Diocesan Secretary	Jenny Hollingsworth
Head of Mission, Discipleship and Ministry	Anthony Rustell
Head of Mission and Education and Director of Education	Jeff Williams

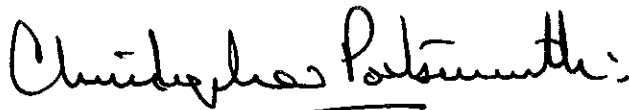
PORTSMOUTH DIOCESAN BOARD OF FINANCE

ANNUAL REPORT

For the year ended 31 December 2017

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

ON BEHALF OF THE TRUSTEES



The Right Revd Christopher Foster
Chairman
9th May 2018



Jenny Hollingsworth
Acting Diocesan Secretary
9th May 2018

INDEPENDENT AUDITORS REPORT TO THE MEMBERS OF PORTSMOUTH DIOCESAN BOARD OF FINANCE
For the year ended 31 December 2017

Opinion

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

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

In our opinion, the financial statements:

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

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the charity in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of trustees for the financial statements

As explained more fully in the trustees' responsibilities statement set out on page 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, and for such internal control as the trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the trustees are responsible for assessing the charitable company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the trustees either intend to liquidate the charitable company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

INDEPENDENT AUDITORS REPORT TO THE MEMBERS OF PORTSMOUTH DIOCESAN BOARD OF FINANCE
For the year ended 31 December 2017

Conclusions relating to going concern

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

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

Other information

The trustees are responsible for the other information. The other information comprises the information included in the Trustees' Annual Report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

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



Adam Halsey, Senior Statutory Auditor

For and on behalf of haysmacintyre
Statutory Auditors
9th May 2018

10 Queen Street Place
London
EC4R 1AG

PORTSMOUTH DIOCESAN BOARD OF FINANCE

STATEMENT OF FINANCIAL ACTIVITIES
At 31 December 2017

	Note	Unrestricted funds General £	Unrestricted funds Designated £	Restricted funds £	Endowment funds £	Total funds 2017 £	Total funds 2016 £
Income and endowments from							
Donations							
Parish contributions	2a	4,740,419	-	-	-	4,740,419	4,877,245
Archbishops' Council	2b	428,134	-	52,038	-	480,172	643,732
Portsmouth Diocesan Education Trust	2c	-	-	-	-	-	2,155,258
Other donations	2c	146,407	3,741	42,042	-	192,190	189,827
Charitable activities	3	1,100,689	18,302	3,206	42,808	1,165,005	1,091,018
Other activities	4	264,241	-	-	-	264,241	264,162
Investments	5	346,268	92,896	146,424	92,303	677,891	694,351
Other	6	164,470	-	-	-	164,470	425,178
Total incoming resources		7,190,628	114,939	243,710	135,111	7,684,388	10,340,771
Expenditure on:							
Raising funds	7	29,118	-	-	-	29,118	30,075
Charitable activities	8	7,168,580	207,828	74,628	-	7,451,036	7,073,097
Contributions to Archbishops' Council		412,077	-	-	-	412,077	359,803
Resourcing ministry and mission		6,756,503	207,828	74,628	-	7,038,959	6,713,294
Total	9	7,197,698	207,828	74,628	-	7,480,154	7,103,172
Net income/(expenditure) before investment gains		(7,070)	(92,889)	169,082	135,111	204,234	3,237,599
Net gains on investments	15	70,145	144,367	177,136	558,913	950,561	825,811
Net income/(expenditure)		63,075	51,478	346,218	694,024	1,154,795	4,063,410
Transfers between funds	13	(222,084)	31,736	(84,285)	274,633	-	-
Other recognised gains/(losses)							
Gains/(losses) on revaluation of fixed assets	14	264,229	-	-	41,511	305,740	2,247,577
Actuarial Gain/(Loss) on pension deficit		-	-	-	105,000	105,000	-
Net movement in funds		105,220	83,214	261,933	1,115,168	1,565,535	6,310,987
Total funds at 1 January 2017		13,416,911	2,954,408	4,213,809	47,722,133	68,307,261	61,996,274
Total funds at 31 December 2017	19	13,522,131	3,037,622	4,475,742	48,837,301	69,872,796	68,307,261

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 20 to 43 form part of the financial statements

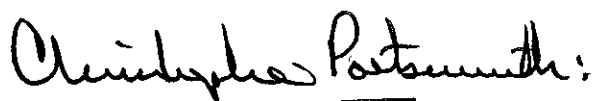
PORTSMOUTH DIOCESAN BOARD OF FINANCE

BALANCE SHEET
At 31 December 2017

	Note	2017		2016	
		£	£	£	£
FIXED ASSETS					
Tangible Fixed Assets	14		54,206,535		53,294,203
Investments	15		16,308,099		14,916,882
			<u>70,514,634</u>		<u>68,211,085</u>
CURRENT ASSETS					
Debtors	16	633,867		1,432,578	
Cash on Deposit		2,100,639		2,106,904	
Cash at bank and in hand		982,928		1,265,961	
		<u>3,717,434</u>		<u>4,805,443</u>	
CREDITORS: amounts falling due within one year	17	2,265,532		2,181,679	
NET CURRENT ASSETS			<u>1,451,902</u>		<u>2,623,764</u>
Total assets less current liabilities			<u>71,966,536</u>		<u>70,834,849</u>
CREDITORS amounts falling due after more than one year	18		2,093,740		2,527,588
Pension scheme liabilities		1,922,400		2,284,200	
Loans		171,340		243,388	
			<u>2,093,740</u>		<u>2,527,588</u>
NET ASSETS			<u>69,872,796</u>		<u>68,307,261</u>
FUNDS					
Unrestricted income funds:					
General funds			13,522,131		13,416,911
Designated funds			3,037,622		2,954,408
			<u>16,559,753</u>		<u>16,371,319</u>
Restricted funds			4,475,742		4,213,809
Endowment funds			48,837,301		47,722,133
TOTAL FUNDS	20		<u>69,872,796</u>		<u>68,307,261</u>

Revaluation reserves of the following amounts are included within the above funds: endowment funds £4.6m (2016: £4.0m), restricted funds £0.9m (2016: £0.7m), designated funds £0.8m (2016: £0.7m), general funds £1.2m (2016: £0.7m).

The Notes on pages 20 to 43 form part of these financial statements. The financial statements were approved by the Board of Trustees and authorised for issue on 9th May 2018 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 2017

Company Number –226466

	2017		2016	
	£	£	£	£
Net cash flow from operating activities		(237,565)		1,263,042
Cash flows from investing activities				
Dividends, interest and rent from investments	638,275		694,351	
Purchase of property and equipment	(522,482)		(577,863)	
Purchase of investments	(440,655)		(1,391,373)	
Sale of property and equipment	313,635		268,273	
Net cash provided by/(used in) investing activities		(11,227)		(1,006,612)
Cash flows from financing activities				
Loans repaid to PDBF	31,543		5,621	
Loans repaid by PDBF	(72,048)		(67,930)	
Net cash used in financing		(40,505)		(62,309)
		<hr/>		<hr/>
Change in cash and cash equivalents in the reporting period		(289,298)		194,121
Cash and cash equivalents at 1 January		3,372,865		3,178,744
		<hr/>		<hr/>
Cash and cash equivalents at 31 December		<u>3,083,567</u>		<u>3,372,865</u>

Reconciliation of net income to net cash flow from operating activities

	<u>2017</u>	<u>2016</u>
Net income for the year ended 31 December	1,154,795	4,063,410
Adjustments for:		
Depreciation charges	37,785	37,785
Gains on investments	(950,561)	(825,811)
Dividends, interest and rent from investments	(638,275)	(694,351)
(Profit)/loss on sale of functional assets	164,470	(425,178)
(Profit)/Loss on disposal of investments	-	-
Decrease/(Increase) in operating debtors	167,168	(458,506)
(Decrease)/Increase in operating creditors	(172,947)	(434,307)
Net cash provided by operating activities	<u>(237,565)</u>	<u>1,263,042</u>

Analysis of cash and cash equivalents

Cash at bank and in hand	982,928	1,265,961
Cash on deposit	2,100,639	2,106,904
	<hr/>	<hr/>
	<u>3,083,567</u>	<u>3,372,865</u>

PORTSMOUTH DIOCESAN BOARD OF FINANCE

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

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 2017

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; the Pension Builder Scheme, and Clergy are members of the Church of England Funded Pensions Scheme (see note 25). 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 2017

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 2017

2 DONATIONS

2a Parish Contributions

	Unrestricted funds		Restricted funds	Endowment funds	Total funds	Total funds
	General	Designated			2017	2016
	£	£			£	£
Parish share						
Parish share requested	4,906,246	-	-	-	4,906,246	4,814,765
Short fall/surplus against cash received	(73,104)				(73,104)	(89,236)
Payments received	4,833,142				4,833,142	4,725,529
Change in amounts receivable	(92,723)				(92,723)	151,716
Parish share receivable	4,740,419				4,740,419	4,877,245

The majority of donations are collected from the parishes of the diocese through the parish share system. Parish share payments received represented 98.5% (2016: 98.1%) of the amount requested; including the movements in amounts receivable, parish share receivable was 96.6% (2016: 101.3%) of the amount requested.

2b Archbishops' Council

	Unrestricted funds		Restricted funds	Endowment funds	Total funds	Total funds
	General	Designated			2017	2016
	£	£			£	£
Selective allocation	333,134	-	-	-	333,134	364,877
Parish mission development fund	95,000	-	-	-	95,000	95,180
CC grant for RME	-	-	17,082	-	17,082	-
Strategic Development Fund	-	-	34,956	-	34,956	183,675
	428,134	-	52,038	-	480,172	643,732

2c Other donations

	Unrestricted funds		Restricted funds	Endowment funds	Total funds	Total funds
	General	Designated			2017	2016
	£	£			£	£
All Churches Trust	72,532	-	-	-	72,532	72,532
Donations	36,304	3,741	31,814	-	71,859	71,739
Grants from trusts	37,571	-	10,228	-	47,799	45,556
	146,407	3,741	42,042	-	192,190	189,827

PORTSMOUTH DIOCESAN BOARD OF FINANCE

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2017

3. CHARITABLE ACTIVITIES

	Unrestricted funds		Restricted funds	Endowment funds	Total funds 2017	Total funds 2016
	General	Designated				
	£	£	£	£	£	£
Statutory fees and chaplaincy income	362,671	-	-	-	362,671	399,086
Miscellaneous income	89,059	18,302	3,206	42,808	153,375	75,967
Section income:						
Mission Discipleship and Ministry	6,261	-	-	-	6,261	10,394
Mission and Education	502,528	-	-	-	502,528	425,319
Mission and Resources	58,216	-	-	-	58,216	89,051
Mission and Society	81,954	-	-	-	81,954	91,201
	1,100,689	18,302	3,206	42,808	1,165,005	1,091,018

4. OTHER TRADING ACTIVITIES

	Unrestricted funds		Restricted funds	Endowment funds	Total funds 2016	Total funds 2015
	General	Designated				
	£	£	£	£	£	£
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 2017	Total funds 2016
	General	Designated				
	£	£	£	£	£	£
Dividends receivable	301,729	91,700	142,937	91,858	628,224	647,734
Interest receivable	3,389	1,196	3,487	445	8,517	11,342
Rents receivable	41,150	-	-	-	41,150	35,275
	346,268	92,896	146,424	92,303	677,891	694,351

6. OTHER INCOME

	Unrestricted funds		Restricted funds	Endowment funds	Total funds 2017	Total funds 2016
	General	Designated				
	£	£	£	£	£	£
Gain on sale of properties	164,470	-	-	-	164,470	425,178
	164,470	-	-	-	164,470	425,178

PORTSMOUTH DIOCESAN BOARD OF FINANCE

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

7. FUND RAISING COSTS

	Unrestricted funds		Restricted funds	Endow't funds	Total funds 2017	Total funds 2016
	General	Designated				
	£	£	£	£	£	£
Glebe agent's fees and repairs	9,319	-	-	-	9,319	7,724
Management fees of rentals	19,799	-	-	-	19,799	22,351
	29,118	-	-	-	29,118	30,075

8. CHARITABLE ACTIVITIES

	Unrestricted funds		Restricted funds	Endow't funds	Total funds 2017	Total funds 2016
	General	Designated				
	£	£	£	£	£	£
Contributions to Archbishops' Council						
Training for ministry	203,442	-	-	-	203,442	158,895
National church responsibilities	135,950	-	-	-	135,950	122,819
Grants and provisions	14,945	-	-	-	14,945	15,450
Mission agency pension contributions	1,562	-	-	-	1,562	9,569
Retired clergy housing costs	56,178	-	-	-	56,178	53,070
	412,077	-	-	-	412,077	359,803
Resourcing ministry and mission						
Training for ministry	-	-	15,696	-	15,696	-
Parish ministry:						
Stipends and national insurance	2,715,887	-	-	-	2,715,887	2,581,031
Pension costs	598,691	-	-	-	598,691	661,135
Housing costs	1,045,631	179,977	-	-	1,225,608	892,709
Removal, resettlement & other grants	93,459	-	31,505	-	124,964	160,723
Other expenses	94,638	10,963	2,006	-	107,607	52,727
	4,548,306	190,940	49,207	-	4,788,453	4,348,325
Support for ministry and mission						
Mission Discipleship and Ministry	577,812	16,828	34,956	-	629,596	811,421
Mission and Education	662,236	-	(21,196)	-	641,040	602,289
Mission and Resources	703,559	60	-	-	703,619	660,948
Mission and Society	221,669	-	11,661	-	233,330	252,170
Governance	27,421	-	-	-	27,421	22,841
Other Diocesan Central Support	15,500	-	-	-	15,500	15,300
	2,208,197	16,888	25,421	-	2,250,506	2,364,969
	7,168,580	207,828	74,628	-	7,451,036	7,073,097

PORTSMOUTH DIOCESAN BOARD OF FINANCE

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

9. ANALYSIS OF EXPENDITURE INCLUDING ALLOCATION OF SUPPORT COSTS

	Activities Undertaken Directly £	Grant Funding of Activities £	Support Costs £	TOTAL 2017 £	TOTAL 2016 £
Raising funds	29,118	-	-	29,118	30,075
Contributions to Archbishops' Council	-	412,077	-	412,077	359,803
Parish Ministry	4,741,316	47,137	-	4,788,453	4,348,325
Support for Ministry and Mission	1,246,413	66,477	296,576	1,609,466	1,762,680
Education	641,040	-	-	641,040	602,289
	6,657,887	525,691	296,576	7,480,154	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

10. ANALYSIS OF SUPPORT COSTS

	Unrestricted funds		Restricted funds £	Endow't funds £	Total funds 2017 £	Total funds 2016 £
	General £	Designated £				
Central administration	269,155	-	-	-	269,155	257,457
Governance	27,421	-	-	-	27,421	22,841
	296,576	-	-	-	296,576	280,298

PORTSMOUTH DIOCESAN BOARD OF FINANCE

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2017

11. ANALYSIS OF GRANTS

Analysis of Grants made

	Number	Individuals £	Institutions £	Total £
From unrestricted funds for national Church responsibilities:				
Contributions to Archbishop's Council	<u>1</u>	-	<u>412,077</u>	<u>412,077</u>
From unrestricted funds:				
Cathedral	1	-	15,500	15,500
Retired Lay Worker Pension Grant	1	1,917	-	1,917
Removal and resettlement grants	19	45,220	-	45,220
Mission Opportunity Fund parish grants	<u>10</u>	-	<u>19,472</u>	<u>19,472</u>
	31	47,137	34,972	82,109
From restricted funds for various purposes:				
Bishops Lent Appeal grants	7	-	31,505	31,505
	<u>39</u>	<u>47,137</u>	<u>478,554</u>	<u>525,691</u>

12. STAFF COSTS

Employee costs during the year were as follows:

	2017 £	2016 £
Wages and salaries	1,127,936	1,126,483
National insurance contributions	110,331	104,408
Pension costs	<u>223,727</u>	<u>241,941</u>
	<u>1,461,994</u>	<u>1,472,832</u>

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

	2017 fte	2016 fte
Mission & Education	8.5	8.0
Mission Discipleship and Ministry	6.0	6.2
Mission & Resources	12.6	13.2
Mission & Society (of which 2.2 are externally funded)	<u>3.1</u>	<u>3.4</u>
	30.2	30.8
Parochial Assistants	<u>0.7</u>	<u>1.6</u>
	<u>30.9</u>	<u>32.4</u>

PORTSMOUTH DIOCESAN BOARD OF FINANCE

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

12. STAFF COSTS (continued)

The average number of individuals employed during the year was:

	2017 no.	2016 no.
Mission & Education	15	11
Mission Discipleship and Ministry	9	10
Mission & Resources	16	16
Mission & Society	6	7
	<u>46</u>	<u>44</u>
Parochial Assistants	2	3
	<u>48</u>	<u>47</u>

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

	2017 Nbr	2016
£60,000 - £70,000	0	1
£70,000 - £80,000	2	1

Pension payments of £41,000 (2016:£42,000) 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 2017 they were:

Diocesan Secretary and Company Secretary	Revd Wendy Kennedy
Director of Finance	Malcolm Twigger-Ross (20%)
Deputy Diocesan Secretary	Jenny Hollingsworth (SMP)
Head of Mission and Discipleship	Revd Anthony Rustell
Head of Education	Jeff Williams (33%)

Remuneration, pensions and expenses for these 5 employees amounted to £246,000 (2016: £280,000)

Trustees' emoluments

No Trustee received any remuneration for services as Trustee. The Trustees received travelling and out of pocket expenses, totalling £32,587 (2016 - £32,000) 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

PORTSMOUTH DIOCESAN BOARD OF FINANCE

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

12. STAFF COSTS (continued)

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

The PDBF paid an average of 95 (2016 – 93) stipendiary clergy as office-holders holding parochial or diocesan appointments in the diocese, and the costs were as follows:

	2017 £'000	2016 £'000
Stipends	2,458	2,396
National insurance contributions + Apprenticeship levy	202	185
Pension costs - current year	619	575
- deficit reduction	333	314
	3,612	3,470
	3,612	3,470

13. ANALYSIS OF TRANSFERS BETWEEN FUNDS

	Unrestricted funds		Restricted funds	Endowment funds
	General	Designated		
	£	£	£	£
Reclassification of 21 Elson Road, Gosport	275,000			(275,000)
Reclassification of 7 Duncton Way, Gosport	(300,000)			300,000
Transfer from the Office Repair fund for refurbishment of Peninsular House	35,000	(35,000)		
Transfer from the Ministerial Training fund for additional CME expenditure	2,060	(2,060)		
Transfer from the Education Restricted fund for additional education team staff costs	29,298		(29,298)	
Transfer of prior year under-spends from Building Repair fund	80,543	(80,543)		
Portsmouth share of Interest earned by P&WCSG Fund	696	-	(696)	-
To charge the General Fund for the reduction in pension deficit provision	(297,000)	-	-	297,000
Budgeted transfer from Catherington Trust for Spirituality Advisor	37,863	(37,863)	-	-
Budgeted transfer to Office repair fund	(10,000)	10,000	-	-
Budgeted transfer to Lambeth Conference fund	(1,000)	1,000	-	-
Budgeted transfer to Building Repair fund	(200,000)	200,000	-	-
Budgeted transfer to Clergy conference fund	(8,204)	8,204	-	-
Transfer of income to general fund to offset relevant expenditure	133,660	(32,002)	(54,291)	(47,367)
	(222,084)	31,736	(84,285)	274,633
	(222,084)	31,736	(84,285)	274,633

PORTSMOUTH DIOCESAN BOARD OF FINANCE

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

14. TANGIBLE FIXED ASSETS – Land and Buildings

	Freehold Land and Buildings £	Leasehold Buildings £	Total 2017 £
At Cost or Valuation			
At 1 January 2017	51,782,823	1,851,443	53,634,266
Additions	1,122,482	-	1,122,482
Disposals	(478,105)	-	(478,105)
Revaluation	305,740	-	305,740
At 31 December 2017	<u>52,732,940</u>	<u>1,851,443</u>	<u>54,584,383</u>
Accumulated depreciation			
At 1 January 2017	-	340,063	340,063
Charge for the year	-	37,785	37,785
At 31 December 2017	<u>-</u>	<u>377,848</u>	<u>377,848</u>
Net book value at 31 December 2017	<u>52,732,940</u>	<u>1,473,595</u>	<u>54,206,535</u>
Net book value at 31 December 2016	<u>51,782,823</u>	<u>1,511,380</u>	<u>53,294,203</u>

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

15. FIXED ASSETS INVESTMENTS

	At 1st January 2017 £	Additions £	Disposals £	Change in Market Value £	At 31st December 2017 £
Unrestricted General Funds					
Unlisted investments	1,550,578	-	-	70,145	1,620,723
Designated Funds					
Unlisted investments	2,232,847	2,912	-	144,367	2,380,126
Restricted Funds					
Unlisted investments	3,102,877	436,705	-	177,136	3,716,718
Endowment Funds					
Unlisted investments	7,362,330	1,038	-	504,816	7,868,185
Investment Property	362,000	-	-	-	362,000
Investment Land	306,250	-	-	54,097	360,347
Total Funds	<u>14,916,882</u>	<u>440,655</u>	<u>-</u>	<u>950,561</u>	<u>16,308,099</u>

PORTSMOUTH DIOCESAN BOARD OF FINANCE

**NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2017**

16. DEBTORS

	2017	2016
	£	£
Due within one year		
Loans to parishes	23,622	25,893
Parish share receivable	151,839	251,202
Prepayments and accrued income	304,841	271,157
Accrued sale proceeds	-	600,000
Other debtors	147,042	248,531
	<u>627,344</u>	<u>1,396,783</u>
Due after one year		
Loans to parishes	6,523	35,795
Other debtors	-	-
	<u>6,523</u>	<u>35,795</u>
Total	<u>633,867</u>	<u>1,432,578</u>

17. CREDITORS: amounts falling due within one year

	2017	2016
	£	£
Accruals	309,302	46,534
Other creditors	633,661	617,772
* P&WCSG Fund Creditors	1,003,801	1,178,163
Loan repayments	52,138	52,138
Deferred income	53,030	33,272
Pension scheme liabilities:		
Clergy Pension Scheme	213,600	253,800
	<u>2,265,532</u>	<u>2,181,679</u>

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

	2017	2016
	£	£
Loan repayment instalments due after more than one year		
1 - 2 years	51,160	40,060
2 -5 years	120,180	120,180
After 5 years	-	83,148
Pension scheme liabilities:		
Clergy Pension Scheme	1,922,400	2,284,200
	<u>2,093,740</u>	<u>2,527,588</u>

PORTSMOUTH DIOCESAN BOARD OF FINANCE

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2017

19. SUMMARY OF FUND MOVEMENTS

	Balances at 1 January 2017 £	Incoming resources £	Outgoing resources £	Transfers £	Gains and losses £	Balances at 31 December 2017 £
Unrestricted funds - General						
General Fund	675,939	6,972,545	(7,149,368)	(197,084)	10,754	312,786
Leasehold Property	1,511,380	-	(37,785)	-	-	1,473,595
Freehold Property	10,139,076	164,470	-	(25,000)	264,229	10,542,775
FHP Capital Fund	1,090,516	53,613	(10,545)	-	59,391	1,192,975
Unrestricted funds - General	13,416,911	7,190,628	(7,197,698)	(222,084)	334,374	13,522,131
Unrestricted funds - Designated						
Brown, Doig, Silver Bequest	24,902	-	-	-	2,347	27,249
Circus Charity Fund	1,699	-	-	-	137	1,836
Diocesan Conference Fund	34,794	88	-	8,204	-	43,086
Car Loan Fund	217,309	9,144	-	(9,144)	13,791	231,100
Diocesan Loan Fund	437,221	18,474	-	(18,067)	29,847	467,475
Parsonages Repairs Fund	377,029	20,707	(33,262)	-	16,879	381,353
Pastoral Fund	-	-	-	-	-	-
CME Fund	140,808	43	279	(2,103)	-	139,027
Transition Fund	-	-	-	-	-	-
Valpy Bequest	23,446	-	-	-	2,210	25,656
Winterbotham Legacy	102,783	4,657	-	(4,658)	7,824	110,606
Office Repair Fund	77,430	19,866	(60)	(25,090)	3,606	75,752
Mission Fund	359,178	3,762	(28,070)	-	-	334,870
Lambeth Conference Fund	8,547	-	-	1,000	-	9,547
Evangelism Fund	1,495	-	-	-	-	1,495
Building Repair Fund	228,791	-	(146,715)	119,457	-	201,533
Catherington House Fund	918,976	38,198	-	(37,863)	67,726	987,037
	2,954,408	114,939	(207,828)	31,736	144,367	3,037,622
Restricted funds						
Bardclay Bequest	4,814	137	-	-	329	5,280
Ben Aug Fund	72,798	-	-	-	6,862	79,660
Bishop's Lent Appeal	2,128	31,815	(31,505)	-	-	2,438
Christian Healing Fund	242	1	-	-	-	243
Harrison Parochial Loan Fund	17,430	251	-	-	-	17,681
Huckstepp Legacy	115,643	-	-	-	4,021	119,664
James Legacy	16,464	-	-	-	1,428	17,892
New Churches Fund	928,570	35,337	-	-	71,622	1,035,529
Turret House Fund	71,876	2,558	-	-	6,291	80,725
Surrexit Fund	9,882	29	-	(29)	-	9,882
Strategic Development	-	34,956	(34,956)	-	-	-
Pastoral Fund	1,845,718	57,468	(2,006)	(54,262)	38,766	1,885,684
P&WCSGF	4,108	2,184	(1,487)	(696)	-	4,109
Youth Development	7,384	10,288	(11,661)	-	-	6,011
Corban Fund	29,546	892	-	-	2,149	32,587
Eckersley Clergy families	285,683	9,759	-	-	23,767	319,209
Education Restricted	801,523	40,953	22,683	(29,298)	21,901	857,762
Resourcing Ministerial Education	-	17,082	(15,696)	-	-	1,386
	4,213,809	243,710	(74,628)	(84,285)	177,136	4,475,742

PORTSMOUTH DIOCESAN BOARD OF FINANCE

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

19. SUMMARY OF FUND MOVEMENTS (continued)

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

PORTSMOUTH DIOCESAN BOARD OF FINANCE

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

20. SUMMARY OF ASSETS BY FUND

	Fixed Assets		Current Assets	Liabilities	Net Assets
	Tangible	Investments			
	£	£	£	£	£
General Fund	-	404,496	708,739	(800,449)	312,786
Leasehold Property	1,473,595	-	-	-	1,473,595
Freehold Property	10,479,687	-	63,088	-	10,542,775
FHP Capital Fund	-	1,216,227	(23,252)	-	1,192,975
Unrestricted funds - General	11,953,282	1,620,723	748,575	(800,449)	13,522,131
Unrestricted funds - Designated					
Brown, Doig, Silver Bequest	-	29,152	(1,903)	-	27,249
Circus Charity Fund	-	1,701	135	-	1,836
Diocesan Conference Fund	-	-	43,086	-	43,086
Car Loan Fund	-	230,260	840	-	231,100
Diocesan Loan Fund	-	489,419	(21,944)	-	467,475
Parsonages Repair Fund	-	423,280	(41,927)	-	381,353
CME Fund	-	-	139,027	-	139,027
Valpy Bequest	-	27,447	(1,791)	-	25,656
Winterbotham Legacy	-	121,914	(11,308)	-	110,606
Office Repair Fund	-	44,791	30,961	-	75,752
Mission Fund	-	-	334,870	-	334,870
Lambeth Conference Fund	-	-	9,547	-	9,547
Evangelism Fund	-	-	1,495	-	1,495
Building Repair Fund	-	-	201,533	-	201,533
Catherington House Fund	-	1,012,162	(25,125)	-	987,037
	-	2,380,126	657,496	-	3,037,622
Restricted funds					
Barclay Bequest	-	4,083	1,197	-	5,280
Ben Aug Fund	-	85,225	(5,565)	-	79,660
Bishop's Lent Appeal	-	-	2,438	-	2,438
Christian Healing Fund	-	-	243	-	243
Harrison Parochial Loan Fund	-	-	17,681	-	17,681
Huckstepp Legacy	-	117,583	2,081	-	119,664
James Legacy	-	17,739	153	-	17,892
New Churches Fund	-	1,008,962	26,567	-	1,035,529
Turret House Fund	-	80,209	516	-	80,725
Surrexit Fund	-	-	9,882	-	9,882
Pastoral Fund	-	1,096,834	788,850	-	1,885,684
P&WCSGF	-	-	1,007,910	(1,003,801)	4,109
Youth Development	-	-	6,011	-	6,011
Corban Trust	-	26,691	5,896	-	32,587
Eckersley Clergy families	-	295,191	24,018	-	319,209
Education Restricted	-	984,201	292,583	(419,022)	857,762
Resourcing Ministerial Education	-	-	1,386	-	1,386
	-	3,716,718	2,181,847	(1,422,823)	4,475,742

PORTSMOUTH DIOCESAN BOARD OF FINANCE

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

20. SUMMARY OF ASSETS BY FUND (continued)

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

21. DESCRIPTION OF FUNDS

Unrestricted funds - General

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

Unrestricted funds - Designated

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

PORTSMOUTH DIOCESAN BOARD OF FINANCE

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

21. DESCRIPTION OF FUNDS (continued)

Restricted funds

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

Expendable Endowment funds

Parsonage Houses	Housing incumbents/priests in charge
------------------	--------------------------------------

**Original
Capital**

Permanent Endowment funds

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

22. CAPITAL COMMITMENTS & OPERATING LEASES

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

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

	2017	2016
	£	£
Operating leases payable:		
Within 1 year	2,156	5,440
In 1-5 years	797	3,318
After 5 years	-	-
	<u>2,953</u>	<u>8,758</u>

PORTSMOUTH DIOCESAN BOARD OF FINANCE

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

23. FINANCIAL INSTRUMENTS

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

	2017	2016
	£	£
Financial assets measured at fair value	18,669,319	17,621,495
Financial assets measured at amortised cost	177,187	910,219
Financial liabilities measured at amortised cost	(1,903,200)	(2,101,873)

24. 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.

25. PENSIONS

The PDBF participates in two pension schemes administered by the Church of England Pensions Board, which holds the assets of the schemes separately from those of the DBF and the other participating employers. One of these is the **Church of England Funded Pensions Scheme** for stipendiary clergy. The other is the **Church Workers Pension Fund**. The Church Workers Pension Fund has a section known as the Defined Benefits Scheme, a deferred annuity section known as Pension Builder Classic and a cash balance section known as Pension Builder 2014.

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

Church of England Funded Pension Scheme

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

The membership figures that we hold as at December 2017 and December 2016 for Portsmouth DBF are set out in the table below. These are used as part of the Board's calculation of the deficit contributions in payment at each year-end, which in turn feed into the FRS102 calculations, so are provided here for reference.

	December 2017	December 2016
Number of members at this Responsible Body	107	108

PORTSMOUTH DIOCESAN BOARD OF FINANCE

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

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 Responsible Bodies.

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

The scheme is considered to be a multi-employer scheme as described in Section 28 of FRS 102. This means it is not possible to attribute the Scheme's assets and liabilities to specific Responsible Body, and this means contributions are accounted for as if the Scheme were a defined contribution scheme. The pensions costs charged to the SoFA in the year are contributions payable towards benefits and expenses accrued in that year, 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 as 31 December 2015. The 2015 valuation revealed a deficit of £236m, based on assets of £1,308m and a funding target of £1,544m, assessed using the following assumptions:

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

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

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

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

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

PORTSMOUTH DIOCESAN BOARD OF FINANCE

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

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

	2017	2016
Balance sheet liability at 1 January	2,538,000	2,720,000
Deficit contribution paid	-333,000	-314,000
Interest cost (recognised in SoFA)	36,000	64,000
Remaining change to the balance sheet liability* (recognised in SoFA)	-105,000	68,000
Balance sheet liability at 31 December	2,136,000	2,538,000

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

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

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

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

Defined Benefits Scheme

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

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

For funding purposes, 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,

PORTSMOUTH DIOCESAN BOARD OF FINANCE

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

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 contributions are payable towards benefits and expenses accrued in that year 2017: £74,000 (2016: £158,000).

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.

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

The next valuation of the scheme is being carried out as at December 2016.

Pension Builder Scheme

The Pension Builder Scheme of the Church Workers Pension Fund is made up of two sections, Pension Builder Classic and Pension Builder 2014, both of which are classed as defined benefit schemes.

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

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

There is no sub-division of assets between employers in each section of the Pension Builder Scheme.

The scheme is considered to be a multi-employer scheme as described in Section 28 of FRS 102. This 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 2017: £125,000(2016: £64,000).

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.

PORTSMOUTH DIOCESAN BOARD OF FINANCE

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

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 4 employees who had previously been teachers. The TPS is a statutory, contributory, defined benefit scheme, governed by the Teachers' Pensions Regulations (2010) and, from 1 April 2014, by the Teachers' Pension Scheme Regulations 2014. Membership is automatic for full-time teachers and from 1 January 2007, automatic for teachers in part-time employment following appointment or a change of contract, although they are able to opt out.

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

Not less than every four years the Government Actuary, using normal actuarial principles, conducts a formal actuarial review of the TPS in accordance with the Public Service Pensions (Valuations and Employer Cost Cap) Directions 2014 published by HM Treasury. The aim of the review is to specify the level of future contributions. Actuarial scheme valuations are dependent on assumptions about the value of future costs, design of benefits and many other factors. The latest actuarial valuation of the TPS was carried out as at 31 March 2017 and full details are available on the Government website at: <https://www.gov.uk/government/collections/teachers-pension-scheme>

PORTSMOUTH DIOCESAN BOARD OF FINANCE

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2017

26. PRIOR YEAR COMPARATIVE SOFA

	Unrestricted General £	Unrestricted Designated £	Restricted funds £	Endowment funds £	Total funds 2016 £
Income and endowments from					
Donations					
Other donations	148,690	4,725	36,412	-	189,827
Charitable activities	1,084,350	4,347	2,321	-	1,091,018
Other activities	264,162	-	-	-	264,162
Investments	383,173	106,706	126,572	77,900	694,351
Other	-	-	425,178	-	425,178
Total incoming resources	<u>7,217,677</u>	<u>115,778</u>	<u>1,600,629</u>	<u>1,406,687</u>	<u>10,340,771</u>
Expenditure on:					
Contributions to Archbishops' Council	359,803	-	-	-	359,803
Net income/(expenditure) before investment gains	479,738	17,308	1,333,866	1,406,687	3,237,599
Net gains on investments	48,408	155,844	137,171	484,388	825,811
Net income/(expenditure)	528,146	173,152	1,471,037	1,891,075	4,063,410
Transfers between funds	(392,238)	(1,077,262)	1,343,489	126,011	-
Other recognised gains/(losses)					
Gains/(losses) on revaluation of fixed assets	126,921	-	-	2,120,656	2,247,577
Actuarial (losses) on defined benefit pension schemes	-	-	-	-	-
Net movement in funds	262,829	(904,110)	2,814,526	4,137,742	6,310,987
Total funds at 1 January 2016	13,154,082	3,858,518	1,399,283	43,584,391	61,996,274
Total funds at 31 December 2016	<u>13,416,911</u>	<u>2,954,408</u>	<u>4,213,809</u>	<u>47,722,133</u>	<u>68,307,261</u>

27. RELATED PARTY TRANSACTIONS

The Portsmouth Diocesan Council for Social Responsibility (PDCSR) is a separate charitable limited company whose directors are the same as the directors of the PDBF. Staff engaged in the activities of PDCSR are employed by the PDBF and a contribution towards their staff costs was made by the PDCSR for £75,049 (2016: £117,549). The PDBF has also supported the work of the PDCSR for several years and in 2017 provided free use of office space.

PORTSMOUTH DIOCESAN BOARD OF FINANCE

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

28. FUNDS HELD AS CUSTODIAN TRUSTEE

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

	2017	2016
	£	£
CBF Investment Fund income shares	4,459,667	4,156,040
CBF Investment Fund accumulation shares	49,262	78,932
CBF Property Fund income shares	781,490	764,678
CBF Global Equity Fund	149,836	142,119
CBF Fixed Interest Securities Fund Shares	697,624	709,201
CBF COIF Investments	205,489	87,313
Other unit trust units	54,119	45,694
UK Equity holdings	37,165	36,063
UK Gilt-edged stocks	79,496	79,320
Other Fixed interest stock	6,239	142,705
Foreign Equities	7,769	7,611
Deposits & Cash at Bank	792,807	741,093
Total assets held as custodian trustee	<u>7,320,963</u>	<u>6,990,769</u>

