



The Church of England
in Essex and East London

Diocese of Chelmsford

The Chelmsford Diocesan Board of Finance

Annual report and financial statements

For the year ended 31 December 2017

The Chelmsford Diocesan Board of Finance

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INTRODUCTION

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

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

This combined report satisfies the legal requirements for:

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

Legal Objects

The objects of the Diocese of Chelmsford cover the county of Essex, the unitary authorities of Southend and Thurrock, the five East London boroughs of Newham, Waltham Forest, Barking & Dagenham, Redbridge, and Havering, and a few parishes outside the current boundary of the county of Essex.

The Chelmsford Diocesan Board of Finance's ("CDBF") principal object is to promote, assist and advance the work of the Church of England in the Diocese of Chelmsford by acting as the financial executive of the Chelmsford Diocesan Synod.

The CDBF has the following statutory responsibilities:

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

The strategic priorities of the company are established by the Diocesan Synod on the advice of the Bishop's Council in communication with Deanery Synods, Parochial Church Councils (PCCs), and the Bishop of Chelmsford (in respect of his responsibility for the provision of the cure of souls). To this end, significant time and effort is committed to communication between and with these bodies, as well as with the Church nationally; including discussions on strategic priorities and budgets. The *Time to Talk* events in 2012 and 2015 have shaped the diocesan strategic priorities which are set out under the heading of *Transforming Presence*.

Strategic Report

*Our aspiration is to be a
Transforming Presence in every community*

Chelmsford Diocesan Synod
November 2015

I. Strategic Aims

The main role of the CDBF is to identify and manage the financial aspects of the provision of ministry throughout the Diocese so as to provide appropriate personnel and financial resources to assist the Diocesan Synod, Bishop's Council, deaneries and parishes to further the mission and strategic priorities in the Diocese.

In November 2012 the Diocesan Synod agreed *Transforming Presence: strategic priorities to 2025*. In November 2015 the Diocesan Synod reaffirmed the diocesan mission statement, "to be a *Transforming Presence* in every community" and the four strategic priorities:

- ◇ inhabiting the world distinctively
- ◇ evangelising effectively
- ◇ serving with accountability
- ◇ re-imagining ministry

New materials, in a range of formats, describing *Transforming Presence* were published in 2016 <http://www.transformingpresence.org.uk/>

2. Objectives for the year

In response to the strategic priorities the specific objectives for the year have included the following:

- ◇ Resourcing a Christian presence in every community through the funding and support of stipendiary clergy and other ministers
- ◇ Taking forward *Transforming Presence* through a programme of roadshows under the heading of *School for Disciples*, and gathering all holders of the Bishop's Licence together for the *Refresh* residential conference at Essex University.
- ◇ Winning £2m of strategic development funding and commencing a project to plant new worshipping communities in four strategic mission priority areas of new housing
- ◇ Continued development of a family of diocesan multi-academy trusts, including forming partnerships with community trusts
- ◇ Continued implementation of the Turnaround Project following a successful bid for strategic development funding from the national Church in 2014
- ◇ Implementing national funding changes including the transitional share scheme
- ◇ Approval of an updated Asset Investment and Management Policy and Strategy

The main objective for the CDBF is to resource diocesan needs as determined by Synod and informed by local and national Church institutions, and to discharge its statutory functions.

Through carrying out these objectives and in promoting the whole mission of the Church (pastoral, evangelistic, social and ecumenical) the trustees are confident (having had regard to Charity Commission guidance) that CDBF delivers public benefit through community engagement, resourcing education and supporting those in need both spiritually and physically.

3. Activities and achievements in the year

The activities of the CDBF in 2017 come in the context of *Transforming Presence*. They follow on from earlier achievements which include increasing senior leadership capacity, training nearly 5,000 volunteers in evangelism, over 300 mission events in 2014, launch of the Chelmsford Holding Cross, a focus on schools and young people in 2015, and the launch of new *Transforming Presence* materials in 2016.

The diocese in figures – 2017

- ◇ 34,300 people attended services in our churches
- ◇ 12,360 children attended church or school services in church (a marked increase on 2016)
- ◇ 48,400 people attended Easter worship and over 117,000 attended Christmas worship
- ◇ 3,700 children were baptised or had a service of thanksgiving
- ◇ 1,500 couples married in churches
- ◇ 5,600 families were supported through grief including funeral or cremation services

Achievements in 2017 included the following:

Christian Presence

- ◇ Raising £15.5 million through voluntary contributions to the share scheme from parishes to fund mission and ministry in the diocese
- ◇ Paying the stipends costs of c311 incumbents, curates and other clergy through the year
- ◇ Managing, maintaining and improving approximately 425 houses, principally for clergy
- ◇ Implementing the new national arrangements for the training of ordinands for ministry
- ◇ Supporting local mission initiatives through the Mission Opportunity Fund
- ◇ Deployment of City Churches Funding and investment income to support mission work in the East London area through the London Over the Border Council
- ◇ Winning a grant of £2m to enable church planting in four strategic mission priority areas

Taking forward *Transforming Presence*

- ◇ The Bishop of Chelmsford, together with other senior staff, led a programme of ‘roadshow’ events across the deaneries under the heading *School for Disciples*. These explored different aspects of discipleship and sought to encourage local churches to consider how they can be schools for disciples in their locality
- ◇ All holders of the Bishop’s Licence were invited to *Refresh*, a residential conference which followed on from the *School for Disciples* programme. Many sessions were open to other delegates including churchwardens.
- ◇ Development of an on-line version of the Course in Christian Studies and use with a first trial cohort
- ◇ Continued use of the Chelmsford Holding Cross with over 15,000 now distributed
- ◇ Further work with Parochial Church Councils on their self-evaluation against nine criteria in our *Serving with Accountability* framework
- ◇ Growing development of Mission and Ministry Units through approval via Area Mission and Pastoral Committees, formal commissioning through local services, and continued accompaniment and facilitation work to support prospective Mission and Ministry Units in their formation
- ◇ Ordination of 31 new deacons and the licencing, commissioning or authorisation of 45 new lay ministers as part of our on-going work to nurture vocations to lay and ordained ministry
- ◇ Implementation of changes at our Retreat House, Pleshey, including the appointment of a Lead Chaplain and team of volunteer chaplains, plus a revised programme to complement the new facilities, all to enable the House to support prayer and spirituality in the diocese
- ◇ Continued engagement on refugee matters at local and national level, and the beginnings of a partnership with Citizens UK

3. Activities and achievements in the year (continued)

Developing church schools

- ◇ Further developing the Diocese of Chelmsford Vine Multi-Academy Trust as a vehicle for church school improvement
- ◇ Developing a family of church related Multi-Academy Trusts including partnerships with Community Trusts to enable them to sponsor church schools; allow them to access services from the Board of Education; and draw together the leaders of all the Trusts for networking and information sharing
- ◇ Supporting further schools in their conversion to academy status and providing school improvement support to raise standards and effectiveness within a Christian framework
- ◇ Delivering innovative training particularly in Religious Education (using the *Understanding Christianity* resources), Governance, and Christian Leadership (in partnership with Anglia Ruskin University)
- ◇ Preparing for the new SIAMS inspection framework

Turnaround Project

- ◇ Continuation of Interim Ministry and work to bring together interim ministers to share learning and best practice on a national level
- ◇ Expansion of the deanery accounts project (renamed Parish Accounts Service) to provide more parishes with access to book-keeping services, and the Parish Giving Scheme to assist parishes in stewardship
- ◇ Consultancy and accompaniment support to parishes requiring specific support and temporary administrative assistance to incumbents taking on wider responsibilities through pastoral reorganisation
- ◇ Evaluation of the project to date, which shows definite evidence that parishes accepting support are showing improvements in financial and mission indicators, particularly compared to those who have not accepted the offer of help

National funding and alignment

- ◇ Implementation of the national funding changes through the transitional new share scheme, enabling the CDBF to fully and satisfactorily account for the deployment of national funding to support the lowest income communities
- ◇ Other transitions to the new share scheme including the first meeting of the Mutual Support allocation panel and operation of the ask/offer system with the first group of Mission and Ministry Units
- ◇ Implementation of the new funding arrangements for the training of ordinands
- ◇ Continued engagement with the National Church on financial matters and the Reform and Renewal Programme

Safeguarding

- ◇ A detailed and independent audit of safeguarding in the diocese was undertaken in April by the Social Care Institute for Excellence (SCIE); the very positive report from this audit is published on the diocesan website
- ◇ The programme of training for clergy, licenced lay workers and readers continued such that by the year end over 870 (approx. 94%) had completed the training
- ◇ A number of volunteers have been recruited to support the delivery of 'C2' training for parishes
- ◇ More individuals and groups took advantages of the on-line training tools
- ◇ Over 2,000 DBS checks were completed

Other Activities

- ◇ Ensuring the delivery of statutory functions and processes including, but not limited to, pastoral reorganisation, the Diocesan Advisory Committee, the Diocesan Board of Education (DBE), and the administration of parochial fees
- ◇ Communications, including training for parishes on social media matters, and a decision to end the diocesan newspaper, *the Month*, and focus resources on other media and campaigns
- ◇ Preparing for the implementation of the General Data Protection Regulations in 2018
- ◇ Preparation for and implementation of further efficiencies and cost savings, including closure of the defined benefit pension scheme (note 23B to the financial statements) to future service and pay down of the residual deficit (which completes in 2018)

4. Subsidiaries, related parties and volunteers

Subsidiary Undertakings

The CDBF has two trading subsidiaries, Sparrows Trading Company Limited (Sparrows) and Chelmsford Diocesan Trading Company Limited (dormant) (see note 5 to the financial statements). Sparrows provides high-quality childcare with Christian distinctiveness within the Diocese of Chelmsford.

Other related parties include:

- ◇ The Archbishops' Council to which the CDBF pays a donation based on an apportionment system for funding national training of ordinands and the activities of the various national boards and councils, as well as General Synod
- ◇ The Church Commissioners which acts on behalf of clergy with HM Revenue and Customs. The CDBF pays for clergy stipends through the Church Commissioners
- ◇ The CDBF is in receipt of grant funding from the Church Commissioners (via the Archbishops' Council) for ministry support and special projects e.g. the Turnaround and Church Planting projects
- ◇ The Church of England Pensions Board, to which the CDBF pays retirement benefit contributions for stipendiary clergy and employees. It also offers schemes to provide housing for clergy in retirement
- ◇ The Vine Schools Trusts, and the Chelmsford Diocesan Educational Trust, which while separate and independent of the CDBF, have certain responsibilities in relation to church schools in the diocese and work with the DBE
- ◇ The Guy Harlings Trust, which provides office facilities free of charge under licence to the CDBF and the Cathedral Dean and Chapter and makes grants towards the upkeep of the premises
- ◇ The PCCs within the diocese
- ◇ St Mellitus College Trust, a Theological Education Institution which receives financial support from the CDBF and to which the CDBF pays fees for training of ordinands

Transactions with the main categories of related parties are identified in appropriate places throughout the financial statements and in particular note 25 to the financial statements.

Volunteers

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

5. Future plans

The strategic priorities established by the Diocesan Synod in November 2011 and reaffirmed in November 2015 (detailed above) continue to direct the activities of the CDBF. We are exploring further ways in which our priorities can be communicated, and local churches encouraged, in 2018.

The major budget element continues to be directed towards supporting a priest for every parish and a ministry in every place. This includes funding current and future ordained ministry and training lay ministers. Expenditure on future ministry saw a significant increase in the 2017 budget and continues to increase in the 2018 budget.

Transforming Presence continues to be taken forward in 2018. Particular priorities include the development of new worshipping communities through the approved Church Planting Project, and planning for a further application for strategic development funding to support our emerging church planting strategy. The number of commissioned Mission and Ministry Units continues to grow, and 2018 will see a record number of ordinands completing ordination initial ministerial training, and a record intake of stipendiary deacons.

5. Future plans (continued)

The CDBF continues to work with church schools and academies to provide distinctive, inclusive and effective education within a Christian ethos.

The CDBF is implementing further efficiencies agreed in 2017, including changes in communications and the closure of the Church Workers' defined benefit pension scheme to future service. The new share scheme will be further implemented in 2018, aligned to the growth in Mission and Ministry Units.

As the Turnaround Project nears completion, the CDBF is planning two large-scale training events for PCC members.

To mark the 40th anniversary of the partnership with five Kenyan dioceses, a number of senior staff will be visiting Kenya during 2018; the Bishop's Lent appeal will be seeking to supply a water bowser to the diocese of Marsabit, and there will be a further programme of church school teacher visits to Kenyan schools, in partnership with the British Council.

6. Financial review

Financial Performance

Against a balanced budget, the CDBF recorded a surplus of £945k for the year on its general fund before gains on revaluations of fixed assets despite shortfalls on voluntary giving from parishes through the Share scheme. These shortfalls were offset by underspend on clergy stipends due to a higher than planned vacancy rate and other one-off income streams.

Parish Share, the money given by parishes to the CDBF to fund the mission and ministry of the diocese, is the main incoming resource for the CDBF providing two thirds of its income.

At £920,000 (2016: £829,000) the net parish share shortfall was worse than the previous year. This was disappointing given the improvements that had been made over the previous three years. While in cash terms total Share receipts increased, the percentage of requested Share collected fell slightly to 94.05% (2016: 94.80%). It should be noted that over half the shortfall is attributable to just 19 parishes. Despite the worsening in the overall position, most parishes increased their giving through Share, including some which had been supported through the Turnaround project and some which returned to 100% achievement following several years of shortfall. The Trustees nonetheless consider the share shortfall unacceptably high and are considering further responses.

Despite the deficit, the CDBF has met all its financial obligations to continue resourcing the diocese as required, including the provision, development and support of ministry, the provision and maintenance of houses for the clergy, National Church responsibilities and enriching and facilitating many other aspects of church life throughout Chelmsford Diocese.

On a group basis, income before other recognised gains and losses totalled £23.8m (2016: £23.9m) and expenditure amounted to £22.3m (2016: £22.3m).

The Consolidated Statement of Financial Activities (SOFA) for the year shows net income of £1.1m (2016: £1.6m) before net gains and losses on the revaluation and sale of investments and fixed assets. The net gains totalled £16.0m (2016: £25.4m) and after these adjustments the net increase in all funds amounted to £17.1m (2016: £27.0m). Gains (or losses) are dependent on market volatility and the majority of the gains (£13.9m – 2016: £22.4m) are ascribed to Endowment Funds and are therefore not available to spend.

The overall financial result for 2017 has been satisfactory, notwithstanding the significant deficit arising from parish share shortfall. Net cash outflow of £2.0m (2016: inflow of £0.1m) was affected by expenditure on fixed assets and investments, by project work undertaken at the Retreat House and expenditure from the Strategic Change fund, which in both cases arises from expenditure of funds raised in previous years for these purposes. CDBF continued to benefit from tight financial control which we will continue in 2018.

6. Financial review (continued)

Significant Property Transactions

The Asset Investment and Management Policy adopted by the Trustees governs the management of operational and investment property. This Policy was updated in 2017 and approved in its updated form by the Trustees. The vast majority of the residential property portfolio is held for operational purposes. It is managed to achieve required quality standards at a consistent and efficient average annual cost of ownership. Significant operational property transactions in the year comprised:

- ◇ Purchase on finance of six residential properties to be used for housing stipendiary curates in training
- ◇ Purchase of three properties for housing stipendiary ecclesiastical office holders
- ◇ Sale of three properties surplus to operational requirements
- ◇ Completion of substantial adaptations to a house purchased in 2016 in Holland-on-Sea to provide a new vicarage for this parish
- ◇ Sale of a closed church and hall
- ◇ Sale of three glebe sites for development purposes

Glebe land and property is held for investment purposes. The overall strategy is to retain a land holding, to seek to leverage value through long term development, and to dispose of less lucrative holdings and direct exposure to commercial property. During the year the CDBF agreed sales of three glebe sites providing 0£2.7m of additional investment funds on completion. The lease renewal was completed on a large commercial property. The usual cycle of rent reviews and lease renewals on glebe land continued as advised by the CDBF's land agents.

The Diocesan Stipends Capital Fund is available for providing and improving benefice and glebe property and when invested provides income for clergy stipends. Funds drawn down in 2017 to support the improvement of operational properties primarily relate to major projects at vicarages including four internal reordering/extension projects.

Residential properties are valued on the basis of a certified annual valuation.

Balance Sheet Position

The Trustees consider that the balance sheet together with details in note 15 show broadly that the restricted and endowment funds are held in an appropriate mix of investment and current assets given the purposes for which the funds are held. While the net assets at the balance sheet date totalled £292.9m (2016: £275.8m) it must be remembered that included in this total are properties, mostly in use as clergy housing, whose value amounted to £258.9m (2016: £241.5m). 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 CDBF.

Reserves Policy

Having considered financial risk, liquidity requirement and the timing of cashflows throughout the year, the Trustees consider that an appropriate level of free general reserves is not less than 10 days of gross general fund expenditure, currently £0.6m. The Finance Executive is charged with reviewing this policy if the sum of net current assets in designated funds falls below 15 days gross general fund expenditure. This policy was last reviewed and agreed by the Trustees in July 2015.

6. Financial review (continued)

After transfers, free general reserves at the year-end amounted to £0.4m (2016: £0.9m) being the value of the General Fund excluding fixed assets and the pension scheme deficit. The Trustees previously recorded that free general reserves would fall if parish share shortfall did not materially improve. The Trustees continue to monitor the reserves position and have considered contingency measures to support general reserves in the event of further shortfall in 2018. Over the medium term, the Trustees wish to see an improvement in free general reserves.

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 19. At 31 December 2017 total designated reserves were £25.4m (2016: £21.2m).

Restricted and endowment funds

As set out in notes 19 and 20, CDBF holds and administers a large number of restricted and endowment funds. As at 31 December 2017 restricted funds totalled £8.0m (2016: £8.1m) and endowment funds totalled £256.4m (2016: £244.0m). Neither are available for the general purposes of the CDBF.

Liquidity Policy

The CDBF has regular and predictable cash inflows (principally from parish share) and outflows (principally stipend, salary and pension payments). Less frequent cash movements include grant payments, which are also predictable. The largest cash movements relate to property transactions which are infrequent and normally have a clear lead time.

The CDBF aims to hold £2m cash in instant access accounts to meet its cash needs. Where cash balances fall below £1.2m or exceed £3.5m, the Executive will review the position and take action as required, for example drawing down or adding to investments, a proportion of which are kept in near liquid holdings such as pooled funds with weekly dealing, with such transactions reported to Finance Executive. The CDBF has access to emergency borrowing via delaying payments to the Church Commissioners; this option is only to be used in extremis to resolve very short term needs. The cash position is reported to the Trustees on a quarterly basis.

Grant making policy

Contributions are made to the National Church to cover a proportion of its central costs and also to cover the cost of training for ministry (see note 9). Grants are paid to other charities e.g. PCCs and charitable projects which appear to CDBF to support the furtherance of its objects. The General Fund budget includes regular grants. Other grants are approved according to the terms of reference of the relevant fund.

6. Financial review (continued)

Investment Policy

The Trustees approved an integrated Asset Investment and Management Policy in 2014 developed under the oversight of the Investment Committee. The Policy was updated by the Investment Committee in 2017 and approved by the Trustees. This policy distinguishes between investment and operational assets and sets out the policy framework for both. In relation to investment assets the key principles in the policy may be summarised as follows:

- ◇ The overall objectives are to create sufficient income and capital growth to enable the CDBF to carry out its purposes consistently year by year with due and proper consideration for future needs and the maintenance and enhancement of the value of assets while they are retained
- ◇ Investment funds shall be operated and compared on a total return basis
- ◇ Relevant benchmarks include a target total return of RPI + 3%
- ◇ The CDBF requires its investment assets to be managed in compliance with the Church of England ethical guidelines, and ethical considerations shall form part of the dialogue with the Investment Managers. The Trustees will consider mixed-motive investment proposals which are expected to deliver financial returns and further the purposes of the charity
- ◇ The CDBF is assumed to be a perpetual charity and is able to take a long term view on investments, balanced against the short term needs of the charity for liquidity and resources to best realise its operational purposes

During 2016 the Trustees reviewed and retendered for Investment Managers. This concluded in October 2016 with the reappointment of CCLA Investment Management Ltd and appointment of Cazenove Capital Management (a trading style of Schroder & Co. Limited) in succession to Brewin Dolphin. The transfer of investments was completed in February 2017.

	Funds at 31 December 2017	Proportion of portfolio	Income yield in year	Total return in year
	£000			
CCLA Managed CBF Investment Fund	21,348	52.19%	3.28%	12.30%
Cazenove:	19,388	47.40%	2.70%	9.30%
Other funds	170	0.42%		
Total	40,906	100.00%		10.83%

Fundraising

The CDBF is aware of the Charities (Protection and Social Investment) Act 2016 and the Trustees fully support the aims of this legislation. The majority of the CDBF's income comes from other charitable bodies and it undertakes very little direct fundraising activity involving individual donors. Examples include one-off appeals (e.g. the Lent Appeal) which are promoted generally through communications rather than targeting specific individuals, and the Friends of the Retreat House scheme where Retreat House guests are invited without pressure or obligation to join the 'Friends'. The CDBF considers the origin of unsolicited donations and legacies, does not share or purchase any donor data with or from third parties and, in 2017, did not engage with independent professional fundraisers. The CDBF did not receive any complaints in relation to fundraising or raise any matter with regulators in 2017.

6. Financial review (continued)

Going Concern

After making enquiries the Trustees are satisfied that CDBF has adequate resources to continue to operate as a going concern for the foreseeable future and have prepared the financial statements on that basis.

7. Custodian Trustee

The CDBF is custodian trustee of assets held on permanent trust by virtue of the Parochial Church Councils (Powers) Measure 1956 and the Incumbents and Churchwardens (Trusts) Measure 1964 where the managing trustees are parochial church councils and others. These assets are not aggregated in the financial statements as the CDBF does not control them, and they are segregated from the CDBF's own assets by means of separate bank accounts. Such funds are predominantly managed by CCLA Investment Management Ltd or M&G Investments as determined by the managing trustees. The CDBF reserves the right to charge the managing trustees an administration fee where alternative investment managers are used in recognition of the additional complexity such arrangements cause. Further details of financial trust assets, whose market value amounted to £16.3m at 31 December 2017 (2016: £14.7m), are available from the CDBF on request, and are summarised in note 28.

Where properties are held as custodian trustee, the deeds are identified as such.

8. Principal risks and uncertainties

The Trustees are responsible for the identification, mitigation and/or management of risk. To achieve this, a register of all the risks identified is maintained and, alongside it, a management and mitigation strategy formed. The Finance Executive periodically reviews the risk register in detail. The Trustees are invited to review the risk register at least annually, leading to formal discussion and approval of the strategic risk register, setting out risks and mitigation strategies. The responsibility for delivery of the identified mitigation strategies is delegated to the executive staff or Bishops and Archdeacons as appropriate. A programme of internal audit is overseen by the Audit Committee and complements the CDBF's risk management activities.

The Trustees confirm that the major risks, to which CDBF is exposed, as identified by the Trustees and staff, have been reviewed and that systems and procedures have been established to manage those risks. The register identifies six strategic risks with a pre-mitigation rating of 'high'. These risks and the associated mitigation strategies are as follows:

Aging / declining membership:

The risk that the Church of England is absent from new and other communities; failure of mission, coupled with the risk to Parish Share associated with high levels of giving from older members.

- ◇ Transforming Presence programme with its focus on evangelism
- ◇ Identification of Mission Priority Areas by Mission and Ministry Units
- ◇ Development of a church planting strategy to grow new worshipping and witnessing communities, and potentially new church schools
- ◇ Youth, Children's and Families work, including engagement with pre-school children through the Sparrows nurseries

8. Principal risks and uncertainties (continued)

Safeguarding:

Safeguarding is a high priority for the diocese. It is an area which has seen significant investment in capacity and capability over the last few years. In 2017 an independent audit was undertaken by the Social Care Institute for Excellence (SCIE) and this highlighted many positives. Nonetheless, the Trustees continue to consider safeguarding as a high risk. This is chiefly due to the unknown potential for new allegations of non-recent abuse, which may now come to light as survivors have greater confidence that the Church will take their disclosures seriously. Safeguarding allegations have a number of potential resource and reputational implications. For example: cases can absorb significant management and senior clergy time; there is the potential for financial claims; and PCCs may encounter difficulties if they are unable to demonstrate adequate insurance cover for the period in question. This risk also recognises the resource implications of developing national policy on safeguarding.

- ◇ Respond well to allegations of abuse and survivors including working effectively with statutory agencies
- ◇ Keep levels of resource in the safeguarding team under review
- ◇ Respond to national processes and seek to influence national policy guidance to avoid unintended consequences
- ◇ Expand the independent members of the Safeguarding Reference Group to provide more capacity to oversee investigations
- ◇ Continue to deliver safeguarding training to improve awareness and responsiveness across the diocese on this most vital matter
- ◇ Learn from experience and seek to continuously improve

Parish (building or redevelopment) project failure

This risk recognises the potential knock-on risk to the CDBF following the failure of a parish project. For example it may lead to reputational damage, loss of Share income or other financial consequences. This risk has been elevated on the strategic risk register due to the increased number of redevelopment schemes being discussed.

- ◇ Ensuring large schemes requiring approval of the CDBF as custodian trustee receive appropriate scrutiny
- ◇ Engaging with parishes on redevelopment plans at an early stage

Heavy reliance on Parish Share and generosity:

This risk recognises the importance of the parish share, a voluntary income stream which accounts for two thirds of the CDBF's overall income. It recognises the risks arising from a shortfall on parish share and the need for continued generosity on the part of parishes and individuals.

- ◇ Visible leadership on stewardship, particularly in encouraging 'offers' of mutual support between Mission and Ministry Units
- ◇ Financial strategies on income and costs
- ◇ Turnaround project to provide additional support in parishes where particular help is needed
- ◇ Implementation of a revised Share scheme which aligns with *Transforming Presence*

Failure to optimise resource:

This recognises the risk relating to the anticipated wave of clergy retirements leading to a net reduction in stipendiary clergy; the risk that clergy are deployed sub-optimally in terms of mission effectiveness; that mutual support is not applied in the most mission-effective way; and the potential for church buildings to become obstacles to effective mission.

- ◇ The Re-imagining Ministry priority addresses this risk directly and offers an alternative to ever greater amalgamations of parishes or long and unpredictable clergy vacancies
- ◇ Investment in increasing vocations
- ◇ Engagement with national work on resourcing ministerial education and church buildings
- ◇ Close attention to the deployment of mutual support funding

8. Principal risks and uncertainties (continued)

High profile national (external) events affecting mission and giving:

National Church discussions and decisions disaffect parts of this diocese leading to damage to mission and financial commitment.

- ◇ This is an external risk and therefore difficult to control, however the diocese is engaging with the Church of England on these issues including the shared conversations process and these issues are closely monitored by the Bishops

The strategic and operational risk registers cover a range of other risks relevant to the charity and its activities. As a complex charity with a relatively small workforce, key person risks is included among the risks considered by the Trustees.

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 benefices and parishes which are sub-divisions of the Diocese.

The National Church has a General Synod comprised of ex-officio and elected representatives from each Diocese and it agrees and lays before Parliament Measures for the governance of the Church's affairs which, if enacted by Parliament, have the force of statute law. In addition to the General Synod, the Archbishops' Council has a coordinating role for work authorised by the Synod; the Church Commissioners manage the historic assets of the Church of England; and the Church of England Pension Board administers the pension schemes for stipendiary ecclesiastical office holders and employees. Within each Diocese, overall leadership lies with the Diocesan Bishop, who exercises that input as Bishop within the Diocesan Synod. Our Diocese is divided into 24 deaneries, each with its own Synod and within each parish there is a Parochial Church Council (PCC) which shares with the parish priest responsibility for the mission of the church in that place, in a similar way to that in which the Bishop shares responsibilities with the Diocesan Synod. In this diocese, as part of our re-imagining ministry priority, parishes are on a journey to working together as part of collaborative Mission and Ministry Units with common mission priorities and shared resources where appropriate.

Whilst each Diocese is separate with a clear responsibility for a specific geographical area, and each diocesan board of finance is a separate legal entity, being part of the Church of England requires and enables working together in a national framework and with national church institutions.

Organisational structure

The Diocese of Chelmsford was created in 1914. It spans the whole of Essex and five boroughs of East London. It covers an area of 1,531 square miles with an overall population in excess of three million.

The diocese is divided into three Episcopal areas by an Area Scheme under which the Diocesan Bishop, the Bishop of Chelmsford, has delegated certain authority to the Bishops of Barking, Bradwell and Colchester in relation to the Archdeaconries in those areas. Since 2013 there are seven Archdeaconries. Each Archdeaconry is subdivided into deaneries, there being a total of 24 deaneries across the Diocese at the end of 2017. The deaneries are further subdivided into 466 parishes. By the end of 2017, 18 Mission and Ministry Units had been approved, and most of these had been formally commissioned or were planning their commissioning by the year end.

Diocesan governance

The statutory governing body of the Diocese of Chelmsford is the Diocesan Synod, which is an elected body with representation from all parts of the Diocese. Membership consists of ex officio members, including the Bishops, the Dean and Archdeacons; clergy members elected by the Houses of Clergy in Deanery Synods; lay persons elected by the Houses of Laity in Deanery Synods; up to five persons who may be co-opted by each of the House of Clergy and the House of Laity and a maximum of eight members nominated by the Diocesan Bishop. The Diocese is governed by Standing Orders which were updated in June 2012.

The Diocesan Synod meets two or three times a year. Many of Diocesan Synod's responsibilities have been delegated to the Bishop's Council, the Bishop's Council Standing Committee or the Finance Committee.

Company Status

The company, The Chelmsford Diocesan Board of Finance (CDBF), was formed to manage the financial affairs and hold the assets of the Diocese. It was incorporated on 16 July 1914 as a charitable company limited by membership guarantees (No. 137029) and its governing instrument is the Memorandum and Articles of Association which were most recently amended by Special Resolution in June 2012. CDBF is registered with the Charity Commission (No. 249505).

Every eligible member of Diocesan Synod is a member of CDBF for company law purposes and has a personal liability limited to £1 under their guarantee as a company member in the event of it being wound up.

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 Chelmsford) are set by the Diocesan Synod and the CDBF. 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 Trustees. The Trustees, meeting within the context of the Bishop's Council, hold up to six meetings during the year to formulate and coordinate policies on mission, ministry and finance.

Certain executive functions of CDBF are undertaken by the Finance Committee, whose members are the Trustees and Directors of CDBF. The Finance Committee's terms of reference are as follows:

- ◇ Determine policy, in particular for: Ministry numbers, Clergy Stipends, Capital Budget, Revenue budget levels, Grant making and Investments
- ◇ Monitor such policy decisions
- ◇ Approve referral of Budgets to the Diocesan Synod
- ◇ Approve and sign the annual report and financial statements after receiving a report from the Audit Committee
- ◇ Agree remuneration of the Auditor each year
- ◇ Receive a report from the Finance Executive at each meeting
- ◇ Receive minutes from all Sub-Committees
- ◇ Handle any business referred by the CDBF, Diocesan Synod or Bishop's Council
- ◇ Create and dissolve Sub-Committees as required
- ◇ Appoint members of Sub-Committees and its representatives on other Diocesan bodies

Committee structure

The Finance Committee's remit is set out above; it is supported by its sub-committees:

Finance Executive	handles routine business on behalf of the Finance Committee and develops the budget and other proposals for Finance Committee's consideration.
Audit Committee	responsible for assisting the Finance Committee in the discharge of its responsibilities for financial reporting and internal control.
Houses Committee	responsible for making decisions concerning the operational management of all clergy houses for which the CDBF has responsibility.
Investment Committee	responsible for recommending policy and making decisions concerning the management of Glebe property and Investments.
Remuneration and Governance Committee	determines remuneration policy and annual salary awards, and oversees the effectiveness of governance across the CDBF
Diocesan Mission and Pastoral Committee	(membership of which is co-terminus with the Bishop's Council) is responsible for pastoral reorganisation, taking account of clergy numbers and the need for new patterns of ministry.
Diocesan Advisory Committee for the Care of Churches	advises on matters concerning churches and places of worship such as the granting of faculties, archaeology, art and the history of places of worship, the use and care of places of worship and their contents and the care of churchyards.
Diocesan Board of Education	promotes education, religious education and religious worship in schools in the Diocese. It also promotes and advises governors of church schools in the Diocese.

Bishop's Council and Finance Committee

Bishop's Council consists of 17 ex officio members, 3 clergy elected by the House of Clergy from among their number (1 from each Episcopal area), 12 lay persons elected by the House of Laity from among their number (4 from each Episcopal area), 3 lay persons appointed by and from the membership of each Area Mission & Pastoral Committee (1 from each Episcopal area) and a maximum of 4 members nominated by the Diocesan Bishop.

Finance Committee consists of the Chair and Vice Chair of CDBF and those other members of the Bishop's Council not otherwise disqualified from membership such as persons remunerated by the CDBF.

Trustee recruitment, selection and induction

Trustees are members of the Finance Committee and are selected as set out above. Trustees are offered an induction when first appointed. Trustee training is arranged at the start of each triennium and subsequently as appropriate. An element of Trustee training is typically included in the programme for the annual day meeting. While some senior staff have job titles incorporating the title 'Director', they are not directors of the company for the purposes of company law. All Trustees are required to maintain their entry in the record of declarations of interest.

Trustees' attendance at board meetings in 2017

	Number of meetings eligible to attend	Number of meetings attended	Percentage of eligible attended
Mrs Isabel Adcock	5	3	60
Mr John Brown	5	0	0
The Ven Elwin Cockett	5	2	40
The Ven Annette Cooper	5	4	80
The Rt Revd Stephen Cottrell	5	5	100
Canon Vevee Deer	5	5	100
Mrs Mary Durlacher	5	4	80
Canon Roger Ennals	5	3	60
Dr Richard Freeman	5	3	60
Canon Dean Gillespie	2	2	100
Canon Robert Hammond	5	4	80
Mr Frank Hawkins	5	2	40
The Very Revd Nicholas Henshall	5	1	20
The Ven Vanessa Herrick	2	2	100
The Rt Revd Peter Hill	5	5	100
Canon Christine Horton	5	5	100
Mr Percy Lomax	5	3	60
Canon Ronald McLernon	5	5	100
Mr Martin Mitchell	3	2	67
Miss Mary Moore	5	3	60
The Rt Revd Roger Morris	5	2	40
Mr Peter Morriss	5	4	80
The Ven Dr John Perumbalath	5	4	80
The Revd Canon Marie Segal	5	4	80
Mr Roger Shilling	5	4	80
The Ven Elizabeth Snowden	5	5	100
The Ven Mike Lodge	3	2	67
The Ven Martin Webster	1	1	100
The Revd Canon Louise Williams	5	5	100
The Rt Revd John Wraw	2	1	50
Revd Canon Philip Ritchie	5	5	100
Revd Canon Guy Thorburn	3	1	33
Canon Jill Leonard	5	5	100
Canon John Winterbotham	5	5	100

Remuneration of key management personnel

The Remuneration & Governance Committee reviews the emoluments of senior employees on an annual basis. The Committee's membership is the Chair of the CDBF, the Bishop of Chelmsford, and the Lay and Clergy Vice Presidents of Synod. The Committee also determines any cost of living pay increase for employed staff and reviews other matters relating to employee remuneration as required.

Delegation of day to day delivery

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

Funds held on behalf of schools

The DBE (as incorporated within the CDBF) receives contributions from governors of church schools within the Diocese in connection with major repair and capital projects to church schools and also government grants in connection with the same. The DBE administers these monies as managing agent and makes appropriate payments to contractors for work carried out. The monies do not belong to the DBE 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 income and expenditure relating to school projects not reflected in the Statement of Financial Activities amounted to £1.975m and £1.977m respectively (2016: £1.952m and £1.977m).

Historical assets arising from unexpended accumulations of sale proceeds of redundant Church of England School properties are accounted for in the restricted Church Schools fund and are managed by the CDBF in consultation with the DBE and held in a CDBF restricted fund detailed in the accounts.

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 CDBF and of the surplus or deficit of the CDBF for that period. In preparing these financial statements the Trustees are required to:

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

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

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

Statement of disclosure to the auditors

So far as the Trustees are aware:

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

Appointment of Auditors

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

Administrative details

Company registration number 137029 (England & Wales)
Charity registration number 249505
Registered Office 53 New Street, Chelmsford CMI IAT
Tel: 01245 294400
www.chelmsford.anglican.org

Trustees

In accordance with the Companies Act 2006 and the Statement of Recommended Practice: Accounting and Reporting by Charities issued in March 2005 (SORP 2005), the Trustees (for the purposes of charity law) and directors (for the purposes of company law) during the year and/or as at the date of signing were:

Ex Officio

President

The Rt Revd Stephen G Cottrell

Chair

Mr Percy W Lomax

Vice-Chair

Mr Frank Hawkins

Area Bishops

The Rt Revd Peter Hill

The Rt Revd Roger A B Morris

The Rt Revd John M Wraw (to 25/07/17)

The Ven Elwin W Cockett

The Ven Annette J Cooper

The Ven Vanessa Herrick (from 24/09/17)

The Ven Michael J Lodge (from 19/03/17)

The Ven John Perumbalath

The Ven Elizabeth Snowden

The Ven Martin D Webster (to 31/3/17)

The Very Revd Nicholas J Henshall

Canon Robert I Hammond

The Revd Canon Louise M Williams

Archdeacons

The Dean

Lay Vice-President

Clergy Vice-President

Elected or appointed to fill a vacancy

Mrs Isabel Adcock

Mr John M Brown (to 20/2/18)

Canon Veve N Deer

Mrs Mary C Durlacher

Canon Roger J Ennals

Mr Richard Freeman

Canon Dean Gillespie (from 15/08/17)

Canon Christine G Horton

Canon Jill S Leonard

Canon Ronald V McLernon

Mr Martin P Mitchell (to 05/09/17)

Miss Mary E Moore

Mr Peter W Morriss

The Revd Canon Philip Ritchie

The Revd Canon Marie Segal

Mr Roger I Shilling

The Revd Canon Guy Thorburn (to 08/08/17)

Canon John Winterbotham

The triennial elections to the Synod and Bishop's Council were last held in 2015 and are due again in 2018. No Trustee had any beneficial interest in the company during 2017.

Senior Staff

The day to day management of the Chelmsford Diocesan Board of Finance is delegated to the Chief Executive. The officers who served during the year and at the date of signing are:

Chief Executive & Diocesan Secretary	John Ball
Director of Communications	Ralph Meloy
Director of Development and Property	Michael Minta
Director of Education	The Revd Timothy Elbourne
Director of Finance	Mark Spraggins
Chief Accountant	Margaret Essery
Dean of Mission & Ministry	The Revd Canon Dr Roger Matthews
Pastoral Secretary	Nathan Whitehead

Professional Advisers

Auditors

haysmacintyre
10 Queen Street Place
London EC4R 1AG

Solicitors and Registrars

Winckworth Sherwood
Minerva House
5 Montague Close
London SE1 9BB

Bankers

Barclays Bank plc
40-41 High Street
Chelmsford CMI 1BE

National Westminster
Bank Plc
4-5 High Street
Chelmsford CMI 1FZ

Investment Managers

Cazenove Charities
12 Moorgate
London EC2R 6DA

CCLA Investment
Management Ltd
85 Queen Victoria Street
London EC4V 4ET

Glebe Property Agents

Strutt & Parker
Coval Hall
Chelmsford CMI 2QF

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

BY ORDER OF THE TRUSTEES



Percy W Lomax
Chair of the Chelmsford Diocesan Board of Finance
30 April 2018

Independent auditors' report to the members of The Chelmsford Diocesan Board of Finance

Opinion

We have audited the financial statements of the Chelmsford Diocesan Board of Finance for the year ended 31 December 2017 which comprise the Consolidated Statement of Financial Activities, the Consolidated and Charity Balance Sheets, the Summary Income and Expenditure account, the Consolidated Statement of Cash Flows 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 group's and of the parent charitable company's affairs as at 31 December 2017 and of the group's and parent 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 group 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 17, 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 group's and the parent 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 group or the parent charitable company or to cease operations, or have no realistic alternative but to do so.

Independent auditors' report to the members of The Chelmsford Diocesan Board of Finance

Auditor's responsibilities for the audit of the financial statements

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

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

Conclusions relating to going concern

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

- the trustees' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the trustees have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent 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' 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' 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' Report (which incorporates the strategic report and the directors' report) has been prepared in accordance with applicable legal requirements.

The Chelmsford Diocesan Board of Finance

Independent auditors' report to the members of The Chelmsford Diocesan Board of Finance

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the parent charitable company and its environment obtained in the course of the audit, we have not identified material misstatements in the Trustees' 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 parent charitable company; or
- the parent charitable company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of trustees' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit



Adam Halsey (Senior statutory auditor)

for and on behalf of
haysmacintyre

Statutory Auditor

10 Queen Street Place
London
EC4R 1AG
Date: 30 April 2018

The Chelmsford Diocesan Board of Finance

**Consolidated statement of financial activities
For the year ended 31 December 2017**

	Note	Unrestricted funds 2017 £000	Restricted funds 2017 £000	Endowment funds 2017 £000	Total funds 2017 £000	Total funds 2016 £000
Income and endowments from:						
Donations and legacies:						
Parish contributions	2	14,629	-	-	14,629	14,625
Other donations and legacies	2	3,096	1,090	-	4,186	4,195
Charitable activities	3	1,595	244	-	1,839	1,965
Investments	4	1,542	265	-	1,807	1,864
Other trading activities:						
Parsonage rents receivable		429	-	-	429	378
Subsidiary trading activities	5	406	-	-	406	459
Other income	6	462	-	-	462	373
Total income and endowments		22,159	1,599	-	23,758	23,859
Expenditure on:						
Raising funds:						
Subsidiary trading activities	5	367	-	-	367	557
Investment management	7	126	16	75	217	239
Charitable activities	8	20,202	1,858	25	22,085	21,493
Total expenditure	11	20,695	1,874	100	22,669	22,289
Net income / (expenditure) before investment gains						
Net gains on investments	15	1,464	(275)	(100)	1,089	1,570
Net income before transfers		1,563	292	2,384	4,239	6,203
Transfers between Funds	19	1,777	(444)	(1,333)	-	-
Net income / (expenditure) before other gains and losses		3,340	(152)	1,051	4,239	6,203
Gains on revaluations of fixed assets	14	1,407	10	11,418	12,835	20,826
Net movement in funds		4,747	(142)	12,469	17,074	27,029
Total funds carried forward		23,683	8,118	243,985	275,786	248,757
Total funds carried forward		28,430	7,976	256,454	292,860	275,786

The notes on pages 29 to 66 form part of these financial statements.

**Summary income and expenditure account
For the year ended 31 December 2017**

	Total 2017 £000	<i>Total 2016 £000</i>
Total income	23,758	23,859
Total expenditure	(22,569)	(22,202)
Operating surplus	1,189	1,657
Net gains/(losses) on investments	666	965
Net income for the year	1,855	2,622
Other comprehensive income:		
Revaluation of fixed assets	1,417	2,051
Net assets transferred from/(to) endowments	1,333	(870)
Total comprehensive income	4,605	3,803

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

The notes on pages 29 to 66 form part of these financial statements.

The Chelmsford Diocesan Board of Finance

Company number: 137029

Consolidated balance sheet
As at 31 December 2017

	Note	£000	2017 £000	£000	2016 £000
Fixed assets					
Tangible assets	14		259,797		242,492
Investments	15		51,141		48,137
			<u>310,938</u>		<u>290,629</u>
Current assets					
Stock		29		31	
Debtors: amounts falling due after more than one year	16	258		273	
Debtors: amounts falling due within one year	16	2,101		2,086	
Cash at bank and in hand		1,568		3,613	
		<u>3,956</u>		<u>6,003</u>	
Creditors: amounts falling due within one year	17	(5,615)		(5,520)	
Net current (liabilities)/assets			<u>(1,659)</u>		<u>483</u>
Total assets less current liabilities			<u>309,279</u>		<u>291,112</u>
Creditors: amounts falling due after more than one year	18		<u>(10,170)</u>		<u>(7,281)</u>
Net assets excluding pension scheme liabilities			<u>299,109</u>		<u>283,831</u>
Defined benefit pension scheme liabilities	23		<u>(6,249)</u>		<u>(8,045)</u>
Net assets including pension scheme liabilities			<u><u>292,860</u></u>		<u><u>275,786</u></u>

The Chelmsford Diocesan Board of Finance

Consolidated balance sheet (continued)
As at 31 December 2017

Funds	Note	£000	2017 £000	£000	2016 £000
Endowment funds (including investment revaluation reserve of £155.42m (2016: £149.28m))	19		256,454		243,985
Restricted income funds (including investment revaluation reserve of £1.12m (2016: £1.74m))	19		7,976		8,118
Unrestricted income funds (including investment revaluation reserve of £14.31m (2016:£11.87m))	19		28,430		23,683
Total funds			<u>292,860</u>		<u>275,786</u>

The financial statements were approved by the Trustees on 30 April 2018 and signed on their behalf, by:



Mr Percy W Lomax, Chair

The notes on pages 29 to 66 form part of these financial statements.

Company balance sheet
As at 31 December 2017

	Note	£000	2017 £000	£000	2016 £000
Fixed assets					
Tangible assets	14		259,797		242,492
Investments	15		51,141		48,137
			310,938		290,629
Current assets					
Stock		29		31	
Debtors: amounts falling due after more than one year	16	691		1,011	
Debtors: amounts falling due within one year	16	2,102		2,078	
Cash at bank and in hand		1,552		3,605	
		4,374		6,725	
Creditors: amounts falling due within one year	17	(5,581)		(5,476)	
Net current (liabilities)/assets			(1,207)		1,249
Total assets less current liabilities			309,731		291,878
Creditors: amounts falling due after more than one year	18		(10,170)		(7,281)
Net assets excluding pension scheme liabilities			299,561		284,597
Defined benefit pension scheme liabilities	23		(6,249)		(8,045)
Net assets including pension scheme liabilities			293,312		276,552


The Chelmsford Diocesan Board of Finance

Company balance sheet (continued)
As at 31 December 2017

	Note	£000	2017 £000	£000	2016 £000
Funds					
Endowment funds (including investment revaluation reserve of £155.42m (2016: £149.28m))	19		256,454		243,985
Restricted income funds (including investment revaluation reserve of £1.12m (2016: £1.74m))	19		7,976		8,118
Unrestricted income funds (including investment revaluation reserve of £14.31m (2016: £11.87m))	19		28,882		24,449
Total funds			<u>293,312</u>		<u>276,552</u>

The net income of the company for the year was £16,760,000.

The financial statements were approved by the Trustees on 30 April 2018 and signed on their behalf, by:



Mr Percy W Lomax, Chair

The notes on pages 29 to 66 form part of these financial statements.

The Chelmsford Diocesan Board of Finance

Consolidated cash flow statement For the year ended 31 December 2017

	2017	2016
	£000	£000
Net cash (outflow) from operating activities	(1,681)	(1,405)
Cash flows from investing activities		
Dividends, interest and rent from investments	1,807	1,864
Interest paid	(170)	(128)
Proceeds from the sale of tangible fixed assets	1,283	1,306
Proceeds from the sale of investments	31,934	9,283
Purchase of tangible fixed assets for the use of the CDBF	(5,932)	(6,407)
Purchase of fixed asset investments	<u>(31,788)</u>	<u>(7,299)</u>
Net cash (used in) investing activities	(2,866)	(1,381)
Cash flows from financing activities		
New loan received by CDBF	9,255	3,228
Loans repaid by CDBF	<u>(6,753)</u>	<u>(352)</u>
Net cash provided by financing activities	<u>2,502</u>	<u>2,876</u>
Change in cash and cash equivalents in the reporting period	(2,045)	90
Cash and cash equivalents at 1 January	<u>3,613</u>	<u>3,523</u>
Cash and cash equivalents at 31 December	<u>1,568</u>	<u>3,613</u>
Reconciliation of net movements in funds to net cash flow from operating activities		
Net income in funds for the year ended 31 December	17,074	27,029
Adjustments for:		
Depreciation charges	138	139
Gains on revaluations of fixed assets	(12,835)	(20,826)
Dividends, interest and rent from investments	(1,807)	(1,864)
Interest paid	170	128
Repayment of loans advanced	15	300
Loss/(Profit) on sale of functional assets	41	(71)
Gains on sale of investments	(3,150)	(4,633)
Decrease in stock	2	2
(Increase)/decrease in debtors	(15)	40
(Decrease) in creditors	<u>(1,314)</u>	<u>(1,649)</u>
Net cash used in operating activities	<u>(1,681)</u>	<u>(1,405)</u>
Analysis of cash and cash equivalents		
Cash in hand	<u>1,568</u>	<u>3,613</u>

**Notes to the financial statements
For the year ended 31 December 2017**

I. PRINCIPAL 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 below, 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).

CDBF meets the definition of a Public Benefit entity as defined by FRS102.

The principal accounting policies and estimation techniques are as follows:

(a) Basis of consolidation

The financial statements consolidate the results of the charitable company (CDBF) and its wholly-owned subsidiaries, Sparrows Trading Company Limited and Chelmsford Diocesan Trading Company Limited on a line by line basis. This is an aggregation of the Chelmsford Diocesan Board of Finance (CDBF) and its entities (see note 5).

No separate SOFA has been presented for the company alone as permitted by section 408 of the Companies Act 2006.

(b) Income

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

- i) Parish Contributions are 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 in the year to which they relate.
- vi) Donations other than grants are recognised when receivable.
- vii) Gains on disposal of fixed assets for the CDBF's own use (i.e. non-investment assets) are accounted for as other 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.

**Notes to the financial statements
For the year ended 31 December 2017**

I. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(c) Expenditure

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

- i) Costs of raising funds 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, expenditure on resourcing mission and ministry in the parishes of the diocese, expenditure relating to the running of the diocesan retreat centre, and expenditure on education and Church of England schools in the diocese.
- iii) Grants payable are charged in the year when the offer is conveyed to the recipient except in those cases where the offer is conditional on the recipient satisfying performance or other discretionary requirements to the satisfaction of the CDBF, 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.
- 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 CDBF participates in three pension schemes to provide pension benefits based on final pensionable pay, namely the Church of England Funded Pensions Scheme (clergy), the Church of England Defined Benefits Scheme part of the Church Workers Pension Fund, and the Teachers Superannuation Scheme. The CDBF also participates in the Church of England Pension Builder Scheme (formerly known as Defined Contributions Scheme) part of the Church Workers Pension Fund. Details of the schemes are set out in note 23. The pension costs charged as expenditure represent the CDBF's contributions payable in respect of the accounting period, in accordance with FRS102. Deficit funding for the pension schemes to which CDBF participates is accrued at current value in creditors distinguished between contributions falling due within one year and after more than one year.
- vi) Short term employee benefits including holiday pay are recognised as an expense in the period in which the service is received.
- vii) Employee termination benefits are accounted for on an accrual basis and in line with FRS 102.

(d) Going concern

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

**Notes to the financial statements
For the year ended 31 December 2017**

I. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(e) Tangible fixed assets and depreciation

Freehold properties

Depreciation is not provided on buildings as any provision (annual or cumulative) would not be material due to the very long expected remaining useful economic life in each case, and because their expected residual value is not materially less than their carrying value. The CDBF has a policy of regular structural inspection, repair and maintenance, which in the case of 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.

Properties for the charity's own use

All houses (excepting properties subject to value linked loans shown below) are included in the balance sheet at professional market valuation. Such houses are revalued annually.

Properties subject to value linked loans

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

Parsonage houses

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

(f) Other tangible fixed assets

Depreciation is provided in order to write off the cost (less any ultimate disposal proceeds at prices ruling at the time of the asset's acquisition) of other fixed assets over their currently expected useful economic lives at the following initial rates:-

Solar PV panels	4% per annum straight line
Motor vehicles	25% per annum straight line
Computers	25% per annum straight line
Furniture and office equipment	20% per annum straight line

All capital expenditure over £1,000 is capitalised.

**Notes to the financial statements
For the year ended 31 December 2017**

I. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(g) Other accounting policies

- i) Fixed asset investments - Investment properties include agricultural holdings and commercial properties which are professionally valued annually. Other investments are included in the balance sheet at market value and the gain or loss on revaluation taken to the Statement of Financial Activities.
- ii) Financial Instruments - The company only has financial assets and financial liabilities of a kind that qualify as basic financial instruments. Basic financial instruments are initially recognised at transaction value and subsequently carried at either amortised cost or fair value as noted below.
 - a) **Leases** - The company and its subsidiary have entered 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.
 - b) **Debtors** - Trade and other debtors are recognised at the settlement amount due after any trade discount offered. Prepayments are valued at the amount prepaid net of any trade discounts due. At the end of each reporting period debtors are assessed for evidence of impairment. If an asset is impaired an impairment loss is recognised in the Statement of Financial Activities.
 - c) **Cash** - Cash at bank and cash in hand includes cash and short term highly liquid investments with a short maturity of three months or less from the date of acquisition or opening of the deposit or similar account.
 - d) **Creditors** - Basic financial liabilities, including trade and other payables and bank loans, are recognised where the charity has a present obligation resulting from a past event that will probably result in the transfer of funds to a third party and the amount due to settle the obligation can be measured or estimated reliably. Creditors and provisions are recognised at transaction price.

**Notes to the financial statements
For the year ended 31 December 2017**

I. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(h) Fund balances

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

- Unrestricted funds are the CDBF's corporate funds and are freely available for any purpose within the charitable company's objects, at the discretion of the CDBF. There are two types of unrestricted funds:
 - ◆ General funds which the CDBF intends to use for the general purposes of the CDBF and
 - ◆ Designated funds set aside out of unrestricted funds by the CDBF for a purpose specified by the Trustees.
- Restricted funds are income funds subject to conditions imposed by the donor as specific terms of trust, or else by legal measure.
- Endowment funds are those held on trust to be retained for the benefit of the charitable company as a capital fund. In the case of the endowment funds administered by the CDBF (Stipends Fund Capital and Parsonage Houses), there are discretionary powers to convert capital into income and, as a result, these funds are classified as expendable endowment. Endowment funds where there is no provision for expenditure of capital are classified as permanent endowment.
- "Special trusts" (as defined by the Charities Act 2011) and any other trusts where the company acts as trustee and controls the management and use of the funds, are included in the company's own financial statements as charity branches. Trusts where the CDBF acts merely as custodian trustee with no control over the management of the funds are not included in the financial statements but are summarised in the notes to the financial statements.

(i) Capital expenditure on Voluntary Aided schools

Contributions to capital expenditure from Department for Education and school governors are not recognised in the Statement of Financial Activities. Details of the turnover related to this activity are included in note 27.

The CDBF contributes to the improvement, extension and building of schools not under its control by making grants to the school governors concerned, and these are shown as such in the Statement of Financial Activities.

The CDBF does not recognise the value of the company's reversionary interest in the assets of closed schools until the ultimate proceeds of disposal have been received.

**Notes to the financial statements
For the year ended 31 December 2017**

I. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(j) Judgements and estimates

In the application of the accounting policies, the Trustees are required to make judgements, estimates, and assumptions about the carrying value of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are continually evaluated. Revisions to accounting estimates are recognised in the period in which the estimate is revised.

Significant judgements

- i) Valuation of Freehold properties and parsonage houses - All freehold properties and parsonage houses excluding those subject to value linked loans are revalued to their fair value annually using valuations provided by external professionals. Properties subject to value linked loans are revalued each year at fair value based on the index linked current valuation basis.
- ii) Valuation of liabilities arising from the charity's obligation to meet deficit reduction payments for its multiemployer defined benefit pension schemes - These liabilities are revalued at each year end using discount rates which are reassessed annually.
- iii) Residual values of Freehold properties - The Trustees consider that residual value of freehold properties is sufficiently high that depreciation would not be material

Sources of estimation uncertainty

In the view of the Trustees there are no sources of estimation uncertainty affecting assets or liabilities at the balance sheet date that are likely to result in a material adjustment to their carrying amounts in the next financial year.

Notes to the financial statements
For the year ended 31 December 2017

2. INCOME FROM DONATIONS AND LEGACIES

	Unrestricted funds 2017 £000	Restricted funds 2017 £000	Endowment funds 2017 £000	Total funds 2017 £000	Total funds 2016 £000
Parish share assessment for the year	16,130	-	-	16,130	16,000
Credits for fees and discounts	(576)	-	-	(576)	(569)
Shortfall in contributions	(920)	-	-	(920)	(829)
Payments in excess of assessment	7	-	-	7	24
Arrears for previous years	(12)	-	-	(12)	(1)
Parish contributions	14,629	-	-	14,629	14,625
Donations	70	118	-	188	196
Ministry Support Funding	2,541	-	-	2,541	2,638
Mission Development funding	-	-	-	-	414
Strategic Development funding - Turnaround project	225	-	-	225	225
Restructuring funding	-	300	-	300	-
Allchurches Trust	260	-	-	260	260
Strategic Development funding - Church Planting project	-	35	-	35	-
Training for Ministry	-	97	-	97	-
City Church Fund	-	540	-	540	462
Other donations and legacies	3,096	1,090	-	4,186	4,195
Total donations and legacies	17,725	1,090	-	18,815	18,820

Notes to the financial statements
For the year ended 31 December 2017

3. INCOME FROM CHARITABLE ACTIVITIES

	Unrestricted funds 2017 £000	Restricted funds 2017 £000	Endowment funds 2017 £000	Total funds 2017 £000	<i>Total funds 2016 £000</i>
Statutory fees and chaplaincy income	1,241	-	-	1,241	1,346
Printing and bookshop	208	-	-	208	215
Miscellaneous income	146	17	-	163	182
Diocesan Retreat House	-	227	-	227	222
	<u>1,595</u>	<u>244</u>	<u>-</u>	<u>1,839</u>	<u>1,965</u>

4. INVESTMENT INCOME

	Unrestricted funds 2017 £000	Restricted funds 2017 £000	Endowment funds 2017 £000	Total funds 2017 £000	<i>Total funds 2016 £000</i>
Dividends	1,093	262	-	1,355	1,423
Interest	40	3	-	43	42
Rent	409	-	-	409	399
	<u>1,542</u>	<u>265</u>	<u>-</u>	<u>1,807</u>	<u>1,864</u>

**Notes to the financial statements
For the year ended 31 December 2017**

5. SUBSIDIARY TRADING ACTIVITIES

The CDBF has two wholly owned subsidiaries. Sparrows Trading Company Limited (company no. 8626895) provides high-quality childcare with Christian distinctiveness within the Diocese of Chelmsford. Chelmsford Diocesan Trading Company Limited (company no. 8474175) was dormant during the current and prior period.

The results of Sparrows Trading Company Limited (Sparrows) are as follows:

	2017	<i>2016</i>
	£000	<i>£000</i>
Income: Provision of childcare	406	<i>459</i>
Expenditure:		
Costs other than employment costs	82	<i>123</i>
Wages and salaries	265	<i>397</i>
Employer's NIC	12	<i>22</i>
Pensions	8	<i>15</i>
	367	<i>557</i>
Net income/(expenditure) from subsidiary trading activities	39	<i>(98)</i>

In addition Sparrows paid the CDBF interest on the loan amounting to £36,000 (2016: £23,000.)

At 31 December 2017 Sparrows had assets of £20,000 (2016: £13,000), liabilities (excluding the loan from the CDBF) of £38,000 (2016: £44,000) and a loan outstanding due to the CDBF of £433,000 (2016: £738,000) (more fully explained in note 16). Sparrows had accumulated losses of £451,000 (2016: £769,000). Interest paid to the CDBF amounted to £36,000 (2016: £23,000).

Chelmsford Diocesan Trading Company Limited had assets of £1 at the same date.

6. OTHER INCOME

	Unrestricted funds 2017 £000	Restricted funds 2017 £000	Endowment funds 2017 £000	Total funds 2017 £000	<i>Total funds 2016 £000</i>
Gains on disposal of assets	4	-	-	4	<i>71</i>
School sale proceeds	-	-	-	-	<i>302</i>
Closed churches	458	-	-	458	<i>-</i>
	462	-	-	462	<i>373</i>

Notes to the financial statements
For the year ended 31 December 2017

7. FUND RAISING COSTS

	Unrestricted funds 2017 £000	Restricted funds 2017 £000	Endowment funds 2017 £000	Total funds 2017 £000	Total funds 2016 £000
Investment management costs	<u>126</u>	<u>16</u>	<u>75</u>	<u>217</u>	<u>239</u>
<i>Total 2016</i>	<u>131</u>	<u>21</u>	<u>87</u>	<u>239</u>	

8. ANALYSIS OF EXPENDITURE ON CHARITABLE ACTIVITIES

	Unrestricted funds 2017 £000	Restricted funds 2017 £000	Endowment funds 2017 £000	Total funds 2017 £000	Total funds 2016 £000
Resourcing ministry and mission	16,953	252	25	17,230	17,156
Grant funding of activities	1,704	975	-	2,679	2,221
Support costs	1,405	-	-	1,405	1,316
Diocesan Retreat House	-	262	-	262	272
Expenditure on Education	140	369	-	509	528
	<u>20,202</u>	<u>1,858</u>	<u>25</u>	<u>22,085</u>	<u>21,493</u>
<i>Total 2016</i>	<u>20,237</u>	<u>1,256</u>	<u>-</u>	<u>21,493</u>	

Notes to the financial statements
For the year ended 31 December 2017

9. ANALYSIS OF GRANTS

	Grants to Institutions	Grants to Individuals	Total	<i>Total</i>
	2017	2017	2017	<i>2016</i>
	£000	£000	£000	<i>£000</i>
Grants made	2,311	368	2,679	<i>2,221</i>

Reconciliation of grants payable

	2017	<i>2016</i>
	£000	<i>£000</i>
Accrued at 1 January	868	<i>955</i>
Grants payable for the year	2,679	<i>2,221</i>
Grants paid during the year	(2,802)	<i>(2,308)</i>
Total	745	<i>868</i>

Payable as follows:

in less than 1 year	745	<i>868</i>
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Notes to the financial statements
For the year ended 31 December 2017

9. ANALYSIS OF GRANTS (continued)

ANALYSIS OF GRANTS MADE

	No.	Individuals £000	Institutions £000	2017 £000	2016 £000
From unrestricted funds for National Church responsibilities					
Contributions to Archbishops' Council	1	-	1,161	1,161	1,122
From unrestricted funds					
PCC feasibility study	8	-	16	16	22
Churches Together organisations	3	-	16	16	24
Interfaith working	4	-	32	32	24
Other institutional grants	2	-	4	4	4
Ordinands in Training	38	287	-	287	193
Clergy for training	151	47	-	47	28
Total from unrestricted funds	211	334	1,229	1,563	1,417
Total from designated funds					
PCCs for mission projects	19	-	141	141	281
From restricted funds					
Overseas mission projects	1	-	36	36	18
Refugee support	7	-	33	33	17
PCCs for mission projects	64	-	799	799	434
Multi Academy Trust	1	-	107	107	54
Total from restricted funds	72	-	975	975	523
Total	441	334	2,345	2,679	2,221

Notes to the financial statements
For the year ended 31 December 2017

10. ALLOCATION OF SUPPORT COSTS

	2017 £000	2016 £000
Resourcing ministry and mission	1,139	1,065
Education	268	251
Total	<u>1,407</u>	<u>1,316</u>

11. ANALYSIS OF EXPENDITURE BY EXPENDITURE TYPE

	Staff costs 2017 £000	Other costs 2017 £000	Total 2017 £000	Total 2016 £000
Costs of raising funds:				
Expenditure on fundraising trading (Sparrows Trading Company Limited)	284	83	367	557
Expenditure on investment management	-	217	217	239
	<u>284</u>	<u>300</u>	<u>584</u>	<u>796</u>
Charitable activities:				
Resourcing ministry and mission	1,807	15,423	17,230	17,156
Grant funding of activities	-	2,679	2,679	2,221
Support costs (note 11)	1,099	306	1,405	1,316
Diocesan Retreat House	155	107	262	272
Expenditure on Education	140	369	509	528
	<u>3,201</u>	<u>18,884</u>	<u>22,085</u>	<u>21,493</u>
Total	<u>3,485</u>	<u>19,184</u>	<u>22,669</u>	<u>22,289</u>

12. NET INCOME

This is stated after charging:

	2017 £000	2016 £000
Auditors remuneration		
Audit fees	25	24
Other fees	1	1
Operating lease costs in the year	210	246
Depreciation charge	138	139
Interest paid	<u>170</u>	<u>128</u>

**Notes to the financial statements
For the year ended 31 December 2017**

13. STAFF COSTS

Employee costs during the year were as follows:

	2017	<i>2016</i>
	£000	<i>£000</i>
Wages and salaries	2,697	<i>2,773</i>
National Insurance contributions	241	<i>243</i>
Pension costs (note 23)	546	<i>569</i>
	3,484	<i>3,585</i>

The average monthly number of employees was as follows:

	2017	<i>2016</i>
	No.	<i>No.</i>
Support for parish ministry	75	<i>78</i>
Diocesan Retreat House	18	<i>15</i>
Secretaries to Archdeacons	7	<i>7</i>
Sparrows	28	<i>39</i>
	128	<i>139</i>

The average monthly number of employees during the year expressed as full time equivalents was as follows (including casual and part-time staff):

	2017	<i>2016</i>
	No.	<i>No.</i>
Support for parish ministry	64	<i>65</i>
Diocesan Retreat House	8	<i>7</i>
Secretaries to Archdeacons	4	<i>4</i>
Sparrows	19	<i>29</i>
	95	<i>105</i>

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

	2017	<i>2016</i>
	No.	<i>No.</i>
In the band £60,001 - £70,000	3	<i>3</i>
In the band £70,001 - £80,000	1	<i>1</i>
In the band £80,001 - £90,000	1	<i>1</i>
	5	<i>5</i>

During the year the charity made employment termination payments totaling £18,071 (2016: £16,993).

**Notes to the financial statements
For the year ended 31 December 2017**

13. STAFF COSTS (continued)

Remuneration of key management personnel

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

Chief Executive & Diocesan Secretary	John Ball
Director of Communications	Ralph Meloy
Director of Education	Revd Timothy Elbourne
Director of Finance	Mark Spraggins
Chief Accountant	Margaret Essery
Dean of Mission & Ministry	The Revd Canon Dr Roger Matthews
Director of Development and Property	Michael Minta
Pastoral Secretary	Nathan Whitehead

Remuneration, pensions and expenses for these employees amounted to £601,026 (2016: £588,654).

Clergy Stipends

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

	2017	<i>2016</i>
	£000	<i>£000</i>
Stipends	8,090	<i>8,075</i>
National Insurance contributions	687	<i>648</i>
Pension costs - current year	1,932	<i>1,871</i>
- deficit reduction	1,113	<i>1,081</i>
	11,822	<i>11,675</i>

The stipends of the Diocesan Bishop and three Suffragan Bishops are funded by the Church Commissioners and are in the range £34,850 - £44,000 (2016: £34,850 - £43,200). The annual rate of stipend, funded by the CDBF, paid to Archdeacons in 2017 (and 2016) was in the range £34,000 – £35,550 and other clergy who were Trustees were paid in the range £25,000 – £25,350 for both years. The CDBF provides housing for the three Suffragan Bishops, the Archdeacons and the clergy who are Trustees. The Church Commissioners provide housing for the Diocesan Bishop.

**Notes to the financial statements
For the year ended 31 December 2017**

13. STAFF COSTS (continued)

Trustees' emoluments

No Trustee received any remuneration for services as Trustee. The Trustees received travelling and out of pocket expenses, totaling £19,519 (2016: £14,287) in respect of General Synod duties, duties as archdeacon or area dean, and other duties as Trustees.

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

	Stipend	Housing
The Rt Revd Stephen Cottrell	No	No
The Rt Revd Peter Hill	No	Yes
The Rt Revd Roger A B Morris	No	Yes
The Rt Revd John M Wraw (<i>to 25 July 2017</i>)	No	Yes
The Ven Elwin W Cockett	Yes	Yes
The Ven Annette J Cooper	Yes	Yes
The Ven Vanessa A Herrick (<i>from 24 September 2017</i>)	Yes	Yes
The Ven Michael J Lodge (<i>from 19 March 2017</i>)	Yes	Yes
The Ven John Perumbalath	Yes	Yes
The Ven Elizabeth Snowden	Yes	Yes
The Ven Martin D Webster (<i>to 31 March 2017</i>)	Yes	Yes
The Revd Canon Philip Ritchie	Yes	Yes
The Revd Canon Marie Segal	Yes	Yes
The Revd Canon Guy Thorburn (<i>to 8 August 2017</i>)	Yes	Yes
The Revd Louise M Williams	Yes	Yes

Notes to the financial statements
For the year ended 31 December 2017

14. TANGIBLE FIXED ASSETS

Group and Company	Freehold properties £000	Office equipment £000	Other fixed assets £000	Total £000
Cost or valuation				
At 1 January 2017	241,479	1,069	882	243,430
Additions	5,897	35	-	5,932
Disposals	(1,315)	(47)	(7)	(1,369)
Revaluation surplus/(deficit)	12,835	-	-	12,835
At 31 December 2017	<u>258,896</u>	<u>1,057</u>	<u>875</u>	<u>260,828</u>
Depreciation				
At 1 January 2017	-	835	103	938
Charge for the year	-	103	35	138
On disposals	-	(44)	(1)	(45)
At 31 December 2017	<u>-</u>	<u>894</u>	<u>137</u>	<u>1,031</u>
Net book value				
At 31 December 2017	<u>258,896</u>	<u>163</u>	<u>738</u>	<u>259,797</u>
At 31 December 2016	<u>241,479</u>	<u>234</u>	<u>779</u>	<u>242,492</u>

If the freehold properties had not been included at valuation they would have been included under the historical cost convention as follows:

Group and Company	2017 £000	2016 £000
Cost	<u>98,698</u>	<u>93,481</u>

The freehold properties were revalued on 31 December 2017 by Strutt & Parker LLP, Chartered Surveyors on an open market existing use basis.

Revaluations

Two of the equity loans (note 19) are for the acquisition of freehold properties included above. The repayment terms are such that the amount repayable is quantified as a percentage of the sales proceeds. Accordingly, if the property is revalued the associated loan must also be restated.

The analysis of Net Gains on revaluations of fixed assets and loans is as follows:

	2017 £000	2016 £000
Revaluations of fixed assets	12,835	20,976
Revaluations of equity loans	-	(150)
Net gains per Statement of Financial Activities	<u>12,835</u>	<u>20,826</u>

Notes to the financial statements
For the year ended 31 December 2017

15. FIXED ASSET INVESTMENTS

	Listed Investments £000	Unlisted Investments £000	Investment Property £000	2017 £000	2016 £000
At 1 January	31,513	6,277	10,347	48,137	45,488
Additions	18,109	13,679	-	31,788	7,299
Disposals	(31,651)	-	(233)	(31,884)	(8,769)
Changes in market value	1,417	1,562	121	3,100	4,119
Market Value at 31 December	<u>19,388</u>	<u>21,518</u>	<u>10,235</u>	<u>51,141</u>	<u>48,137</u>
Historic value at 31 December	<u>17,820</u>	<u>17,683</u>	<u>4,396</u>	<u>39,899</u>	<u>33,057</u>

Investments held by fund

	Unrestricted Funds £000	Restricted Funds £000	Endowment Funds £000	Total 2017 £000
At 31 December 2017				
Listed investments	143	3,421	15,824	19,388
Unlisted investments	1,091	4,506	15,921	21,518
Investment property	-	-	10,235	10,235
Total	<u>1,234</u>	<u>7,927</u>	<u>41,980</u>	<u>51,141</u>

	Unrestricted Funds £000	Restricted Funds £000	Endowment Funds £000	Total 2016 £000
At 31 December 2016				
Listed investments	278	5,741	25,494	31,513
Unlisted investments	865	1,715	3,697	6,277
Investment property	-	226	10,121	10,347
Total	<u>1,143</u>	<u>7,682</u>	<u>39,312</u>	<u>48,137</u>

The analysis of Net gains on investments is as follows:

	2017 £000	2016 £000
Profit on disposal of investments	482	514
Changes in market value	3,100	4,119
Net gains per Statement of Financial Activities	<u>3,582</u>	<u>4,633</u>

Notes to the financial statements
For the year ended 31 December 2017

16. DEBTORS

	Group		Company	
	2017	2016	2017	2016
	£000	£000	£000	£000
Due after more than one year				
Loan to Sparrows Trading Company Limited (see below)	-	-	433	738
Loans to parishes				
Equity loans	201	222	201	222
	29	29	29	29
Other debtors	28	22	28	22
	<u>258</u>	<u>273</u>	<u>691</u>	<u>1,011</u>

	Group		Company	
	2017	2016	2017	2016
	£000	£000	£000	£000
Due within one year				
Trade debtors	4	4	-	-
Parish share	463	504	463	504
Charitable activities debtors	544	545	544	545
Parochial fees	120	120	120	120
Other loans and debtors	204	334	209	334
Prepayments and accrued income	766	579	766	575
	<u>2,101</u>	<u>2,086</u>	<u>2,102</u>	<u>2,078</u>

The CDBF approved an initial loan to Sparrows Trading Company Limited (the company's subsidiary company) of £720,000 in July 2013. In March 2016 the CDBF agreed to extend the loan facility to £820,000 together with an additional cash flow facility of £80,000 to assist where there was a delay in receiving childcare funding from Local Authorities.

In December 2017 the CDBF agreed to write off £315,000 of the loan representing the costs of settings which had now ceased to operate.

The loan is repayable on 31 July 2023 although interim repayments are allowed without penalty. The interest rate payable is CPI+3%.

The loan falls due for repayment in more than 5 years (2016: more than 5 years) time.

**Notes to the financial statements
For the year ended 31 December 2017**

**17. CREDITORS:
Amounts falling due within one year**

	Group		Company	
	2017	2016	2017	2016
	£000	£000	£000	£000
Bank loans and overdrafts (note 18)	-	387	-	387
Trade creditors	471	276	468	255
Other taxation and social security	71	74	69	71
Closed Schools - amounts held pending determination	1,772	937	1,772	937
Devolved Formula Capital	662	748	662	748
Pension contributions (note 23)	1,332	1,320	1,332	1,320
Other creditors	16	18	11	13
Accruals and deferred income	546	892	522	877
Grants accrued (note 10)	745	868	745	868
	5,615	5,520	5,581	5,476

	Group	Company
	£000	£000
Deferred income		
Deferred income at 1 January 2017	86	72
Resources deferred during the year	41	86
Amounts released from previous years	(86)	(72)
Deferred income at 31 December 2017	41	86

Devolved Formula Capital is capital funding received from the government and held on behalf of schools.

**Notes to the financial statements
For the year ended 31 December 2017**

**18. CREDITORS:
Amounts falling due after more than one year**

	Group		Company	
	2017	2016	2017	2016
	£000	£000	£000	£000
Bank loans	9,255	6,366	9,255	6,366
Equity loans	915	915	915	915
	10,170	7,281	10,170	7,281

National Westminster Bank Plc has made available mortgage facilities to fund the purchase of houses for curates. The loan balance stands at £9.255m (2016: £6.753m) at the year end. In January 2017 the bank agreed a new facility of £10m and the then existing loans were repaid. The new facility, which is repayable in full at the end of 5 years, is secured on certain freehold properties.

Equity loans are made available by the Church Commissioners to assist with provision of housing for curates and other ministers. The terms are that the loan is repayable if the property is sold or ceases to be used for the purpose under which the loan was granted. The amount repayable to the Church Commissioners is the proportion of the current value of the property that the loan bore to the original purchase cost. Most loans incurred interest initially at 3% per annum but the rate thereafter varies with inflation: the average interest rate on these loans is 6%.

Notes to the financial statements
For the year ended 31 December 2017

19. SUMMARY OF FUNDS MOVEMENTS

STATEMENT OF FUNDS - CURRENT YEAR

	Balance at 1 January 2017 £000	Income £000	Expenditure £000	Transfers in/(out) £000	Gains/ (Losses) £000	Balance at 31 December 2017 £000
Designated funds						
Houses	19,336	-	(20)	2,935	1,347	23,598
Allchurches Trust	225	135	(90)	(130)	-	140
Strategic Change	308	-	(7)	(208)	-	93
Mission Opportunities	954	161	(142)	-	75	1,048
Young Vocations project	20	-	(23)	3	-	-
Diocesan Retreat House refurbishment	338	-	-	(299)	-	39
Turnaround Project	3	225	(179)	80	-	129
Closed Churches	41	458	-	-	-	499
Asbestos surveys	-	-	(38)	165	-	127
	<u>21,225</u>	<u>979</u>	<u>(499)</u>	<u>2,546</u>	<u>1,422</u>	<u>25,673</u>
General funds						
General Fund	3,227	20,774	(19,829)	(1,048)	84	3,208
Subsidiary company	(769)	406	(367)	279	-	(451)
	<u>2,458</u>	<u>21,180</u>	<u>(20,196)</u>	<u>(769)</u>	<u>84</u>	<u>2,757</u>
Total Unrestricted funds	<u>23,683</u>	<u>22,159</u>	<u>(20,695)</u>	<u>1,777</u>	<u>1,506</u>	<u>28,430</u>
Endowment funds						
Stipends Fund Capital	62,755	-	(100)	(428)	3,917	66,144
Parsonage Houses	178,915	-	-	(905)	9,778	187,788
Permanent Endowment	2,315	-	-	-	207	2,522
	<u>243,985</u>	<u>-</u>	<u>(100)</u>	<u>(1,333)</u>	<u>13,902</u>	<u>256,454</u>

Notes to the financial statements
For the year ended 31 December 2017

19. SUMMARY OF FUNDS MOVEMENTS (continued)

	Balance at 1 January 2017 £000	Income £000	Expenditure £000	Transfers in/(out) £000	Gains/ (Losses) £000	Balance at 31 December 2017 £000
Restricted funds						
Diocesan Board of Education	5,677	288	(490)	(279)	418	5,614
Diocesan Retreat House	83	227	(262)	20	3	71
London Over the Border	2,261	624	(837)	-	156	2,204
Lent Appeal	7	28	(35)	-	-	-
Refugee Appeal	90	-	(33)	-	-	57
Church Planting project	-	35	(50)	15	-	-
Restructuring	-	300	(74)	(200)	-	26
Training for Ministry	-	97	(93)	-	-	4
	<u>8,118</u>	<u>1,599</u>	<u>(1,874)</u>	<u>(444)</u>	<u>577</u>	<u>7,976</u>
Total of funds	<u>275,786</u>	<u>23,758</u>	<u>(22,669)</u>	<u>-</u>	<u>15,985</u>	<u>292,860</u>

STATEMENT OF FUNDS - PRIOR YEAR

	Balance at 1 January 2016 £000	Income £000	Expenditure £000	Transfers in/(out) £000	Gains/ (Losses) £000	Balance at 31 December 2016 £000
Designated funds						
Houses	17,414	61	-	(150)	2,011	19,336
Allchurches Trust	327	135	(237)	-	-	225
Strategic Change	403	-	(65)	(30)	-	308
Mission Opportunities	587	573	(282)	-	76	954
Young Vocations project	54	3	(37)	-	-	20
Diocesan Retreat House refurbishment	-	-	-	338	-	338
Turnaround Project	-	225	(222)	-	-	3
Closed Churches	41	-	-	-	-	41
	<u>18,826</u>	<u>997</u>	<u>(843)</u>	<u>158</u>	<u>2,087</u>	<u>21,225</u>
General funds						
General Fund	2,820	20,975	(19,524)	(1,068)	24	3,227
Subsidiary company	(648)	459	(557)	(23)	-	(769)
	<u>2,172</u>	<u>21,434</u>	<u>(20,081)</u>	<u>(1,091)</u>	<u>24</u>	<u>2,458</u>
Total Unrestricted funds	<u>20,998</u>	<u>22,431</u>	<u>(20,924)</u>	<u>(933)</u>	<u>2,111</u>	<u>23,683</u>

The Chelmsford Diocesan Board of Finance

Notes to the financial statements
For the year ended 31 December 2017

19. SUMMARY OF FUNDS MOVEMENTS (continued)

Endowment funds

Stipends Fund Capital	55,359	-	(87)	1,220	6,263	62,755
Parsonage Houses	163,314	-	-	(350)	15,951	178,915
Permanent Endowment	2,086	-	-	-	229	2,315
	<u>220,759</u>	<u>-</u>	<u>(87)</u>	<u>870</u>	<u>22,443</u>	<u>243,985</u>

	Balance at 1 January 2016 £000	Income £000	Expenditure £000	Transfers in/(out) £000	Gains/ (Losses) £000	Balance at 31 December 2016 £000
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Restricted funds

Diocesan Board of Education	4,801	625	(428)	23	656	5,677
Diocesan Retreat House	89	222	(271)	40	3	83
London Over the Border	2,011	548	(544)	-	246	2,261
Lent Appeal	-	25	(18)	-	-	7
Refugee Appeal	99	8	(17)	-	-	90
	<u>7,000</u>	<u>1,428</u>	<u>(1,278)</u>	<u>63</u>	<u>905</u>	<u>8,118</u>
Total of funds	<u>248,757</u>	<u>23,859</u>	<u>(22,289)</u>	<u>-</u>	<u>25,459</u>	<u>275,786</u>

SUMMARY OF FUNDS - CURRENT YEAR

	Balance at 1 January 2017 £000	Income £000	Expenditure £000	Transfers in/(out) £000	Gains/ (Losses) £000	Balance at 31 December 2017 £000
Designated funds	21,225	979	(499)	2,546	1,422	25,673
General funds	2,458	21,180	(20,196)	(769)	84	2,757
	<u>23,683</u>	<u>22,159</u>	<u>(20,695)</u>	<u>1,777</u>	<u>1,506</u>	<u>28,430</u>
Endowment funds	243,985	-	(100)	(1,333)	(2,935)	239,617
Restricted funds	8,118	1,599	(1,874)	(444)	577	7,976
	<u>275,786</u>	<u>23,758</u>	<u>(22,669)</u>	<u>-</u>	<u>(852)</u>	<u>276,023</u>

Notes to the financial statements
For the year ended 31 December 2017

19. SUMMARY OF FUNDS MOVEMENTS (continued)

SUMMARY OF FUNDS - PRIOR YEAR

	Balance at 1 January 2016 £000	Income £000	Expenditure £000	Transfers in/(out) £000	Gains/ (Losses) £000	Balance at 31 December 2016 £000
Designated funds	18,826	997	(843)	158	2,087	21,225
General funds	2,172	21,434	(20,081)	(1,091)	24	2,458
	<u>20,998</u>	<u>22,431</u>	<u>(20,924)</u>	<u>(933)</u>	<u>2,111</u>	<u>23,683</u>
Endowment funds	220,759	-	(87)	870	22,443	243,985
Restricted funds	7,000	1,428	(1,278)	63	905	8,118
	<u>248,757</u>	<u>23,859</u>	<u>(22,289)</u>	<u>-</u>	<u>25,459</u>	<u>275,786</u>

Designated Funds:

Houses fund

This fund represents monies allocated to clergy housing

Allchurches Trust

This fund represents grants received from Allchurches Trust and is to be distributed at the discretion of the Bishop of Chelmsford

Strategic Change

This fund represents monies allocated for strategic change, predominantly the Transforming Presence programme

**Mission Opportunities
Fund**

This fund represents monies allocated for new mission initiatives

Young Vocations Project

This fund represents monies allocated for the Young Vocations Project also known as Chelmsford Encounter

**Diocesan Retreat House
refurbishment**

This fund represents monies allocated to improve facilities at the Retreat House

Turnaround Project

This fund represents monies allocated to a 'turnaround' project to improve mission and financial performance

Closed Churches

This fund represents proceeds from the sale of closed churches which has been set aside to cover future costs arising on other churches in the diocese closed for public worship

**General Funds:
General Fund**

This fund is available for any purpose within the objects of the CDBF

Subsidiary Company

This represents the balance of expenditure over income in the subsidiary company, Sparrows Trading Company Limited

Notes to the financial statements
For the year ended 31 December 2017

19. SUMMARY OF FUNDS MOVEMENTS (continued)

Endowment Funds:

Expendable endowment

Stipends Fund Capital

This fund is governed by the Diocesan Stipends Measure 1953. The income of the fund can only be used for clergy stipends

Parsonage Houses

This fund represents the value of all the benefice houses (parsonages) in the Diocese

Permanent endowments

The income of these funds is available to be spent within the General Funds

Restricted Funds:

Diocesan Board of Education

The Diocesan Board of Education is an unincorporated body constituted in accordance with the Diocesan Boards of Education Measure 1991 (No.2). This includes the pooled sale proceeds of closed church schools and the unspent balance of the grant received from the Hockerill Educational Foundation

Diocesan Retreat House

The Diocesan Retreat House at Pleshey is operated as a separate activity. Under the terms of the trust for the Retreat House, all income must be expended within the centre and, therefore, this is treated as a restricted fund within CDBF's accounts

London Over the Border

The Council is instituted to administer specific funds for the benefit of parishes within five specified deaneries of the Diocese

Lent Appeal

This fund represent income from the Bishop's Lent Appeal

Refugee Appeal

This fund represent income from the Bishop's Refugee Appeal

Church Planting project

This fund represents grants received from the Church Commissioners towards the cost of the on-going development of resource churches and a network of new church communities in 5 strategic mission priority areas

Restructuring (transition) funding

This fund represents grants received from the Church Commissioners to aid the Diocese to transition to new funding arrangements

Training for Ministry

This fund represents grants received from The Archbishops' Council to assist in the funding of training clergy

Notes to the financial statements
For the year ended 31 December 2017

19 SUMMARY OF FUNDS MOVEMENTS (continued)

Analysis of transfers between funds

	General Funds £000	Designated Funds £000	Restricted Funds £000	Endowment Funds £000
From Parsonage Houses Funds to Designated Houses Fund on Pastoral Scheme - property transferred	-	2,935	-	(2,935)
From Allchurches Trust fund to Turnaround Project fund	-	(130)	-	-
From Strategic Change fund to Asbestos Surveys fund	-	(165)	-	-
From Strategic Change to Young Vocations fund	-	(3)	-	-
From Strategic Change to Diocesan Retreat House **	-	(20)	20	-
From Strategic Change to General Fund **	20	(20)	-	-
To Young Vocations fund from Strategic Change	-	3	-	-
From Diocesan Retreat House refurbishment fund to General Fund *	299	(299)	-	-
To Turnaround Fund from Allchurches Trust fund	-	130	-	-
From Turnaround Fund to General Fund **	50	(50)	-	-
To Asbestos Surveys fund from Strategic Change fund	-	165	-	-
From General Fund to Church Planting Project fund **	(15)	-	15	-
From General Fund to Stipends Endowment in respect of the reduction of the pension deficit	(1,602)	-	-	1,602
To Subsidiary Company from Diocesan Board of Education in respect of loan reduction	315	-	(315)	-
From General Fund to the Diocesan Board of Education for subsidiary interest	(36)	-	36	-
From Restructuring Fund to General Fund **	200	-	(200)	-
Total	(769)	2,546	(444)	(1,333)

Note:

* to assist in funding refurbishment works

** grants for operating purposes

Notes to the financial statements
For the year ended 31 December 2017

20. ANALYSIS OF NET ASSETS BETWEEN FUNDS

	Unrestricted funds 2017 £000	Restricted funds 2017 £000	Endowment funds 2017 £000	Total funds 2017 £000	Total funds 2016 £000
Tangible fixed assets	38,158	300	221,339	259,797	242,492
Fixed asset investments	1,235	7,927	41,979	51,141	48,137
Debtors due after more than one year **	(179)	437	-	258	273
Current assets	1,366	1,988	344	3,698	5,730
Creditors due within one year	(1,798)	(2,676)	(1,141)	(5,615)	(5,520)
Creditors due in more than one year	(10,170)	-	-	(10,170)	(7,281)
Defined benefit pension scheme liabilities	(182)	-	(6,067)	(6,249)	(8,045)
Total	<u>28,430</u>	<u>7,976</u>	<u>256,454</u>	<u>292,860</u>	<u>275,785</u>

** this reflects the inter-company loan from CDBF to its subsidiary out of restricted Education funds excluded on consolidation.

**Notes to the financial statements
For the year ended 31 December 2017**

21. CONTINGENT LIABILITIES

There were no contingent liabilities at the balance sheet date.

22. CAPITAL COMMITMENTS

At 31 December 2017 the group and company had capital commitments as follows:

	Group		Company	
	2017	2016	2017	2016
	£000	£000	£000	£000
Contracted for but not provided in these financial statements	60	599	60	599

**Notes to the financial statements
For the year ended 31 December 2017**

23. PENSIONS

The group participates in four pension schemes:

- A. Church of England Funded Pensions Scheme
- B. Church Workers Pension Fund DBS
- C. Church Workers Pension Fund Pension Builder
- D. Teachers Pension Scheme

The Church of England Funded Pensions Scheme (CEFPS) and the Church Workers Pension Fund (CWPF) are multi-employer last man standing defined benefit pension schemes for which the CDBF 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 CDBF 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 CDBF. A valuation of each scheme is carried out once every three years.

A. Church of England Funded Pensions Scheme (CEFPS) - the Clergy defined benefit pension scheme

CDBF participates in the CEFPS 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 the specific Responsible Body and this means that contributions are accounted for as if the Scheme were a defined contribution scheme. The pensions costs charged to the SOFA in the year are contributions payable towards benefits and expenses accrued in that year (2017: £2.037m, 2016: £2.015m), plus the figures highlighted in the table below as being recognised in the SOFA, giving a total charge of £1.548m for 2017 (2016: £1.897m).

**Notes to the financial statements
For the year ended 31 December 2017**

23 PENSIONS (continued)

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

- ◆ An investment strategy of:
 - for investments backing liabilities for pensions in payment, an allocation to gilts of 33% from the valuation date until 31 December 2019 and thereafter increasing linearly to 70% by 31 December 2030; and
 - a 100% allocation to return-seeking assets for investments backing liabilities prior to retirement;
- ◆ Investment returns 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 repair contributions payable (as a percentage of pensionable stipends) are set out in the table below.

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

As at December 2015 the deficit repair contributions payable 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 are set out in the above table.

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

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

	2017 £000	2016 £000
Balance sheet liability at 1 January	8,782	10,002
Deficit contribution paid	(1,113)	(1,102)
Interest cost (recognised in SOFA)	123	236
Remaining change to the balance sheet liability* (recognised in SOFA)	(612)	(354)
Balance sheet liability at 31 December	<u>7,180</u>	<u>8,782</u>

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

**Notes to the financial statements
For the year ended 31 December 2017**

23 PENSIONS (continued)

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	1.40% pa	1.50% pa	2.50% pa
Price inflation	3.00% pa	3.10% pa	2.40% pa
Increase to total pensionable payroll	1.50% pa	1.60% pa	0.90% pa

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

B. Church Workers Pension Fund (CWPF) - Lay Workers Defined Benefits Scheme

The CDBF(Defined Benefits Scheme) participates in the Defined Benefits Scheme section of CWPF for lay staff. The Scheme is administered by the Church of England Pensions Board, which holds the assets of the schemes separately from those of the Employer and the other participating employers.

The CWPF 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 (see section C below). The Defined Benefits Scheme ("DBS") section of the CWPF provides benefits for lay staff based on final pensionable salaries.

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

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

It is not possible to attribute the scheme's assets and liabilities to specific employers, since each employer, through the Life Risk Pool, is exposed to actuarial risks associated with the current and former employees of other entities participating in the DBS. The scheme is considered to be a multi-employer scheme as described in Section 28 of FRS 102 and as such contributions are accounted for as if the Scheme were a defined contribution scheme. The pensions costs charged to the SOFA in the year are contributions payable towards benefits and expenses accrued in that year (2017: £121,000, 2016: £132,000), plus any impact of deficit contributions (see below), giving a total charge of £125,000 for 2017 (2016: £155,000).

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.

**Notes to the financial statements
For the year ended 31 December 2017**

23 PENSIONS (continued)

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 CDBF contributions that would otherwise have been payable. The overall deficit in the DBS was £12.9m.

Following the valuation, the CDBF has entered into an agreement with the CWPF to pay a contribution rate of 31.1% of pensionable salary and expenses of £10,400 per year. In addition deficit payments of £187,646 per year have been agreed for 4.75 years from 1 April 2015 in respect of the shortfall in the CDBF sub-pool. This obligation has been recognised as a liability within the CDBF's financial statements.

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 below:

	2017	<i>2016</i>
	£000	<i>£000</i>
Balance sheet liability at 1 January	553	<i>718</i>
Deficit contribution paid	(188)	<i>(188)</i>
Interest cost (recognised in SOFA)	4	<i>11</i>
Remaining change to the balance sheet liability*(recognised in SOFA)	1	<i>12</i>
Balance sheet liability at 31 December	370	<i>553</i>

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

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

	December 2017	December 2016	December 2015
Discount rate	0.90% pa	0.90% pa	1.80% pa

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

The next valuation of the scheme is being carried out as at 31 December 2016.

**Notes to the financial statements
For the year ended 31 December 2017**

23 PENSIONS (continued)

C. Church Workers Pension Fund (CWPF) - Pension Builder Classic and PB2014

The CDBF (PB 2014) participates in the Pension Builder Scheme section of CWPF for lay staff. The Scheme is administered by the Church of England Pensions Board, which holds the assets of the schemes separately from those of the Employer and the other participating employers.

The CWPF has a section known as the Defined Benefits Scheme, a deferred annuity section known as Pension Builder Classic and a cash balance section known as Pension Builder 2014.

Pension Builder Scheme

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

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

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

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

The scheme is considered to be a multi-employer scheme as described in Section 28 of FRS 102. This means it is not possible to attribute the Pension Builder Scheme's assets and liabilities to specific employers and that contributions are accounted for as if the Scheme were a defined contribution scheme. The pensions costs charged to the SoFA in the year are contributions payable (2017: £145,000, 2016: £139,000).

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

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

The liability at 31 December 2017 was £31,000 (2016: £30,000).

**Notes to the financial statements
For the year ended 31 December 2017**

23 PENSIONS (continued)

D. Teachers Pension Scheme (TPS)

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

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

Valuation of the Teachers' Pension Scheme

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

- employer contribution rates set at 16.48% of pensionable pay including a 0.08% employer administration charge (currently 14.1%);
- total scheme liabilities (pensions currently in payment and the estimated cost of future benefits) for service to the effective date of £191,500 million, and notional assets (estimated future contributions together with the notional investments held at the valuation date) of £176,600 million, giving a notional past service deficit of £14,900 million;
- an employer cost cap of 10.9% of pensionable pay will be applied to future valuations.
- the assumed real rate of return is 3.0% in excess of prices and 2% in excess of earnings. The rate of real earnings growth is assumed to be 2.75%. The assumed nominal rate of return is 5.06%.

During the previous year the employer contribution rate was 14.1%. The TPS valuation for 2012 determined an employer rate of 16.4% which was payable from September 2015. The next valuation of the TPS will be as at March 2016, whereupon the employer contribution rate is expected to be reassessed and will be payable from 1 April 2019.

The employer's pension costs paid to TPS in the period amounted to £50,483 (2016: £51,224)

A copy of the valuation report and supporting documentation is on the Teachers Pension Website (www.teacherspensions.co.uk/news/employers/2014/06/publication-of-the-valuation-report.aspx). Under the definitions set out in FRS102, the TPS is a multi-employer pension scheme. The charity has accounted for its contributions as if it were a defined contribution scheme. The charity has set out above the information available on the scheme.

**Notes to the financial statements
For the year ended 31 December 2017**

23 PENSIONS (continued)

The summary of all the schemes' liabilities at 31 December is:

Amounts falling due within one year

	Group		Company	
	2017	2016	2017	2016
	£000	£000	£000	£000
Church of England Funded Pensions Scheme	1,113	<i>1,102</i>	1,113	<i>1,102</i>
Church Workers Pension Fund DBS	188	<i>188</i>	188	<i>188</i>
Church Workers Pension Fund - Pension Builder Classic and PB2014	31	<i>30</i>	31	<i>30</i>
Total	<u>1,332</u>	<u>1,320</u>	<u>1,332</u>	<u>1,320</u>

Amounts falling due after more than one year

	Group		Company	
	2017	2016	2017	2016
	£000	£000	£000	£000
Church of England Funded Pensions Scheme	6,067	<i>7,680</i>	6,067	<i>7,680</i>
Church Workers Pension Fund DBS	182	<i>365</i>	182	<i>365</i>
Total	<u>6,249</u>	<u>8,045</u>	<u>6,249</u>	<u>8,045</u>

**Notes to the financial statements
For the year ended 31 December 2017**

24. OPERATING LEASE COMMITMENTS

At 31 December 2017 the group had annual commitments under non-cancellable operating leases as follows:

Group	Land and buildings	
	2017	2016
	£000	£000
Expiry date:		
Within 1 year	92	92
Between 2 and 5 years	61	73
After more than 5 years	6	16
Total	159	181

At 31 December 2017 the company had annual commitments under non-cancellable operating leases as follows:

Company	Land and buildings	
	2017	2016
	£000	£000
Expiry date:		
Within 1 year	54	62

25. RELATED PARTY TRANSACTIONS

Transactions between Sparrows Trading Company Limited and the CDBF were as follows:

	2017	2016
	£000	£000
Amount owing at 1 January	738	637
Loan advanced to Sparrows Trading Company Limited during the year	10	101
Amount written off	(315)	-
Amount owing at 31 December	433	738

Sparrows Trading Company Limited paid £35,000 (2016: £23,000) to the CDBF in respect of interest on the loan (notes 5,16,19).

**Notes to the financial statements
For the year ended 31 December 2017**

26. POST BALANCE SHEET EVENTS

The outstanding liability on the Church Workers Pension Scheme (note 23) was settled in March 2018 utilising funds from grants received from the Church Commissioners Restructuring scheme.

27. CAPITAL EXPENDITURE ON VOLUNTARY AIDED SCHOOLS

CDBF received funding on behalf of schools from the Department for Education, local authorities and from school governing bodies to finance building work amounting to £1,975,000 (2016: £1,952,000).

These funds were then utilised to pay for school building improvement works. Neither the income nor the expenditure are included in these accounts.

28. FUNDS HELD AS CUSTODIAN TRUSTEE

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

The financial assets held in this way may be summarised as follows:

	2017	<i>2016</i>
	£000	<i>£000</i>
CBF Church of England Investment Fund income shares	7,694	<i>6,624</i>
CBF Church of England Investment Fund accumulation shares	648	<i>576</i>
CBF Church of England Fixed Interest Securities Fund shares	365	<i>282</i>
CBF Church of England Property Fund shares	3	<i>3</i>
COIF income and accumulation shares	555	<i>509</i>
Other common investment fund holdings (M&G)	1,213	<i>1,166</i>
Direct holdings in UK equities	526	<i>480</i>
CBF Church of England Deposit Fund	5,254	<i>5,019</i>
	16,258	<i>14,659</i>