



ANNUAL REPORT AND FINANCIAL STATEMENTS

For the year ended 31 December 2017

WINCHESTER DIOCESAN BOARD OF FINANCE

Company number - 142351

Registered charity number – 249276

A large print version is available on request from
Mrs Carol Sullivan
Diocesan Office
Old Alresford Place
Alresford
Hampshire
SO24 9DH

carol.sullivan@winchester.anglican.org

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A Missional Church for the Common Good

'This good news of the kingdom will be proclaimed in all the world as a witness to all nations'
Matthew 24:14

My hope is that, as a diocese, we are becoming a missional church in the way we share God's life for the common good of all. My hope is that what we do continues to flow out of our identity in Christ, sharing in his life and sharing it with others. My hope is that our church will grow and be sustained in this calling.

God's mission and church are *worldwide*, and this is the foundation for our *national, regional & local* church. So we belong to the international social movement of World Christianity. We listen, learn and share in our global neighbours' challenges and possibilities even as we focus on the flourishing of our local communities.

Through Winchester Mission Action we share God's life throughout the diocese and in the local church for the common good of all. Our mission action is based on discerning the Holy Spirit's lead, so that our projects, our vision and our strategic priorities are in the flow of the Spirit. In all this we depend on God's grace.

This year's report is a celebration of our life and mission through these priorities and projects, and the hard work of people and communities thus far. You will read that the directors are 'confident that the Charity delivers public benefit' and as a diocesan community we pray that, by God's grace, this is a huge understatement!

+Tim

The Right Reverend Timothy Dakin

The Bishop of Winchester

WINCHESTER DIOCESAN BOARD OF FINANCE

TRUSTEES REPORT

For the year ended 31 December 2017

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

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

This combined report satisfies the legal requirements for:

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

LEGAL OBJECTS

The objects of the Diocese of Winchester covers the majority of Hampshire; a part of eastern Dorset, the unitary authority of Southampton and the eastern parts of the unitary authorities of Bournemouth and Poole. The Bishop of Winchester has delegated his Episcopal authority, pastoral and spiritual oversight of the Channel Islands to the Bishop of Dover, who is honorary assistant Bishop in the Diocese.

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

The WDBF 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 custodian of assets relating to church schools under the Diocesan Board of Education Measure 1991;
- iv. the custodian of permanent endowment and real property assets relating to trusts held by Incumbents and 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 in communication with Deanery Synods, PCCs, and the Bishop of Winchester (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; taking forward the commitments arising from the Diocesan Conference including the Diocesan Budget.

STRATEGIC AIMS

In 2013 the Diocesan Synod Conference developed and approved the following statement and four strategic priorities (4 SPs):

Under God, delighting in His grace and rooted in the Diocesan Rule of Life, we will be a Diocese in which:

- **SP 1: We grow authentic disciples**, going out as individuals passionately, confidently and courageously sharing their faith, and coming together as creative church communities of prayer and worship that live out Kingdom values.
- **SP 2: We re-imagine the Church** intentionally connecting and engaging with our local communities in culturally relevant ways. We will rejoice in the richness of the 'mixed economy' of all ministry and proactively promote vibrant parochial and breath-taking pioneering ministries amongst 'missing' generations, eg children, young people, under 35s.
- **SP 3: We are agents of social transformation** using our influence as a Diocese to transform public and personal life. We will demonstrate loving faith at work in local communities and across the globe bringing healing, restoration and reconciliation, eg through education, social enterprise, health care, spiritual care teams.
- **SP 4: We belong together in Christ, practising sacrificial living and good stewardship of all that God has entrusted to us.** We will combine radical generosity, care and capacity building with a clear focus on directing finance into the mission of Jesus. Sharing and multiplying local good practice, using people, buildings and other resources wisely, we will seek to boldly prune, plant and invest in building for the Kingdom.

Due to the nature of our organisation, our objectives and strategic priorities are primarily delivered through our network of parishes, clergy, ministers and worshipping communities. It is therefore vital that we invest in engaging, supporting, equipping and challenging them to grow our shared mission as we all seek to Live the Mission of Jesus.

The outcomes we look for are represented by the framework of the 3 P's:

- **Passionate Personal Spirituality**
- **Pioneering Faith Communities**
- **Prophetic Global Citizenship**

Through carrying out these priorities and in promoting the whole mission of the church (pastoral, evangelistic, social and ecumenical) the directors are confident (having had regard to Charity Commission guidance) that the Charity delivers public benefit.

ACTIVITIES IN THE YEAR

Winchester Mission Action & Strategic Development Fund (SDF) Bid

The project has four major elements which support the diocese's growth strategy:

The Benefice of the Future aims to serve the ministry and mission of the diocese's rural parishes more effectively and to renew and revitalise their distinctive mission. Three pilot multi-parish benefices will be created of sufficient size to provide enough internal resource, produce efficiency of scale and permit diversity and differentiation.

Invest for Growth will establish and grow 2 new resource churches in Southampton and North Hampshire, five church plants and two pioneer hubs to grow fresh expressions of Church.

Major Development Areas will shape planning of new housing developments, grow sustainable ministry teams and create worshipping communities in six strategic MDAs.

Student Evangelism will explore new models for student evangelism in Further and Higher Education, with particular emphasis on incremental growth models in Further Education.

The diocese anticipates that key outcomes by the end of 2020 will include:

Benefice of the Future

- 15% growth in membership across 3 pilot benefices, including 160 new and returning disciples and 40 retained through reversing decline; 60% from missing generations.
- Five new fresh expressions of Church launched, including a total of 100 participants, with 35% of all attenders previously not engaged in church and 60% under 30 years of age. 70% of fresh expressions of Church to be lay led.
- 30 new lay leaders and four new vocations to ordained or LLM ministry.

Invest for Growth

- 2 resource churches with 650 new church members. 20% to be unchurched or de-churched; 15-25% of total membership to be students and average age of total to be under 40. Total membership to increase to 800 by end 2021 and 1000 by 2022.
- Five church plants with 380 new church members; 20-40% to be unchurched or de-churched and 25-50% of total membership to be missing generations. Total membership to increase to 1,250 by end 2024.
- 30 new fresh expressions of Church developed, with total of 600 participants; 35% of participants unchurched; 25% of participants under 30; 70% lay led.

Major Development Areas

- One new Christian community with 100 members: 40% unchurched; 50% missing generations.
- Five new fresh expressions of Church, totalling 150 participants, with 40% of attenders unchurched; 50% under 30 years of age; 70% lay led
- One new Church of England Free School.

Student Evangelism

- Increase in number of students coming to Christ to 1,400 per year.
- Increase of 200% (to c. 2,000) in Higher Education students attending church.
- 30 trained student evangelism workers deployed across the diocese.

The overall cost of the project will be supported by Strategic Development Funding from the Archbishops' Council of £4.2m drawdown over three years from 2018 to 2020. The Strategic Development Funding was awarded in December 2017 and the project commenced on 1st January 2018.

ACHIEVEMENTS

In addition to the usual work and statutory obligations the Board and its executive undertook there were some key areas of development. During the year the Synod developed the four strategic priorities into twelve mission outcomes focussing on key target areas – four of which form part of a major programme of development over the next three years, see future plans. As part of the delivery of the new programme of work a new Head of Strategic Development was appointed and a programme office developed. It is planned to recruit a number of key staff to support the implementation of the programme during 2018.

The Diocese expanded its work with schools, approving a new staffing structure and creating opportunities for churches to engage with schools - exemplified in the 'Ewe Matter' project. Life-size

fibreglass sheep have arrived at schools across the Diocese of Winchester as part of 'Ewe Matter', a new inter-generational initiative across Hampshire and Dorset's church schools that aims to foster closer links between schools and the parishes in which they sit. A new training programme for governors was also launched during the year.

A new theological training scheme was launched, preparing students for ordination. Within the diocese there are currently 40 people in training with a further 85 at various stages of selection. Greater emphasis was placed on training lay people for missional service in the Diocese and 43 people were commissioned by the Bishop for mission (BCM) (7 in 2016);

The Safeguarding Panel received a report from the independent audit and published an action plan. The report was positive with some minor areas of suggested improvement. The audit report was shared with statutory partners and is published on the Diocesan Website.

2017 saw the inception of 'Launchpad Early Years' providing nursery and pre-school services across the diocese. The Board is funding the work through its partner – Winchester Social Enterprise and expects to develop two new Launchpads during 2018. During 2017 sixteen church based pre-schools also affiliated with Launchpads benefiting from a range of professional services.

FUTURE PLANS

Following extensive work and consultation, Diocesan Synod agreed in March 2017 that to deliver the Diocesan vision and the 4 SPs we should aim to achieve **Sustainable Growth for the Common Good**. With this focus in mind, out of the twelve potential projects for delivering the mission outcomes, we have identified and prioritised four major projects that we wish to target:

'The Rural 200' - Benefice of the Future: A pilot to grow 3 rural benefices by 200 people, offer learning to roll out across the Diocese and a model for the Church of England's rural mission. Growing the pilot benefices by around 15% and reversing current decline we believe can produce around 200 Christians who would not otherwise be part of the worshipping community in these benefices. We are aiming for 'The Rural 200'.

Invest for growth (Resource Churches and pioneer hubs): Invest where there is potential for numerical growth by planting resource churches which will be able to support local churches and in time be ready to plant again.

Alongside the new resource churches will be two pioneer hubs that offer a wider reach within the deaneries that they serve. Hubs include lay and ordained with residential element. This ensures that we reach for growth by deploying pioneers in teams and support outreach. The project will also support our engagement with Further and Higher education and plant in Major Development Areas.

Major Development Areas: Over the past five years the diocese has been a key partner, actively engaged with local authorities, lead community organisations and developers, in the planning of sustainable community development for major development areas (MDAs). We recognise that early engagement with a new community significantly increases our opportunities to develop new worshipping communities, a strong and thriving church and play our part in sustainable communities. We therefore want to ensure that the diocese creates church plants and pioneer hubs, working as a team to offer a missional Christian presence and through our Winchester Social Enterprise helps support the creation of sustainable community development.

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Student Evangelism Further & Higher Education (FE/HE): The Diocese faces the challenge of missing generations in our churches. Yet we have over 140,000 students in FE & HE institutions with whom we are not engaging evangelistically. The aim is to grow the number of Christian students who will then become the shapers of church and society. This will require a step-change in our attitude to evangelism and intentional action. The project will implement a new model for student evangelism in two strategic contexts: Basingstoke and Southampton. This is a pilot project to develop a national commitment to student evangelism across the dioceses

FINANCIAL REVIEW

Financial Performance

Overall financial performance was good. Common Mission Fund, the mutual cost-sharing across the Diocese to fund mission and ministry is the main incoming resource for the Diocese. We received £9,302,000 (2016: £9,254,000) which represented a recovery rate of 95.8% (2016: 97.5%) against budget. In line with the recovery rate, actual shortfall on contributions for 2017 stands at £401,000 (2016: £240,000).

Net income on the general fund after transfers excluding gains on investments and property disposals was £17,000 (2016: deficit of £78,000). This was mainly due to achieving better than budgeted on rental income which we used to offset the deficit on Common Mission Fund.

The capital values of properties and investments continued to increase – properties by £6,371,000 (2016: £4,255,000), investments by £1,218,000 (2016: £1,295,000) – resulting in an overall increase in funds of £8,037,000 (2016: £5,975,000).

Total expenditure movements

Costs have been controlled by keeping expenditure in line with actual income as opposed to budgeted income. The higher shortfall on Common Mission Fund contributions (below target rate of 97.5%) was compensated via increased rental income on property lettings.

Balance sheet position

The Directors consider that the balance sheet together with details in note 19 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 £134m (2016: £126m) noting that included in this total are properties, mostly in use for Clergy, whose value net of loans used to buy them amounted to £117.5m (2016: £112m). Much of the remainder of the assets shown in the balance sheet is held in restricted funds, and cannot necessarily be used for the general purposes of the WDBF.

Reserves policy

The Directors' policy for the balance of net current assets to be held in the general fund at the year-end is for a target balance of £800,000 being approximately one month's parish share. At 31 December 2017 the net current assets of the general fund amounted to £1,519,000 (2016: £1,135,000).

Free reserves

Having considered financial risk, liquidity requirement and the timing of cashflows throughout the year, the Trustees' policy is to aim to hold a balance of free reserves (general fund less tangible fixed assets net of long-term financing) on its general fund equivalent to about 3 months budgeted unrestricted expenditure. At 31 December 2017 the amount required under this policy totalled £3.0m (2016: 3.0m). Actual free reserves as at 31 December totalled £4.1m (2016: £3.3m). The Trustees consider this to be a satisfactory position.

Designated funds

The Trustees may, with the approval of the Board, designate additional unrestricted reserves to be retained for an agreed purpose where this is considered to be prudent. Such designated reserves are reviewed on an annual basis and returned to the general fund in the event that the purpose of their designation is no longer considered to be adequate justification for their retention. A description of each reserve together with the intended use of the reserve is set out in note 20. At 31 December 2017 total designated reserves were £2.03m (2016: £1.6m)

Restricted and endowment funds

As set out within Notes 18 and 19 WDBF holds and administers a large number of restricted and endowment funds. As at 31 December, 2017 restricted funds totalled £8.15m (2016: £8.0m) and endowment funds totalled £96.64m (2016: £90.8m). Neither are available for the general purposes of the WDBF. Within Note 18 the newly commenced Winchester: Mission Action restricted fund and Resourcing Ministerial Education (RME) Training for Ordinands fund have been recognised.

Grant making policy

The Memorandum of Association of the WDBF explicitly permits the WDBF to make grants in pursuance of its objects Details of grants made are shown in note 9.

Investment policy

The WDBF is empowered by its memorandum of association to invest monies not immediately required for its purposes. In addition, the WDBF acts as Trustee of a number of trust funds, and these must be invested in accordance with the related trusts. The WDBF's policy is to review regularly the assets of each fund for which it is responsible, in relation to the purposes of each fund, and to identify appropriate investment vehicles. Note 19 provides details of the assets of each fund, together with the related purposes, and note 13 summarises the movements in investments during the year.

The majority of the WDBF's investments continue to be held in the CBF Church of England Funds managed by CCLA Investment Management Limited. During 2017 8% of the investment portfolio which was managed by Sarasin & Partners LLP in their Alpha Fund was closed and transferred to CCLA. Once again, CCLA's performance has been very good through the year, out-performing comparative benchmarks. The investments held (valued at mid) and their return during the year are set out in the following table:

	Value at 31/12/17 £'000	% of portfolio	2017		2016	
			Yield	Total Return	Yield	Total Return
CCLA						
Investment Fund	14,729	92.6%	3.27%	13.40%	3.51%	15.90%
Property Fund	<u>1,112</u>	7.0%	5.45%	9.69%	5.67%	2.60%
	15,841	99.6%				
Sarasin Alpha Fund	-	0.0%				
Other	<u>65</u>	0.4%				
	<u><u>15,906</u></u>	100.0%				

As a participant in the CBF Church of England Funds managed by CCLA Investment Management Limited and Sarasin's Alpha Fund, the WDBF adopts the ethical investment policies in those funds.

STRATEGIC RISKS AND UNCERTAINTIES

The Directors 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. This is subject to review by the Directors on an annual basis with the responsibility for delivery of the mitigation strategies, identified by it, being delegated to the Chief Executive. The following areas are considered to be the current highest strategic risk areas for the diocese:

Risk	Strategic Overview
<p>Safeguarding: <i>Child, adult at risk, or domestic abuse</i> There is an occurrence of child, adult at risk, or domestic abuse by someone working for or on behalf of the Church (in a parish or parish based organisation or at the Diocesan Office)</p> <p><i>Non-Current Cases</i> It comes to light that there were instances of abuse in the past which were not appropriately dealt with by the clergy/Diocese</p>	<p>The Diocese has a Safeguarding Board that is independently chaired and draws-in senior officers from statutory agencies, law and education as well as the Chief Executive of the Diocese and the Dean of the Cathedral. The Board is responsible for developing Safeguarding Strategy and an action plan of improvement. The Board is supported by a Casework Subcommittee and a Training Subcommittee (both independently chaired). The Board promotes best practice and continuously ensures that the Diocese is adopting and developing appropriate policy and practice.</p> <p>A Safeguarding team, led by a highly qualified and experienced Safeguarding Manager, promotes best practice, supports those making disclosures and manages offenders and those under investigation.</p> <p>In 2018 the Diocese will undertake further work to review the records it holds as part of its continuing work to review non-current cases.</p>
Risk	Strategic Overview
<p>Financial: <i>Diocesan Board of Finance</i> A serious loss of income, investment market crash, unforeseen major expense, fraud and theft are all potential serious financial incidents for the Board.</p> <p><i>Custodian Trustee</i> A parish enters into major expenditure without sufficient resources, experiences fraud, has major unforeseen building or staffing issues requiring significant expenditure.</p>	<p>The Diocesan Board of Finance (DBF) is supported by a Finance Monitoring Group, made up of DBF and independent members that scrutinise the budgets, major financial transactions and current and future spending plans. The DBF also has an Investment Advisory Group which is responsible for meeting with fund managers, managing investments to meet the DBF's growth and income targets, and advising on levels of liquidity.</p> <p>The DBF issues comprehensive Financial Standing Instructions and the Chief Executive issues further Financial Operating Instructions to clearly identify levels of delegation, responsibility and accountability. Appropriate measures are in place to ensure that financial transactions require two signatures and property purchases and major contracts also require two director signatures in addition to the Chief Executive.</p> <p>The DBF insures against its most significant serious incidents and all insurance policies are reviewed annually.</p> <p>The DBF reviews parish annual reports and accounts, ensures that all draw-downs on investments and property transactions are viable. Major works to buildings, requiring faculty, are also assessed for financial prudence.</p>

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Risk	Strategic Overview
<p>People</p> <p><i>Employment</i> Significant staff turnover, staff without appropriate qualifications and skills mix for evolving needs of the DBF and wider Diocese.</p> <p><i>Appointments</i> The Diocese fails to make the right appointments to parishes and senior positions within the Diocese.</p>	<p>The Diocese continues to invest in human resource development and plans, during 2018, to launch a new Ministerial Development Review process for clergy and a new appraisal scheme for DBF employees. It also plans to develop a new managers training programme and invest in targeted leadership development for key individuals.</p> <p>Staff support and development are overseen by an HR team led by a highly qualified and experienced Head of HR. Investment and improvement in appointment processes has been a priority for the DBF over the recent years. More use is made of targeted testing and assessment, both prior to and during the early stages of a new employee's appointment.</p> <p>The DBF also retains the support of an employment law specialist.</p>
Risk	Strategic Overview
<p>Reputation</p> <p>A serious incident causes adverse publicity and a loss of confidence in the Diocese.</p>	<p>The Diocese cannot prevent all possible serious incidents across all parts of the organisation. If a serious incident should arise the Diocese has a policy of open and transparent communication, supported by a communications team made up of both internal and consultancy staff. The Diocese works closely with statutory agencies and will always report serious incidents to the Charity Commissioners. No Serious Incidents were reported to the Charity Commissioners during 2017.</p>

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 40 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 representations from each Diocese and it agrees and lays before Parliament, Measures for the governance of the church's affairs which, if enacted by Parliament, have the force of statute law. In addition to the General Synod, the Archbishops' Council has a coordinating role for work authorised by the Synod; the Church Commissioners manage the historic assets of the Church of England; and the Church of England Pension Board administers the pension schemes for clergy and lay workers. Within each Diocese, overall leadership lies with the Diocesan Bishop, who exercises that input as Bishop within the Diocesan Synod. The Diocese is itself divided into 11 deaneries, each with its own Synod and within each parish there is a parochial church council which shares with the parish priest responsibility for the mission of the church in that place, in a similar way to that in which the Bishop shares responsibilities with the Diocesan Synod. Whilst each Diocese is a separate legal entity, with a clear responsibility for a specific geographical area, being part of the Church of England requires and enables each Diocese to seek support from and application for partnership with neighbouring Dioceses.

Organisational structure

The Winchester Diocesan Board of Finance (WDBF) is a company limited by guarantee (No. 142351) and a registered charity (No. 249276) governed by its Memorandum and Articles of Association.

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The company's principal activity is to promote, assist and advance the work of the Church of England within the Diocese of Winchester. It was established in its present form in 1927 and is successor in title to the Winchester Diocesan Trustees.

Governance and policy of the Diocesan Board of Finance is the responsibility of the Trustees, who are also members of the company and trustees for the purposes of charity law. Following the changes in governance approved in December 2012, the membership of the DBF comprises of: The Bishop of Winchester (ex-officio chairman); the Chairs of the Synod House of Clergy and the Synod House of Laity, together with six people elected from and by the members of Diocesan Synod every three years. The most recent elections were held in October 2015. Details of Trustees who served during the year are set out on page 14.

The Diocesan Synod, the statutory governing body of the Diocese, is an elected body drawn from across the Diocese with responsibility for setting the vision and strategy of the Diocese, guided by the Bishop's Staff Team. The Synod membership is elected every three years, the last elections having been in September 2015. The Synod elects six of the ten Trustees of the Diocesan Board of Finance. Whilst the WDBF is a separate legal entity, with clear responsibilities under both company and charity law, as well as a governing memorandum and articles of association, by virtue of the National Institutions Measure 2000 the WDBF is subject to the direction of the Synod in all its activities, unless such direction is not in accordance with the governing documents or statutory regulations.

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 Winchester are set by the Diocesan Synod, and the WDBF. The responsibility for ensuring that these priorities and strategies are delivered is delegated to the Chief Executive. 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 WDBF. The Trustees, meeting within the context of the Bishop's Council & Standing Committee, hold up to seven meetings during the year to formulate and coordinate policies on mission, ministry and finance by:-

- Initiating proposals for action by the Synod and advising it on matters of policy
- Transacting business of the Synod when it is not in session subject to the directions of the Synod and in accordance with Synod Standing Orders
- Acting as the Trustees of the WDBF.
- Planning the business of the Synod, preparing the agenda for its session, and circulating to members information about matters for discussion.
- Advising the Bishop on any matters he may refer to the committee
- Initiating consideration of any restructuring of Synod Committees and Departments which may appear necessary and for the establishment of ad hoc review groups, their terms of reference and membership.
- Carrying out such other functions as the Synod delegates to it
- Appointing members to committees and representatives to external bodies, subject to the direction of the Synod.

The Trustees are assisted in their work by 2 sub-committees:

Finance Monitoring Group: monitors management accounts and budget, the use of assets and investment policies and exercises the authority delegated to it by the Trustees in areas such as grants and loans. It also undertakes the WDBF's responsibilities under the Parsonages Measure; the Repair of Benefice Building Measure 1972; the PCC (Powers) Measure 1956 and the

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Incumbents and Churchwardens (Trusts) Measure 1964 (with respect to parochial property); the Endowment and Glebe Measure 1976 (with regard to property assets); and the Pastoral Measure 1983 (with regard to redundant churches). The diocesan pastoral account is currently in deficit due to timing differences on disposal and the associated continuing cost of maintaining and insuring a Closed Church following the loss of tenants.

Investment Advisory Group: provides advice (the sub-committee has no executive authority) to the Finance Monitoring Group and the Chief Executive on WDBF's investments and funds available for investment.

Trustee recruitment, selection and induction

Trustees are members of the Bishop's Council & Standing Committee and are selected as set out above. They are given induction and provided with trustee training at the outset of the triennium and at other times as appropriate. They are also informed before seeking membership and, at all other relevant times, of the role and function of the Committee. All Trustees are required to sign the code of practice and maintain their entry in the record of declarations of interest and loyalty.

Fundraising Code of Practice

The Diocese provides guidance to the parishes with regards to fundraising and will engage directly in fundraising during 2018 via in-house activities. Due regard is given to the Fundraising Code of Practice set by the Fundraising Regulator when providing the advice to the parishes.

Remuneration of key management personnel

Emoluments of higher-paid employees are determined by a remuneration group consisting of the Bishop of Winchester, the Chair of the House of Clergy and the Chair of the House of Laity. The terms of reference for this group are established by the Bishops Council and include: regular appraisals, remuneration and salary benchmarking and consequent recommendation of changes.

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 and his colleagues for the delivery of the day to day activities of the company. The Chief Executive is given specific and general delegated authority to deliver the business of the WDBF in accordance with the policies framed by the Trustees.

Funds held as Custodian Trustee

The WDBF 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 WDBF does not control them, and they are segregated from the WDBF's own assets by means of a separate bank account and accounting system. Further details of financial trust assets, whose market value amounted to £14,978,000 as at 31 December 2016 (2016: £13,317,000), are available from the WDBF on request, and are summarised in note 25. Where properties are held as custodian trustee, the deeds are identified as such and held in safe custody by the WDBF's solicitor, Blake Laphorn LLP, Winchester.

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

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

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

The Trustees are also responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the DBF and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the WDBF and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

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

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

Statement of Disclosure to the Auditors

So far as the Trustees are aware:

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

Appointment of Auditors

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

WINCHESTER DIOCESAN BOARD OF FINANCE

TRUSTEES REPORT

For the year ended 31 December 2017

ADMINISTRATIVE DETAILS

Trustees

No Trustee had any beneficial interest in the company during 2017. The following are the Trustees who serviced at any time during 2017 up to the date of this report:

Chairman:	Timothy Dakin BA, MTh – Bishop of Winchester
Ex officio	Andrew Micklefield BEd (Hons) – Chair of the House of Clergy Alison Coulter MA, MSc, MFPH – Chair of the House of Laity
Synod House of Clergy	Jane Bakker BA (Hons) Angi Nutt BEd (Hons)
Synod House of Laity	Alastair Barron BA (Hons), MBA, FSyI Esther Clift (fr 9.11.17) BSc (Hons), Msc, MCSP Chris Kidd (res 26.11.17) Ian Newman Mark Ward BA

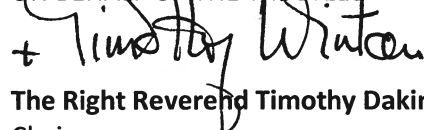
Senior staff and advisers

Chief Executive and Company Secretary	Andrew R Robinson VR, BA (Hons) MSc, PGD, FCIPD
Director of Finance	Malcolm Twigger-Ross MSc, FCA (res 5.3.18)
Director of Education	Jeff Williams MA, DPhil
Principal School of Mission	Mark Collinson BSc, MA,
Archdeacon for Mission Development:	Paul Moore MA, DPhil, Dip Theol
Head of Operations	Colin Harbidge BA (Hons), MCMi
Head of Resource Development	Anthony Smith BA (Hons), FCA
Head of Human Resources	Susan Beckett FCIPD
Head of Strategic Development	Mark Lowman BSc, MBA, PhD, FHEA

Registered Office:	Diocesan Office, Old Alresford Place, Alresford, Hampshire, SO24 9DH
Bankers	National Westminster Bank PLC, 105 High Street, Winchester, SO23 9AW
Auditors	haysmacintyre, 10 Queen Street Place, London EC4R 1AG
Solicitors	Blake Laphorn, New Kings Court, Tollgate, Chandler's Ford, Hants SO53 3LG
Investment advisers	CCLA Investment Management Limited, 80 Senator House, 85 Queen Victoria Street, London, EC4V 4ET Sarasin & Partners LLP, 100 St Paul's Churchyard, London EC4M 8BU
Glebe Agents	Carter Jonas LLP, 9a Jewry Street, Winchester, SO23 8RZ
Insurers	EIG, Beaufort House, Brunswick Road, Gloucester, GL1 1JZ
HR Consultants	Richard Turner Associates, 2 West View Lawns, Barton Road, Welford-on-Avon CV37 8EY

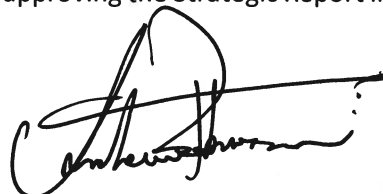
In approving this Trustees' Report, the Trustees are also approving the Strategic Report included on pages 4-10 within their capacity as company directors.

ON BEHALF OF THE TRUSTEES


+ Timothy Dakin

The Right Reverend Timothy Dakin
Chairman

14 June 2018



Andrew Robinson
Company Secretary

14 June 2018

WINCHESTER DIOCESAN BOARD OF FINANCE

STATEMENT OF FINANCIAL ACTIVITIES

For the year ended 31 December 2017

Opinion

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

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

In our opinion, the financial statements:

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

Basis for opinion

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

Responsibilities of trustees for the financial statements

As explained more fully in the trustees' responsibilities statement set out on page 12 and 13, the trustees (who are also the directors of the charitable company for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

STATEMENT OF FINANCIAL ACTIVITIES

For the year ended 31 December 2017

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

Conclusions relating to going concern

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

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

Other information

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

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

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

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



Adam Halsey (Senior Statutory Auditor)
For and on behalf of haysmacintyre, Statutory Auditors
14 June 2018

10 Queen Street Place
London
EC4R 1AG

WINCHESTER DIOCESAN BOARD OF FINANCE

STATEMENT OF FINANCIAL ACTIVITIES For the year ended 31 December 2017

		Unrestricted funds		Restricted	Endowment	Total Funds	Total Funds
		General	Designated	Funds	Funds	2017	2016
	Note	£,000	£,000	£,000	£,000	£,000	£,000
Income and endowments from:							
Donations	2						
Parish share		9,330	-	-	-	9,330	9,324
Archbishops' Council		-	17	98	-	115	139
Other		162	-	3	-	165	187
Charitable activities	3	858	-	8	-	866	931
Other trading activities	4	860	-	-	-	860	751
Investments	5	178	17	435	9	639	691
Other	6	-	-	-	-	-	7
Total		11,388	34	544	9	11,975	12,030
Expenditure on:							
Raising funds	7	61	-	-	-	61	48
Charitable activities	8	11,354	29	436	2	11,821	11,697
Total		11,415	29	436	2	11,882	11,745
Net income/(expenditure) before investment gains		(27)	5	108	7	93	285
Net gains on investments		114	35	446	623	1,218	1,295
Net income/(expenditure)		87	40	554	630	1,311	1,580
Transfers between funds	11	44	(78)	(436)	470	-	-
Net income/(expenditure) after transfers		131	(38)	118	1,100	1,311	1,580
Other recognised gains/(losses)							
Gains on revaluation of fixed tangible assets		1,909	-	80	4,382	6,371	4,255
Actuarial gains/(losses) on benefit pension schemes		-	-	-	355	355	140
Net movement in funds		2,040	(38)	198	5,837	8,037	5,975
Total funds at 1 January 2017		25,552	1,586	7,957	90,797	125,892	119,917
Total funds at 31 December 2017	18	27,592	1,548	8,155	96,634	133,929	125,892

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

The notes on pages 20 to 44 form part of the financial statements.

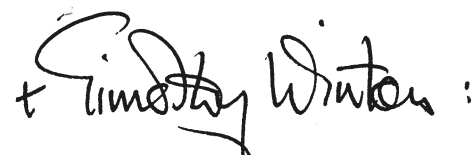
WINCHESTER DIOCESAN BOARD OF FINANCE

BALANCE SHEET

For the year ended 31 December 2017

Company number - 142351		2017		2016	
	Note	£,000	£,000	£,000	£,000
FIXED ASSETS					
Tangible assets	12		120,145		113,555
Investments	13		17,023		15,806
			<u>137,167</u>		<u>129,361</u>
CURRENT ASSETS					
Debtors	14	1,459		1,852	
Cash on deposit		1,192		626	
Cash at bank and in hand		837		1,038	
		<u>3,488</u>		<u>3,516</u>	
CREDITORS: amounts falling due within one year	15	<u>(1,308)</u>		<u>(1,197)</u>	
NET CURRENT ASSETS			<u>2,180</u>		<u>2,319</u>
Total assets less current liabilities			139,348		131,680
CREDITORS: amounts falling due after more than one year	16				
Pension scheme liabilities		(3,034)		(3,803)	
Other creditors		<u>(2,385)</u>		<u>(1,985)</u>	
			<u>(5,419)</u>		<u>(5,788)</u>
NET ASSETS			<u>133,929</u>		<u>125,892</u>
FUNDS					
Unrestricted Funds					
General funds			27,592		25,552
Designated funds			<u>1,548</u>		<u>1,586</u>
			29,140		27,138
Restricted funds:			8,155		7,957
Endowment funds:			<u>96,634</u>		<u>90,797</u>
TOTAL FUNDS	19		<u>133,929</u>		<u>125,892</u>

The Notes on pages 20 to 44 form part of these financial statements. The financial statements were approved by the Board of Trustees and authorised for issue on 14th June 2018 and signed on behalf of the Board by:


 The Right Reverend Timothy Dakin

WINCHESTER DIOCESAN BOARD OF FINANCE

CASH FLOW STATEMENT

For the year ended 31 December 2017

	2017		2016	
	£,000	£,000	£,000	£,000
Net cash (outflow)/ inflow from operating activities		(576)		(1,099)
Cash flows from investing activities				
Dividends, interest and rent from investments	639		691	
Purchase of property and equipment	(321)		(794)	
Purchase of investments	(570)		(1)	
Sale of property and equipment	87		185	
Sale of investments	568		-	
Net cash provided by/(used in) investing activities		403		81
Cash flows from financing activities				
Repayments of lending	777		604	
Repayments of borrowing	(482)		(48)	
Cash inflows from new borrowing	481		891	
Cash outflows from new lending	(238)		(647)	
Net cash used in financing		538		800
Change in cash and cash equivalents		365		(218)
Cash and cash equivalents at 1 January		1,664		1,882
Cash and cash equivalents at 31 December		<u>2,029</u>		<u>1,664</u>
Reconciliation of net income				
Net income		1,311		1,580
Adjustments for:				
Depreciation charges		15		15
Investment gains		(1,218)		(1,295)
Dividends, interest and rent from investments		(639)		(691)
Loss/(profit) on sale of functional assets		-		(7)
Decrease/(Increase) in debtors		(146)		(203)
(Decrease)/Increase in creditors		101		(498)
Net cash (used in)/provided by operating activities		<u>(576)</u>		<u>(1,099)</u>
Analysis of cash and cash equivalents				
Cash at bank and in hand		837		1,038
Cash on deposit		1,192		626
		<u>2,029</u>		<u>1,664</u>

WINCHESTER DIOCESAN BOARD OF FINANCE

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

1. ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention, with the exception of freehold properties, which are included at their fair value as determined under the applicable valuation method as detailed in e), and fixed asset investments, which are included at their market value at the balance sheet date. The financial statements have been prepared in accordance with the Statement of Recommended Practice for Charities (SORP 2015), the Companies Act 2006 and applicable accounting standards (FRS102).

a) Income

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

- i. **Parish Share** is recognised as income of the year in respect of which it is receivable.
- ii. **Rent receivable** is recognised as income in the period with respect to which it relates.
- iii. **Interest and dividends** are recognised as income when receivable.
- iv. **Grants** received which are subject to pre-conditions for entitlement specified by the donor which have not been met at the year-end are included in creditors to be carried forward to the following year.
- v. **Parochial fees** are recognised as income of the year to which they relate.
- vi. **Donations** other than grants are recognised when receivable.
- vii. **Gains** on disposal of fixed assets for the WDBF's own use (i.e. non-investment assets) are accounted for as other incoming. 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 related expenditure are both included in the unrestricted column of the Statement of Financial Activities for the sake of greater clarity and simplicity in financial reporting.

b) Expenditure

Expenditure is included on the accruals basis and has been classified under headings that aggregate all costs related to the Statement of Financial 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 WDBF, 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 WDBF's staff are members of the Church Workers Pension Fund and Clergy are members of the Church of England Funded Pensions Scheme (see note 21). The pension costs charged as resources expended represent the WDBF's contributions payable in respect of the accounting period, in accordance with FRS102. Deficit funding for the pension schemes to which WDBF participates is accrued at current value in creditors distinguished between contributions falling due within one year and after more than one year.

WINCHESTER DIOCESAN BOARD OF FINANCE

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

1. ACCOUNTING POLICIES (continued)

c) Tangible fixed assets and depreciation

- i. **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 WDBF 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.
- ii. **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.
- iii. **Investment properties.** Glebe properties held for investment purposes and rented out have been included at their fair value.
- iv. **Parsonage houses.** The WDBF 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 WDBF 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 on a five year cycle.
- v. **Other tangible fixed assets.** Capital expenditure over £5,000 is capitalised. 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:-

Motor vehicles	25% per annum	reducing balance basis
Fixtures and fittings	15-30% per annum	straight line basis

d) Other accounting policies

- i. **Fixed asset investments** are included in the balance sheet at market value and the gain or loss taken to the Statement of Financial Activities.
- ii. **Leases.** The WDBF has entered only into operating lease arrangements for the use of certain assets, the rental for which is charged in full as expenditure in the year to which it relates. Where rent free periods are given as part of an operating lease, the impact of this rent free period is reflected in the Statement of Financial Activities over the shorter of the overall lease term or first break clause whichever is shorter in time.

e) Fund balances

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

- **Unrestricted funds** are the WDBF's corporate funds and are freely available for any purpose within the charitable company's objects, at the discretion of the WDBF. There are two types of unrestricted funds:
 - **General funds** which the WDBF intends to use for the general purposes of the WDBF and
 - **Designated funds** set aside out of unrestricted funds by the WDBF for a purpose specified by the Trustees

WINCHESTER DIOCESAN BOARD OF FINANCE

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

1. ACCOUNTING POLICIES (continued)

- **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 WDBF (Parsonage Houses and Schools), there are discretionary powers to convert capital into income and, as a result, these funds are classified as expendable endowment. Endowment funds where there is no provision for expenditure of capital are classified as permanent endowment.

“Special trusts” (as defined by the Charities Act 2011) and any other trusts where the company acts as trustee and controls the management and use of the funds, are included in the company’s own financial statements as charity branches. Trusts where the WDBF 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.

f) Key Judgements

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

- Basis for non-depreciation of functional residential property
- Valuation of investment properties which have not been formally revalued in the year
- Assumptions underpinning the clergy and church Workers’ pension sachelm liabilities.

2. DONATIONS

Parish Contributions

	Unrestricted funds		Restricted	Endowment	Total Funds	Total Funds
	General	Designated	Funds	Funds	2017	2016
	£,000	£,000	£,000	£,000	£,000	£,000
Current year apportionment	9,703	-	-	-	9,703	9,494
Shortfall in contributions	(401)	-	-	-	(401)	(240)
	9,302	-	-	-	9,302	9,254
Receipts for previous years	28	-	-	-	28	70
	9,330	-	-	-	9,330	9,324

The majority of donations are collected from the parishes of the diocese through the Common Mission Fund. Current year CMF receipts represent 95.8% of the total apportioned (2016: 97.5%), or, when receipts for previous years are included, 96.2% of the total apportioned (2016: 98.2%).

WINCHESTER DIOCESAN BOARD OF FINANCE

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

2. DONATIONS (continued)

Archbishop's Council

	Unrestricted funds		Restricted Funds £,000	Endowment Funds £,000	Total Funds 2017 £,000	Total Funds 2016 £,000
	General	Designated				
	£,000	£,000				
Capacity Building grant	-	17	33	-	50	-
Ordinand Training grant	-	-	65	-	65	-
Parish Mission Fund grant	-	-	-	-	-	139
	-	17	98	-	115	139

Other donations

	Unrestricted funds		Restricted Funds £,000	Endowment Funds £,000	Total Funds 2017 £,000	Total Funds 2016 £,000
	General	Designated				
	£,000	£,000				
All Churches Trust Grant	127	-	-	-	127	125
Donations	35	-	3	-	38	62
	162	-	3	-	165	187

3. CHARITABLE ACTIVITIES

	Unrestricted funds		Restricted Funds £'000s	Endowment Funds £'000s	Total Funds 2017 £'000s	Total Funds 2016 £'000s
	General	Designated				
	£'000s	£'000s				
Statutory fees	591	-	-	-	591	618
Church Commissioners' guaranteed annuities	-	-	-	-	-	11
Miscellaneous income	267	-	8	-	275	302
	858	-	8	-	866	931

4. OTHER TRADING ACTIVITIES

	Unrestricted funds		Restricted Funds £,000	Endowment Funds £,000	Total Funds 2017 £,000	Total Funds 2016 £,000
	General	Designated				
	£,000	£,000				
Property rentals	769	-	-	-	769	665
Conference Centre	91	-	-	-	91	86
	860	-	-	-	860	751

WINCHESTER DIOCESAN BOARD OF FINANCE

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

5. INVESTMENT INCOME

	Unrestricted funds		Restricted	Endowment	Total Funds	Total Funds
	General	Designated	Funds	Funds	2017	2016
	£,000	£,000	£,000	£,000	£,000	£,000
Dividends Receivable	93	17	386	9	505	581
Interest Receivable	11	-	10	-	21	25
Rents Receivable	74	-	39	-	113	85
	178	17	435	9	639	691

6. OTHER INCOMING RESOURCES

	Unrestricted funds		Restricted	Endowment	Total Funds	Total Funds
	General	Designated	Funds	Funds	2017	2016
	£,000	£,000	£,000	£,000	£,000	£,000
Gain on sale of properties	-	-	-	-	-	7

7. FUND RAISING COSTS

	Unrestricted funds		Restricted	Endowment	Total Funds	Total Funds
	General	Designated	Funds	Funds	2017	2016
	£,000	£,000	£,000	£,000	£,000	£,000
Glebe agent's fee	18	-	-	-	18	8
Conference Centre	43	-	-	-	43	40
	61	-	-	-	61	48

WINCHESTER DIOCESAN BOARD OF FINANCE

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

8. CHARITABLE ACTIVITIES

	Unrestricted funds		Restricted	Endowment	Total	Total Funds
	General	Designated	Funds	Funds	Funds	Total Funds
	£,000	£,000	£,000	£,000	2017	2016
					£,000	£,000
<u>Contributions to Archbishops' Council</u>						
Training for Ministry	329	-	-	-	329	332
National Church Responsibilities	308	-	-	-	308	282
Grants and provisions	-	-	-	-	-	-
Mission agency pension costs	3	-	-	-	3	19
Retired clergy housing costs	113	-	-	-	113	107
Pooling of ordinands' maintenance grant costs	(77)	-	-	-	(77)	(91)
	676	-	-	-	676	649
<u>Resourcing Ministry and Mission</u>						
Stipends and national insurance	4,270	-	-	-	4,270	4,312
Pension contributions	916	-	-	-	916	982
Housing costs	1,955	-	35	2	1,992	2,098
Removal, resettlement and other grants	138	-	-	-	138	138
RME Training for Ministry	-	-	65	-	65	-
Other expenses	375	5	131	-	511	424
	7,654	5	231	2	7,892	7,954
Support for parish ministry	1,269	-	140	-	1,409	1,241
Governance	1,432	24	-	-	1,456	1,516
	10,355	29	371	2	10,757	10,711
<u>Expenditure on Education</u>						
Support for church schools and parishes	323	-	65	-	388	337
	11,354	29	436	2	11,821	11,697

WINCHESTER DIOCESAN BOARD OF FINANCE

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

9. ANALYSIS OF EXPENDITURE INCLUDING GRANTS AND SUPPORT COSTS

	Activities undertaken directly	Grant funding of activities	Support Costs	Total 2017	Total 2016
	£,000	£,000	£,000	£,000	£,000
Raising funds					
Investment management costs	18	-	-	18	8
Conference Centre	43	-	-	43	40
Charitable Activities					
Contributions to Archbishop's Council	-	676	-	676	649
Resourcing ministry and mission	7,109	395	3,253	10,757	10,711
Education	388	-	-	388	337
	<u>7,558</u>	<u>1,071</u>	<u>3,253</u>	<u>11,882</u>	<u>11,745</u>

Analysis of Support Costs	Unrestricted funds		Restricted	Endowment	Total 2017	Total 2016
	General	Designated	Funds	Funds		
	£,000	£,000	£,000	£,000	£,000	£,000
Central administration	1,269	-	140	-	1,409	1,241
Support for Schools Governance	323	-	65	-	388	337
External Audit	14	-	-	-	14	17
Registrar and Chancellor	93	-	-	-	93	98
Synodical costs	1,349	-	-	-	1,349	1,401
	<u>3,048</u>	<u>-</u>	<u>205</u>	<u>-</u>	<u>3,253</u>	<u>3,094</u>

WINCHESTER DIOCESAN BOARD OF FINANCE

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

Analysis of Grant funding	2017			2016
	No.	Individuals £,000	Institutions £,000	Total £,000
From unrestricted funds for national church responsibilities				<i>Total</i> £,000
Archbishops' Council (note 8)	6	-	676	676
From unrestricted funds				
PCCs for church inspection fees	68	-	45	45
PCCs for faculty fees	128	-	27	27
Overseas mission agencies	2	-	3	3
Churches Together organisations	1	-	2	2
Clergy Spice	1	-	1	1
Clergy for training	47	6	-	6
Ordinands in training	53	188	-	188
South Central Regional Training Partnership	16	7	3	10
Total from unrestricted funds	316	201	81	282
From restricted funds for various purposes				
Clergy for study leave (Penrose fund)	1	1	-	1
Clergy for charitable purposes	31	8	2	10
Widows and dependants of clergy	77	15	-	15
Deaf clubs	24	-	2	2
RME Ordinands in training	17	43	22	65
Other institutional grants	7	-	20	20
Total from restricted funds for various purposes	157	67	46	113
TOTAL	479	268	803	1,071

WINCHESTER DIOCESAN BOARD OF FINANCE

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

10. STAFF & TRUSTEES

Staff Costs	2017	2016
	£,000	£,000
Wages and salaries	1,615	1,443
National insurance contributions	130	150
Pension costs	<u>193</u>	<u>238</u>
	<u><u>1,938</u></u>	<u><u>1,831</u></u>

	2017	2016
Resourcing ministry:	fte	fte
Administration and financial management	24	25
Property	4	4
School of Mission & Stewardship	12	9
Safeguarding	1	1
Parochial lay staff	1	1
	<u>42</u>	<u>40</u>

The average number of individual persons employed during the year was:

	2017	2016
Resourcing ministry:	no.	no.
Administration and financial management	28	31
Property	4	4
School of Mission & Stewardship	13	11
Safeguarding	2	2
Parochial lay staff	<u>1</u>	<u>1</u>
	<u>48</u>	<u>49</u>

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

	2017	2016
	no.	no.
£60,0001 - £70,000	2	2
£80,0001 - £90,000	1	1

Pension payments of £33,000 (2016: £33,000) were made for these employees.

WINCHESTER DIOCESAN BOARD OF FINANCE

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

10. 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 2017 they were:

Chief Executive and Company Secretary	Andrew R Robinson
Director of Finance	Malcolm Twigger-Ross (38%)
Director of Education	Jeff Williams (67%)
Archdeacon for Mission Development	Paul Moore
Head of Operations	Colin Harbidge
Head of Resource Development	Anthony Smith
Head of Human Resources	Susan Beckett
Head of Strategic Development	Mark Lowman (from 1 Sept 2017)
Canon Principal & Head of School of Mission	Mark Collinson

Remuneration, pensions and expenses for the 8 employees amounted to £522,000 (2016: £470,000).

Trustees' emoluments

No Trustee received any remuneration for services as Trustee. The Trustees received travelling and out of pocket expenses, totalling £743 (2016: £2,600) in respect of General Synod duties, duties as archdeacon or area/rural dean, and other duties as Trustees. No Trustee was in receipt of a clergy resettlement grant in 2017 (2016: Nil).

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

	Stipend	Housing
The Revd A Micklefield	Yes	Yes
The Revd A Nutt	Yes	Yes
The Revd J Bakker	Yes	Yes

The WDBF is responsible for funding via the Church Commissioners the stipends of licensed stipendiary clergy in the diocese, other than bishops and cathedral staff. The WDBF is also responsible for the provision of housing for stipendiary clergy in the diocese including the Suffragan Bishop but excluding diocesan bishop and cathedral staff. The WDBF paid an average of 155.5 (2016: 145.5) stipendiary clergy as office-holders holding parochial or diocesan appointments in the diocese, and the costs were as follows:

Clergy Stipends

	2017	2016
	£,000	£,000
Stipends	4,269	3,993
National Insurance	318	313
Pension Costs - Current Year	915	981
Pension Costs - Deficit Reduction	470	414
	<u>5,972</u>	<u>5,701</u>

WINCHESTER DIOCESAN BOARD OF FINANCE

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

11. ANALYSIS OF TRANSFERS BETWEEN FUNDS

	Unrestricted funds		Restricted	Endowment
	General	Designated	Funds	Funds
	£,000	£,000	£,000	£,000
From Parsonage Endowment income to General fund for house costs	20	-	(20)	-
From Council for Social Responsibility Fund to General fund to support environment adviser	17	-	(17)	-
From Schools fund to General fund for schools officers	173	-	(173)	-
From Loans fund to General fund to clear balance	-	-	-	-
From Pember income to general fund for clergy pensions	20	-	(20)	-
From Clergy Welfare Trust to General fund for ordinands grants	175	-	(175)	-
From Maclean fund to general fund for clergy house costs	11	(11)	-	-
From Fairbairn Trust fund to General fund for the adviser to the deaf	1	-	(1)	-
From the ICSF fund to the General fund for property repairs	30	-	(30)	-
From General fund to Stipends fund for reduction in pension deficit	(470)	-	-	470
From Planned Maintenance Sinking fund to General Fund for maintenance	6	(6)	-	-
From Capital Equipment Sinking fund to General Fund for equipment	61	(61)	-	-
From Clergy Welfare Trust fund to Queen Victoria fund re clergy counselling costs	-	-	(6)	-
	-	-	6	-
	44	(78)	(436)	470

12. TANGIBLE FIXED ASSETS

	Freehold Land & Buildings	Office Equipment	Total
	£,000	£,000	£,000
Valuation as at:			
1 January 2017	113,517	524	114,041
Additions	321		321
Disposals	(96)		(96)
Revaluation	6,380		6,380
31 December 2017	120,122	524	120,646
Depreciation			
At 1 January 2017	-	486	486
Charge for the year	-	15	15
At 31 December 2017	-	501	501
Net Book Value			
At 31 December 2017	120,122	23	120,145
At 31 December 2016	113,517	38	113,555

All of the properties in the balance sheet are freehold and are vested in the WDBF, except for benefice houses which are vested in the incumbent.

WINCHESTER DIOCESAN BOARD OF FINANCE

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

13 FIXED ASSETS INVESTMENTS

	As at 1st January 2017 £,000	Additions £,000	Disposals £,000	Transfers £,000	Change in Market Value £,000	As at 31st December 2017 £,000
Unrestricted funds						
Unlisted Investments	1,713	34	(101)	(34)	149	1,761
Restricted Funds						
Unlisted Investments	5,692	504		(436)	378	6,138
Endowment Funds						
Investment property	983	(67)	-	-	68	984
Unlisted investments	7,418	99	(470)	470	623	8,140
	8,401	32	(470)	470	691	9,124
Total	15,806	570	(571)	-	1,218	17,023

14. DEBTORS

	2017 £,000	2016 £,000
<i>Due within one year</i>		
Current year Parish Share	78	130
Loans to parishes	225	60
Loans to schools	-	-
Loans to others	75	52
Other debtors and prepayments	499	490
	877	732
<i>Due after more than one year</i>		
Loans to parishes	348	736
Other Loans	234	384
	582	1,120
Total debtors	1,459	1,852

WINCHESTER DIOCESAN BOARD OF FINANCE

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

15. CREDITORS: amounts falling due within one year

	2017	2016
	£,000	£,000
Loan repayments	79	87
Deferred income	73	15
Other taxes and social security	-	44
Creditor relating to sale proceeds of closed school	400	400
Other creditors and accruals	419	228
Pension scheme liabilities:		
CEFPS for Clergy	330	413
Church Workers DBS	7	10
Total creditors: amounts falling due within one year	<u>1,308</u>	<u>1,197</u>

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

	2017	2016
	£,000	£,000
Loan repayment instalments due after more than one year		
Church Commissioners value-linked loans	85	116
Church Commissioners other loans	185	221
Other loans	2,115	1,648
Pension scheme liabilities:		
CEFPS for Clergy	2,971	3,713
Church Workers DBS	63	90
Total creditors: amounts falling due after more than one year	<u>5,419</u>	<u>5,788</u>

The maturity of the above loans may be analysed as follows:

Between one and two years	23	22
Between two and five years	65	64
In five years and more	2,297	1,899
	<u>2,385</u>	<u>1,985</u>

WINCHESTER DIOCESAN BOARD OF FINANCE

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

17. FINANCIAL INSTRUMENTS

	2017	2016
	£,000	£,000
Financial assets measured at fair value	18,117	16,686
Financial assets measured at amortised cost	1,438	1,480
Financial liabilities measured at amortised cost	(6,800)	(6,831)

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

WINCHESTER DIOCESAN BOARD OF FINANCE

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

18. SUMMARY OF FUND MOVEMENTS

	Balances at 1 January 2017 £,000	Incoming resources £,000	Expenditure £,000	Transfers £,000	Gains and losses £,000	Balances at 31 December 2017 £,000
UNRESTRICTED FUNDS						
General	25,552	11,388	(11,415)	44	2,023	27,592
Parish mission and development	107	17	(19)	-	-	105
Macleam	293	13	-	(11)	25	320
OAP Property	950	-	-	-	-	950
Building New Church	164	4	(5)	-	10	173
Planned maintenance sinking fund	72	-	(5)	(67)	-	-
	1,586	34	(29)	(78)	35	1,548
RESTRICTED FUNDS						
Pastoral fund	(161)	-	(35)	-	-	(196)
Parsonages endowment income	-	21	-	(20)	-	1
Clergy houses fund	2,649	52	(91)	(15)	123	2,718
Major Ball settlement income	16	5	(4)	-	-	17
Penrose income fund	34	9	(1)	-	-	42
Clergy welfare income fund	521	151	(10)	(174)	25	513
Chalke Bequest income	15	2	-	-	-	17
Church schools fund	2,711	92	(63)	(173)	202	2,769
Queen Victoria clergy fund	1	3	(11)	6	-	(1)
Pember income fund	41	22	-	(20)	3	46
Widows and dependants fund	620	27	(15)	-	50	682
Thorold library fund	6	6	-	-	-	12
ICSF grant fund	314	11	-	(30)	25	320
Council for Social Responsibility	942	41	(90)	(17)	79	955
Fairbarn trust	242	4	(10)	(1)	19	254
Tale Tellers	2	-	-	-	-	2
Christopher library	4	-	-	-	-	4
RME Train for Mission	-	65	(65)	-	-	-
Mission Action	-	33	(41)	8	-	-
	7,957	544	(436)	(436)	526	8,155
ENDOWMENT FUNDS						
Expendable						
Benefice houses	71,113	9	-	-	3,175	74,297
Permanent						
Stipends fund capital	12,424	-	(2)	470	1,694	14,586
Parsonages endowment capital	574	-	-	-	50	624
Major Ball settlement capital	129	-	-	-	11	140
Penrose capital	251	-	-	-	22	273
Clergy welfare capital	5,175	-	-	-	309	5,484
Chalke bequest capital	44	-	-	-	3	47
Widows and dependants capital	143	-	-	-	13	156
Thorold library capital	159	-	-	-	14	173
Pember capital	592	-	-	-	52	644
Christopher Library	5	-	-	-	-	5
Chute endowment	188	-	-	-	17	205
	90,797	9	(2)	470	5,360	96,634
Total funds	125,892	11,975	(11,882)	-	7,944	133,929

WINCHESTER DIOCESAN BOARD OF FINANCE

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

19. SUMMARY OF ASSETS BY FUND

	Fixed assets		Current Assets £,000	Creditors £,000	Net Assets £,000
	Tangible	Investments			
	£,000	£,000			
Unrestricted funds - general	26,278	1,328	2,827	(2,841)	27,592
Unrestricted - designated					
Parish mission & development	-	-	105	-	105
Maclean	-	314	6	-	320
OAP property	2,750	-	(1,800)	-	950
Building New Church	-	119	54	-	173
Planned maintenance sinking fund	-	-	-	-	-
	2,750	433	(1,635)	-	1,548
Restricted					
Pastoral fund	-	-	(196)	-	(196)
Parsonages Endowment income fund	-	-	1	-	1
Clergy houses fund	2,125	628	131	(166)	2,718
Major Ball settlement income	-	-	17	-	17
Penrose income fund	-	-	42	-	42
Clergy Welfare income fund	-	379	134	-	513
Chalke Bequest income	-	-	17	-	17
Church schools fund	-	2,869	300	(400)	2,769
Pember income fund	-	36	10	-	46
Queen Victoria clergy fund	-	-	(1)	-	(1)
Widows and dependants fund	-	640	42	-	682
Thorold library fund	-	-	12	-	12
ICSF grant fund	-	327	(7)	-	320
Council for Social Responsibility	-	1,006	(51)	-	955
Fairbarn Trust	-	253	1	-	254
Tale Tellers	-	-	2	-	2
Christopher Library	-	-	4	-	4
	2,125	6,138	458	(566)	8,155
Expendable endowment					
Benefice houses	74,352	156	(192)	(19)	74,297
Permanent endowment					
Stipends fund capital	14,640	2,714	533	(3,301)	14,586
Parsonages endowment capital	-	624	-	-	624
Major Ball settlement capital	-	139	1	-	140
Penrose capital	-	273	-	-	273
Clergy Welfare capital	-	3,985	1,499	-	5,484
Chalke bequest capital	-	48	(1)	-	47
Widows and dependants capital	-	157	(1)	-	156
Thorold library capital	-	173	-	-	173
Pember capital	-	644	-	-	644
Christopher Library	-	6	(1)	-	5
Chute endowment	-	205	-	-	205
	88,992	9,124	1,838	(3,320)	96,634
Total funds	120,145	17,023	3,488	(6,727)	133,929

WINCHESTER DIOCESAN BOARD OF FINANCE

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

20. DESCRIPTION OF FUNDS

General fund	The general fund is the WDBF's unrestricted undesignated fund available for any of the WDBF's purposes without restriction.
Maclean fund	The Maclean Fund originated with an unrestricted bequest in 1948 by the late Sir Alexander Maclean. The WDBF has designated this fund to assist with expenditure on clergy houses which could not be met from any other fund.
Pastoral fund	The diocesan pastoral account was set up under the provisions of the Pastoral Measure 1983. The restricted purposes for which the account may be used are: <ul style="list-style-type: none">• to defray costs incurred for the purposes of the Measure or any scheme or order made under the Measure except for salaries of regular diocesan employees• to make loans or grants for the provision, restoration, improvement or repair of churches and parsonage houses in the diocese• other purposes of the diocese or any benefice or parish in the diocese• to make grants or loans to any other diocese• to transfer funds to the diocesan stipends fund income or capital accounts.
Clergy houses fund	This restricted fund, formerly known as the Clergy Retirement Houses Fund, represents the unexpended balance of a special appeal for funds made in the early 1980s for the provision of retirement housing for clergy. The fund is also used to make bridging loans to clergy approaching retirement. A Charity Commissioners Scheme has widened the purposes of this fund to include housing provision for clergy widows and deserted clergy spouses.
Major Ball settlement	This restricted fund represents the unexpended accumulated income of a settlement for the benefit of the parishes of Brown Candover and Chilton Candover.
Penrose legacy income	This fund represents the unexpended accumulated income of a legacy for the benefit of clergy, who in the opinion of the WDBF are most in need of grants there from. In recent years the WDBF has applied the income for grants to clergy for extended study leave.
Clergy welfare fund	The Clergy Welfare Fund is vested in the WDBF as trustee. The capital of the trust is shown as a permanent endowment, and accumulations of income as a restricted fund. The purposes for which the trustee may apply the income are as follows: for the benefit of clergy in the Diocese of Winchester, at the discretion of the Bishop; to assist ordination candidates; to assist with the higher education of children of the clergy in the Diocese.
Church schools fund	The church schools fund represents unexpended accumulations of sale proceeds of redundant Church of England School properties. Its use is restricted by law to capital and maintenance work to Church of England schools in the diocese and education generally at Church of England schools in the diocese. The WDBF is trustee of these funds, which are managed on a day to day basis by and in consultation with the Board of Education.
Pember income fund	The annual income of the Pember Fund is restricted by a Charity Commissioners' Scheme to the payment of Winchester Diocesan clergy pensions. Where the income in any year is not required for this purpose, it may be used for providing accommodation for these clergy and their dependants, and for making grants to widows of such clergy and their dependants.
Clergy widows and dependants	These funds have been left to, or settled with, the WDBF specifically for the benefit of clergy widows and dependants.

WINCHESTER DIOCESAN BOARD OF FINANCE

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

Thorrold Library fund	The purpose of this fund is to provide a theological library for the clergy of the Diocese. The Thorrold and Lyttelton Library has been loaned to the University of Winchester to secure its future accessibility and development.
Fairbairn trust	The Fairbairn Trust, of which the WDBF is trustee, was a bequest of the late Sir Arthur Fairbairn for the Church of England's mission to deaf and hard-of-hearing people in the Diocese. Grants are awarded to parishes and local deaf clubs.
Diocesan Council for Social Responsibility	The Winchester Diocesan Council for Social Responsibility is a registered charity of which the WDBF is trustee, and which is linked to the WDBF for reporting purposes by a uniting direction of the Charity Commission dated 31 May 2005. The purpose of the charity is "the advancement of the Christian religion within the Diocese of Winchester by promoting Christian engagement with and concern for people's needs in the whole of society, and to reflect upon social issues in the light of the 'Gospel'.
ICSF grant for clergy houses	This fund arose from a distribution to the WDBF from the former Incorporated Clergy Sustentation Fund. Capital and income may be used in aid of the sustentation of the clergy in the Diocese.
Benefice house endowment	This restricted fund consists of income generated by the associated endowment the income is entirely transferred annually to the general fund where it is applied for its specified purpose of benefice house outgoings.
Diocesan stipends fund capital	The diocesan stipends capital fund has been created from the diocesan stipends fund capital account assets held on behalf of the diocese by the Church Commissioners under the Endowments and Glebe Measure 1976 to provide income for clergy stipends. It represents the accumulated sale proceeds of glebe property, sale proceeds of benefice houses and surplus benefice endowments following pastoral reorganisation. Capital funds may be used for the purchase, improvement and maintenance of glebe property and benefice houses. The funds may be invested in the CBF Church of England Property, Investment or Fixed Interest Securities Funds, or simply held on deposit.
Benefice property fund	The benefice property fund consists of resources restricted to provision of benefice houses in the diocese. They are represented by the benefice houses or by sale proceeds of former benefice houses held on suspense by the Church Commissioners. Although benefice houses are vested in the incumbents for the time being of the benefices concerned, the DBF is obliged to maintain them, to ensure that there are sufficient benefice houses for the pastoral structure of the diocese; in addition, where a benefice house is no longer required then it is usually transferred into the unrestricted corporate ownership of the WDBF.
Chalk Bequest	Bequest from Miss Winifred Joan Chalk to be used for the benefit of Industrial Mission.
Chute Endowment	The income from the Chute Legacy Endowment, a fund originally created by the WDBF from a number of restricted gifts is for the purpose of being a repair and replacement fund for the Retreat Centre.
Christopher Library	Gift from OAP Trustees in 2009 – Income is used to support the salary of resources assistant in the Resources Centre.
Tale Tellers	Gift from OAP Trustees in 2009 – Income is used to support the salary of resources assistant in the Resources Centre.

WINCHESTER DIOCESAN BOARD OF FINANCE

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

21. PENSIONS

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

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

Church of England Funded Pension Scheme (CEFPS)

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

The membership figures are set out in the table below and these are used as part of the Board's calculation of the deficit contributions in payment at each year-end, which in turn feed into the FRS102 calculations.

	December 2017	December 2016
Number of members at this Responsible Body	161	164

Disclosure

Winchester DBF participates in the Church of England Funded Pensions Scheme for stipendiary clergy. This scheme is administered by the Church of England Pensions Board, which holds the assets of the scheme 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 contributions are accounted for as if the Scheme were a defined contribution scheme. The pensions costs charged to the SoFA in the year are contributions payable towards benefits and expenses accrued in that year, plus any impact of deficit contributions (see below).

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

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

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

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

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

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

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

	2017	2016
Balance sheet liability at 1 January	4,126,000	4,682,000
Deficit contribution paid	-528,000	-525,000
Interest cost (recognised in SoFA)	58,000	111,000
Remaining change to the balance sheet liability* (recognised in SoFA)	-355,000	-142,000
Balance sheet liability at 31 December	3,301,000	4,126,000

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

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

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

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

Church Workers Pension Fund (CWPF)

WDBF 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. It provides benefits for lay staff based on final pensionable salaries.

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

Defined Benefits Scheme (DBS)

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

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

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

It is not possible to attribute the scheme's assets and liabilities to specific employers, since each employer, through the Life Risk Pool, is exposed to actuarial risks associated with the current and former employees of other entities participating in the DBS. The scheme is considered to be a multi-employer scheme as described in Section 28 of FRS 102 and as such contributions are accounted for as if the Scheme were a defined contribution scheme. There were no current WDBF employees participating in the scheme so the pension costs charged to the SoFA in the year (and for 2016) consist solely of the impact of deficit contributions set out below.

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

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

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Following the valuation, the Employer has entered into an agreement with the Church Workers Pension Fund to pay expenses of £7,500 per year. In addition deficit payments of £31,400 per year have been agreed for 5.00 years from 1 April 2015 in respect of the shortfall in the Employer sub-pool. This obligation has been recognised as a liability within the Employer'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	2016
Balance sheet liability at 1 January	100,000	127,000
Deficit contribution paid	-31,000	-31,000
Interest cost (recognised in SoFA)	1,000	2,000
Remaining change to the balance sheet liability*(recognised in SoFA)	0	2,000
Balance sheet liability at 31 December	70,000	100,000

* 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	1.00%	0.90%	2.00%

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

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

Pension Builder Scheme

Winchester DBF (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 Church Workers Pension Fund has a section known as the Defined Benefits Scheme, a deferred annuity section known as Pension Builder Classic and a cash balance section known as Pension Builder 2014.

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Pension Builder Scheme

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

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

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

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

The scheme is considered to be a multi-employer scheme as described in Section 28 of FRS 102. This is because it is not possible to attribute the Pension Builder Scheme's assets and liabilities to specific employers and that contributions are accounted for as if the Scheme were a defined contribution scheme. The pensions costs charged to the SoFA in the year are contributions payable (**2017: £208,830, 2016: £238,000**).

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

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

Teachers' pension scheme (TPS)

The WDBF made contributions to the TPS on behalf of 2 employees who had previously been teachers. The TPS is a statutory, contributory, defined benefit scheme, governed by the Teachers' Pensions Regulations (2010) and, from 1 April 2014, by the Teachers' Pensions Scheme Regulations 2014. Membership is automatic for full-time teachers and from 1 January 2007, automatic for teachers in part-time employment following appointment or a change of contract, although they are able to opt out.

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

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

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22. PRIOR YEAR COMPARATIVE SOFA

	Unrestricted funds		Restricted Funds	Endowment Funds	Total Funds 2016
	General	Designated			
	£,000	£,000	£,000	£,000	£,000
Income and endowments from:					
Donations					
Parish share	9,324	-	-	-	9,324
Archbishops' Council	139	-	-	-	139
Other	182	-	4	1	187
Charitable activities	931	-	-	-	931
Other trading activities	751	-	-	-	751
Investments	194	17	469	11	691
Other	-	-	7	-	7
Total	11,521	17	480	12	12,030
Expenditure on:					
Raising funds	48	-	-	-	48
Charitable activities	11,482	8	187	20	11,697
Total	11,530	8	187	20	11,745
Net income/(expenditure) before investment gains		(9)	9	293	(8)
Net gains on investments	131	40	457	667	1,295
Net income/(expenditure)	122	49	750	659	1,580
Transfers between funds	(69)	(11)	(334)	414	-
Net income/(expenditure) after transfers	53	38	416	1,073	1,580
Other recognised gains/(losses)					
Gains on revaluation of fixed tangible assets	520	-	140	3,595	4,255
Actuarial gains/(losses) on benefit pension schemes		(2)	-	-	142
Net movement in funds	571	38	556	4,810	5,975
Total funds at 1 January 2016	24,981	1,548	7,401	85,987	119,917
Total funds at 31 December 2016	25,552	1,586	7,957	90,797	125,892

23. OPERATING LEASES

Total amounts payable under non-cancellable operating leases are as follows:

	2017	2016
	£,000	£,000
Land and buildings		
Within one year of the balance sheet date	9	-
In the second to fifth years inclusive of the balance sheet date	35	39
	<u>44</u>	<u>39</u>
Other operating leases:		
Within one year of the balance sheet date	13	2
In the second to fifth years inclusive of the balance sheet date	8	5
	<u>21</u>	<u>7</u>

WINCHESTER DIOCESAN BOARD OF FINANCE

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

24. CAPITAL COMMITMENTS

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

25. FUNDS HELD AS CUSTODIAN TRUSTEE

The WDBF 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 consolidated into these financial statements as the WDBF does not control them. The financial assets held in this way may be summarised as follows:

	2017	2016
	£,000	£,000
CBF Church of England Investment Fund income shares	12,210	9,764
CBF Church of England Fixed Interest Securities Fund shares	551	553
CBF Church of England Property Fund shares	274	260
COIF income and accumulation shares	39	31
Other common investment fund holdings	680	575
Direct holdings in UK equities	-	-
Other fixed interest stocks	101	101
CBF Church of England Deposit Fund	1,283	2,102
Sundry debtors	-	-
Cash at bank	200	10
Sundry creditors	(360)	(80)
<i>Total assets held as Custodian Trustee</i>	<u>14,978</u>	<u>13,316</u>

