

Canterbury Diocesan Board of Finance

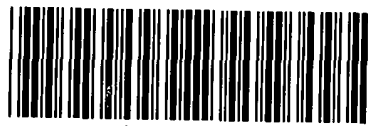
Trustees' Report and Financial Statements

31 December 2018

Company Limited by Guarantee
Registration Number
00145650 (England and Wales)

Charity Registration Number
249972

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Reference and administrative information

Trustees	
<i>Ex-Officio Trustees</i>	The Archbishop of Canterbury, The Most Revd and Rt Hon Justin Welby The Bishop of Dover, The Rt Revd Trevor Willmott (retired 31 May 2019) Mr Nigel Mansley, Chair The Dean of Canterbury Cathedral, The Very Revd Dr Robert Willis The Archdeacon of Ashford, The Venerable Darren Miller The Archdeacon of Canterbury, The Venerable Joanne Kelly-Moore The Archdeacon of Maidstone, The Venerable Stephen Taylor Mrs Jane Ashton (appointed 13 June 2019) Revd Andrew Bawtree (resigned 18 January 2019) Mrs Amanda Cottrell Miss Flis Endacott (appointed 13 June 2019) Dr John Moss (appointed 18 January 2019) Revd Canon Andrew Sewell Mr Philip Sibbald Revd Carol Smith (appointed 18 January 2019)
<i>Elected Trustees</i>	Miss Aimée Babbs (appointed 18 January 2019) Mrs Miranda Ford (appointed 18 January 2019) Revd Estella Last (appointed 6 February 2019) Lt Col (Retd) John Morrison (appointed 9 February 2019) Revd Sheila Porter (appointed 11 February 2019) Revd Michael Resch (appointed 18 January 2019) Mr Phillip Bromwich (resigned 18 January 2019) Revd Anthony Everett (resigned 18 January 2019) Mrs Ann Foat (resigned 18 January 2019) Revd Canon Stephen Lillicrap (resigned 18 January 2019) Miss Miriam Oliver (resigned 18 January 2019) Revd Canon Timothy Wilson (resigned 18 January 2019)
Diocesan secretary	Canon Julian Hills
Registered address	Diocesan House Lady Woottons Green Canterbury Kent CT1 1NQ
Company Registration No.	00145650 (England and Wales)
Charity Registration No.	249972
Auditor	Buzzacott LLP 130 Wood Street London EC2V 6DL

Reference and administrative information

Bankers Lloyds Bank plc
49 High Street
Canterbury
Kent
CT1 2SE

Solicitors Mowll & Mowll LLP
Trafalgar House
Gordon Road
Whitfield
Dover
Kent
CT16 3PN

Trustees' report (incorporating the strategic report) Year ended 31 December 2018

The Trustees present their annual report (incorporating the strategic report for Companies Act purposes) together with the audited financial statements for the year ended 31 December 2018.

The report has been prepared in accordance with Part 8 of the Charities Act 2011 and constitutes a directors' report for the purposes of company legislation.

The financial statements have been prepared in accordance with the accounting policies set out on pages 22 to 27 of the attached financial statements and comply with the charitable company's Memorandum and Articles of Association, applicable laws and Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102).

SUMMARY INFORMATION ABOUT THE STRUCTURE OF THE CHURCH OF ENGLAND

The Church of England is organised as two provinces each led by an archbishop - Canterbury for the southern province and York for the northern. Each province comprises dioceses, of which there are 41 in England. Each diocese is divided into deaneries and each deanery into parishes; and each parish is overseen by a parish priest (usually called a vicar or rector). From ancient times through to today, they and their bishop are responsible for the "cure of souls" in their parish.

Her Majesty the Queen, who is the Supreme Governor of the Church of England, appoints archbishops, bishops and deans of cathedrals on the advice of the Prime Minister. The two archbishops and 24 of the senior bishops sit in the House of Lords.

The Church of England is episcopally-led; there are 106 bishops including Diocesan Bishops and Suffragan Bishops. It is governed by General Synod as its legislative and deliberative body at national level, making decisions on matters of doctrine, the holding of church services and relations with other churches. General Synod passes measures which, if accepted by Parliament, have the effect of Acts of Parliament. Its members belong to one of three groups or houses: the House of Bishops, the House of Clergy and the House of Laity, and General Synod meets in London or York at least twice annually to consider matters for the broader good of the Church.

STRUCTURE, GOVERNANCE AND MANAGEMENT

Constitution

Canterbury Diocesan Board of Finance (CDBF, the charity or the Board) was incorporated as a company on 29 December 1916 to manage the financial affairs of the Diocese and to hold its assets. Every member of Diocesan Synod is a member of CDBF for company law purposes, and similarly Archbishop's Council comprises the Trustees. The Board is a company limited by guarantee and as such has no share capital. The Board is a registered charity and its Trustees are the same people who serve as the Board of Directors for company law purposes. The Board together with its subsidiary entities comprises the 'group'.

The principal object of the charity and the group is to promote and assist the work of the Church of England for the advancement of the Christian religion in the Diocese of Canterbury.

Method of appointment or election of Trustees

The management of the charity and the group is the responsibility of the Trustees who are elected and co-opted under the terms of the Articles of Association.

STRUCTURE, GOVERNANCE AND MANAGEMENT (continued)

Policies adopted for the induction and training of Trustees

At the first meeting of the triennium, the current triennium being the period August 2018 to July 2021, time is set aside for the induction and training of new Trustees and further training is provided where necessary during the course of the triennium to ensure that all Trustees are kept fully informed of their responsibilities. Diocesan officers are always on hand to advise Trustees on supplementary issues.

Trustees' remuneration

The Trustees do not receive remuneration for their roles as trustees of the charity. The clergy members of the Board, as office holders within the Diocese, receive housing and stipends as part of their clergy role.

Organisational structure and decision making

The Board, as Archbishop's Council, is responsible for working with the Bishop of Dover to shape the Diocesan strategy and to monitor the outworking of that strategy. It sets overall objectives and priorities. The outworking of those objectives and strategies for the Diocese of Canterbury is conducted through four overarching frameworks. The frameworks (see below under policies and objectives) meet frequently to plan their own priorities and make appropriate decisions in support of the overriding strategies and objectives of the Diocese of Canterbury. The principal officers manage the day-to-day administration in conjunction with Archbishop's Council and respective frameworks as appropriate. The remaining staff assist in administration.

Related party relationships

CDBF makes contributions to the national Archbishops' Council towards the running costs of the National Church. The stipends of all parish priests are paid initially by the Church Commissioners but these are then reimbursed by CDBF. The stipend of the Bishop of Dover together with the salaries of appropriate secretarial support are borne by the Church Commissioners and are not included in these statements. The Board considers that the following are subsidiary companies or connected charities:

Subsidiary Companies:

- Canterbury Diocesan Enterprises Limited (CDEL)
- Diocesan Architectural Service Limited (DASL)
- Ethos School Improvement Limited (eSIL)

Connected Charities:

- Together Kent
- The Diocese of Canterbury Academies Company Limited (DCACL)

Risk management

The Trustees have assessed the major risks to which the charity and the group are exposed, in particular those related to the operations and finances of the charity and the group, and are satisfied that systems and procedures are in place to mitigate exposure to the major risks. The Trustees, through the Finance and Assets Committee, undertook a comprehensive review of the strategic, business and operational risks in 2018.

STRUCTURE, GOVERNANCE AND MANAGEMENT (continued)

Risk management (continued)

The key risks facing the Board of Finance are:

- Non-payment of full Parish Share.

The Trustees continue to pay careful attention to the Parish Share Scheme which determines the allocation of contributions needed from each parish to maintain the General Fund. The Trustees also monitor on a regular basis the collection rate of contributions received from individual parishes, with a view to identifying at an early stage those parishes which are likely to have difficulties in meeting their Parish Share.

- A failure to take appropriate safeguarding precautions and implement suitable policies to protect all those who come within the care of our churches.

The Canterbury Diocese Board of Finance takes extremely seriously the need for strong safeguarding procedures and controls. The Trustees are responsible ultimately for overseeing the implementation and review of policies and procedures for safeguarding children and adults throughout the Diocese; and for developing and maintaining good practice in relation to the safety and welfare of children, young people and vulnerable adults. All Church officers, Trustees, staff and volunteers are trained in Diocesan safeguarding policy and best practice and the Diocesan Safeguarding Advisor is available to give advice.

There are procedures in place for reporting serious safeguarding situations. However, further to this, the Trustees would consult at that time and obtain independent opinion should the need arise.

- IT and systems failures.

The Trustees are aware of the increasing use of, and demand upon, IT services and the increased threat posed by those with malicious intent. In order to strengthen our defences against attack, via malicious emails and phishing attacks, staff are trained to follow best practice and to be alert to malicious emails and other potential IT risks. The Trustees are aware also of the need to ensure the strongest possible defences against attack including the upgrading of software and hardware.

- The charity's key assets comprise properties and listed investments. Cash flow issues may arise as a result of the timing of capital transactions and poor investment performance may lead to losses being incurred.

Property maintenance is of key importance, ensuring that the buildings are maintained to a high standard and that preventative action is taken before matters become real problems. The charity has a highly skilled Property Team with many years of experience of looking after residential, office and historic buildings. The timing of property transactions is planned carefully to ensure that they do not give rise to cash flow restrictions and similar issues.

STRUCTURE, GOVERNANCE AND MANAGEMENT (continued)

Risk management (continued)

The value of the charity's listed investments is dependent on movements in UK and world stock markets. The charity's financial position, therefore, is exposed to the downside risk attached to such investments. To control against this risk, the charity's investments are managed by reputable investment managers who adhere to a policy agreed by the Trustees. Representatives of the charity meet with the investment managers on a regular basis to monitor performance and to discuss the charity's investment strategy generally to ensure it remains appropriate – both now and into the future.

OBJECTIVES AND ACTIVITIES

Policies and objectives

In common with the Church of England, the Diocese strives to ensure that in every local community there is a worshipping, welcoming and serving congregation, working with Christians of other traditions and people of goodwill, witnessing to the transforming power of the love of God as seen in Jesus. There are 3 key objectives that the Diocese has adopted and therefore aims to achieve:

- Growth – both numerical and spiritual
- Reimagining ministry
- Building partnerships that enrich communities

There are 3 frameworks within the Diocesan organisation which primarily serve the delivery of each of these key objectives respectively:

- Local Church Development
- Licensed Ministries
- Communities & Partnerships

In addition, there is one other framework:

- Children Schools and Young People – serving all three objectives within the under-eighteen age group

Strategies for achieving objectives

The Diocesan strategy has developed at pace during 2018 and continues to do so.

The five key strands are:

- Engaging with disadvantaged people
- Prioritising young people

OBJECTIVES AND ACTIVITIES (continued)

Strategies for achieving objectives (continued)

- Missional prayer networks
- Enriching leadership
- Missional learning communities

In June 2018 Archbishop's Council was successful in achieving funding of nearly £1 million over 4 years to support the Ignite model of mission. This has led to the development of new Ignite worshipping communities in 8 locations across the Diocese, including one in Guernsey. Although the Channel Islands are not formally part of the Diocese, the Diocese currently has episcopal oversight of the islands.

Grant making policies

There are a number of grants offered to parishes and deaneries for the purposes of assisting in parochial mission and ministry. These are:

- Support of strategic missional posts – agreed in conjunction with deaneries and archdeacons
- Transitional support for loss of occasional office fees – specific formula for determining grant levels
- Support of parochial mission initiatives - made upon application through the relevant deanery to support those seeking to implement the Diocese's missional objectives

The full criteria for these grants are displayed on the Diocesan website. Other grants are made on an ad hoc basis in accordance with the terms of each fund as detailed in note 20 to the accounts.

Raising funds

The charity raises funds through Parish Share and on occasions receives other donations and voluntary income. It aims always to achieve best practice in the way in which it communicates with parishes, donors and other supporters. It takes care with both the tone of its communications and the accuracy of its data to minimise the pressures on parishioners, parochial church councils, donors and supporters. It applies best practice to protect their data and never sells data, it never swaps data and ensures that communication preferences can be changed at any time. The charity manages its own activities in respect to raising funds and does not employ the services of professional fundraisers. The charity undertakes to react to and investigate any complaints regarding its activities for raising funds and to learn from them and improve its service. During the year, the charity received no formal complaints about its activities for raising funds.

ACHIEVEMENTS AND PERFORMANCE

Key financial performance indicators

Current year Parish Share receipts represent 91.4% of the total apportioned (2017 – 95.2%) or, when receipts for previous years are included, 95.6% (2017 - 98.0%)

Our aspiration is always to collect 100% of Parish Share.

Review of activities

The Diocese continues to strive to resource effective mission, ministry and growth throughout its parishes in East Kent. Working with Mission Action Planning, many parishes and deaneries are capturing the vision for new approaches and new forms of Church which is transforming growth and spiritual development. Wherever possible, archdeacons and Diocesan officers (often acting as deanery accompaniers) work closely with deaneries to re-energise the mission and ministry of struggling parishes. There are many cases now where mission plans have been agreed and transitional finance provided which has transformed Christian communities in bringing about new hope, where seemingly all had been lost. However, there are still a number of new cases where parishes are struggling to resource an effective mission and ministry to their community.

85% of Parish Share is spent on ministry costs. Ministry costs covers stipends, housing, pensions and other costs associated with incumbents and curates and also training new clergy for the future. We had an average of 136 paid clergy and 139 active readers in 2018. As we look to a large number of clergy retirements in the next 5 years we need to invest in training new ministers for the future. Since *Explore More*, a way of listening to God's voice about vocation, began in the Diocese in 2015 over 120 people have explored a vocation and many have gone on into theological training for reader or ordained ministry or engaged with other lay ministry in the church and secular world.

We have provided timely and responsive safeguarding support and advice to clergy and their teams across the Diocese, trained over 700 people at various levels, and conducted almost 1,000 DBS (Disclosure and Barring Service) checks, helping to keep our children and vulnerable people safe in our churches. To be more compliant with the SCIE safeguarding audit we have now brought safeguarding in house. This has the additional benefit of reducing costs.

Our deepening discipleship courses have been transformational for many and our missional learning communities have brought together groups of enthusiastic ministers, emerging ministers and growing disciples. Our stewardship campaigns increased planned giving by an average of 30% and we supported our parishes in generating well over £300,000 in funds for building and re-ordering work. A quote from a parishioner was "we could never have done the repairs without you".

We continue to support our communities through a wide range of partnerships with other organisations such as the work being done by Chris Hodgkins in supporting the farming community where mental health can be a particular problem with farmers and rural workers.

Our Novena booklet has been very popular and is an invitation to explore, through art and prayer, the dual message of love and challenge as part of the global Thy Kingdom Come family.

The face of ministry is changing as ordained clergy help equip and enable the ministry of everyone to ensure the Church is a Monday to Saturday Church, as well as a Sunday Church and is sustainable into the future.

There is much that the Diocese is engaged on in supporting its parishes and church schools and the supplementary 'Annual Reports' booklet is recommended for a fuller picture of the activities undertaken.

ACHIEVEMENTS AND PERFORMANCE (continued)

Income generation

The Diocese received 84% of its unrestricted income from the Parish Share, which is a voluntary payment from parishes. The apportionment method for Parish Share has been the subject of a number of reviews over the past five years and is approved by Archbishop's Council and Diocesan Synod.

The Church Commissioner grants are awarded on the basis of allocating money to the poorest dioceses.

The Diocese receives an allocation from the Allchurches Trust which allocates a proportion of the profits from Ecclesiastical Insurance to dioceses.

Investment policy and performance

A decline in investment markets in 2018, particularly in the final quarter, resulted in a decrease in the value of investment of £34k against an increase of £363k in 2017. The value of glebe land decreased by £137k.

The investment policy for 2018 was:

- To keep surplus liquid funds on short term deposit
- To maintain holdings of longer term investments at the following levels:
 - Investment Fund (60%)
 - Property Fund (30%)
 - Fixed Interest Fund (10%)
- To pool investments across the funds of the Diocese so that returns on investment are consistent and not dependent upon the levels and denomination of investment held.

The portfolios are reviewed with CCLA Management Limited every year.

Investments held by the Board have been acquired in accordance with powers available to the Trustees under its Memorandum and Articles of Association.

Going concern

The Trustees believe that the charity has adequate resources to continue in operational existence for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the financial statements. Further details regarding the adoption of the going concern basis can be found in the accounting policies.

FINANCIAL REVIEW

Introduction

Archbishop's Council continues to work diligently to secure the financial position of the Diocese whilst at the same time promoting effective mission, ministry and community throughout the area. The Church of England exists to promote the Gospel of Christ in every community and the Diocese sees that the furtherance of that aspiration is the only way to secure the future of the Anglican Church in this Diocese.

The Board's subsidiary company, Canterbury Diocesan Enterprises Limited (CDEL), is responsible for adopting a strategic approach to all property assets and maximising the value of any disposal proceeds. This company continues to work on a number of key projects and advises on property aspects of pastoral reorganisation and it continues to deliver vital resources to help the work of CDBF.

The total funds of the Diocese include the value of all benefice parsonages within the parishes and these were valued at £63.8m in 2018 (2017 - £65.6m). CDBF is engaged on a rolling five year process of revaluations of these properties. These properties are included in endowment funds recognising that they remain benefice property, although should they cease to be used as ministry houses then ownership is transferred to CDBF unrestricted funds.

Results for the year

Total income for the year amounted to £10.7m the same as for the previous year. Parish Share totalled £7.7m and was static compared to 2017. This is a cause for concern and reflects the fact that the speed of collection is slowing. Indeed, the level of Parish Share not collected has increased proportionately over prior periods. Income from other donations and legacies, including grants from Archbishops' Council, tends to fluctuate year on year especially in respect to legacy income. Other sources of income comprised investment income, including property rental, parochial fees for weddings and funerals and the income for work done for third parties by the charity's subsidiary companies. Such income remains highly important and an essential contributor to keeping Parish Share requirements lower than they might otherwise be.

Expenditure for the year totalled £11m compared to £10.7m in 2017.

Net expenditure before revaluations and investment asset disposals amounted to £471k compared to net income in 2017 of £346k. After revaluations and investment losses, the net movement in funds for the year was an increase of £289k being a £249k increase in endowment funds, a £758k decrease in restricted funds and a £798k increase in unrestricted funds.

The movement in unrestricted funds included the following significant items of (expenditure) income:

	2018 £000	2017 £000
FRS 102 charge in respect of Church Workers Pension Scheme	(506)	(2)
Net gain on disposal of properties	–	459

Under FRS 102 the Board is required to account for any deficit in the clergy and laity pension fund schemes. These provisions are £2.41m (2017 - £2.91m) for the Diocese's proportion of the national clergy scheme and £0.62m (2017 - £0.19m) for our proportion of the laity scheme.

FINANCIAL REVIEW (continued)

Financial position

The consolidated balance sheet showed total funds at 31 December 2018 of £82.9m (2017 - £82.7m) comprising:

	2018 £000	2017 £000
General funds (including non-charitable trading funds)	207	280
Designated funds	12,755	11,884
Restricted funds	986	1,744
Endowment funds	69,021	68,772
	82,969	82,680

The above figures include endowment funds of £69.0m (2017 – £68.8m), the principal part of this being the benefice properties amounting to £62.8m (2017 – £61.9m). Where income arises from these funds, it may be used for general purposes of the charity and therefore is credited to unrestricted funds. The endowment fund balances must normally be held as 'capital' but, where permitted, may be applied towards meeting certain charitable aims.

Also included in total funds are restricted funds totalling £986k (2017 – £1.7m). These monies have either been raised for, and their use restricted to, specific purposes or they comprise donations subject to donor-imposed conditions. Further details of these restricted funds can be found in note 20 to the financial statements together with an analysis of movements in the year. Of particular note is the fact that during the year £420k was transferred from the Diocesan Pastoral Account Fund to unrestricted funds to assist with the funding of parsonage maintenance and £333k to assist with the purchase of Ministry Housing. These transfers highlight the cost of maintaining the properties used in the ministry of the Diocese.

Funds totalling £12.8m (2017 – £11.9m) have been designated, or set aside, by the Trustees for specific purposes. These purposes and an analysis of the movements on the funds are set out in note 20 to the financial statements. The Trustees are aware that most of the designated funds are represented by ministry housing and they are currently reviewing their policy on the sale of empty property to improve the level of working capital.

General funds show a net decrease (before revaluation of investments and fund transfers) of £813k for the year (2017 – increase of £147k). In 2018, as noted above, £420k was transferred from the Diocesan Pastoral Account Fund to assist with the funding of parsonage maintenance. Other monies were transferred from designated funds during the year.

Reserves policy

Over the coming year, the charity faces a number of challenges in respect to its finances. These arise in part because of the demographics of clergy generally in the UK. The increasing age profile of clergy and the smaller number of vocations to the Church mean that there will be an inevitable increase to the cost of ministry given the need to train parishioners and lay ministers to further the Christian mission and strategic priorities in the Diocese.

The charity continues to look for opportunities to increase income and so limit the need to ask for greater Parish Share. In the past few years, indirect overheads have been reduced in a number of areas following prudent budgeting and careful restructuring.

FINANCIAL REVIEW (continued)

Reserves policy (continued)

The Trustees remain committed to proactively working with deaneries and parishes to ensure parish mission and ministry is fully funded and enabled.

The Board's policy is to hold working capital (net current assets) of between 15% and 20% of its annual budget. In 2019 this would require working capital of between £1.6m and £2.1m. This amount is regarded as the minimum necessary to enable the Board to withstand cash flow fluctuations in the course of its normal business. At the end of 2018 the Board's working capital was £1.9m (2017 - £1.2 million).

Pay policy for senior staff

Senior Clergy are paid according to stipend scales set by the national church. The stipends for the Bishop of Dover and the Archdeacon of Maidstone (in lieu of the unused Bishop of Maidstone post) are borne by the Church Commissioners. The stipend of the Archdeacon of Canterbury is borne principally by Canterbury Cathedral. The stipend of the Archdeacon of Ashford is borne by CDBF.

CDBF uses a system of job evaluation to grade staff appropriately and each is then assigned a particular pay point on that grade. This system operates for all key Diocesan staff but each is then compared to the averages across all dioceses in the southern province. The HR Committee then formally agrees the appropriate salary in the light of these variables.

Key management personnel are defined as the Trustees together with those employees listed in note 13 to the attached financial statements.

PLANS FOR THE FUTURE

Future developments

The Archbishop's Council will continue to pursue its 3 key objectives by developing its strategy *Changed Lives* ► *Changing Lives* still further. It will look to obtain funds for the different project strands both from the Church Commissioners and other charities as well as re-allocating Diocesan resources. Each project strand will have a Strategic Project Board chaired by a member of the Bishop's Senior Staff to carry that work forward. We will look to draw in people with the necessary gifts to be involved in these developments. We are aware that the level of future retirements of clergy and, consequently, our 'Enriching leadership' strand is particularly important for us to develop a mixed economy of leadership in our churches and parishes.

As part of the resourcing of this strategy, the Trustees will continue to look for ways to develop the current Diocesan House to better enable modern team based collegial working.

FUNDS HELD AS CUSTODIAN TRUSTEE ON BEHALF OF OTHERS

The Board acts as Custodian Trustee in respect of trusts administered on behalf of managing trustees, which includes incumbents, churchwardens, Parochial Church Councils and other organisations of the Diocese. The assets held in the capacity of Custodian Trustee include freehold property and investments.

The Board also administers funds, on behalf of Parochial Church Councils, on an agency basis for investment and obtains income tax repayments, relating to Gift Aid, on behalf of parishes and other Diocesan organisations. The tax recoverable during 2018 was £1.35m (2017 - £1.35m).

In 2000 the Board arranged for the Central Board of Finance Investment Office to take over the administration of investments held on behalf of parishes, with the exception of Endowment Funds. The Board is still administering investments with a book value of £2.9m (2017 - £3.1m). The assets of these funds are held separately from those of the Board.

In 2014 an agreement was made with Winchester Diocese whereby the Board was to act as an agent for the collection and disbursement of parish share from the deaneries of Guernsey and Jersey. A fee is charged for this service and there is no adverse financial effect on the Diocese.

TRUSTEES' RESPONSIBILITIES STATEMENT

The Trustees (who are also directors of Canterbury Diocesan Board of Finance for the purposes of company law) are responsible for preparing the Trustees' report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Company law requires the Trustees to prepare financial statements for each financial year. 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 affairs of the charity and the group and of the income and expenditure of the group for that period. In preparing these financial statements, the Trustees are required to:

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles in Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102);
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK 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 presume that the charitable group will continue in operation.

The Trustees are responsible for keeping adequate accounting records that are sufficient to show and explain the charity and the group's transactions and disclose with reasonable accuracy at any time the financial position of the charity and group 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 charity and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Trustees' report (incorporating the strategic report) Year ended 31 December 2018

DISCLOSURE OF INFORMATION TO AUDITOR

Each of the persons who are Trustees at the time when this Trustees' report is approved has confirmed that:

- so far as that Trustee is aware, there is no relevant audit information of which the charitable group's auditor is unaware, and
- the Trustee has taken all the steps that ought to have been taken as a Trustee in order to be aware of any relevant audit information and to establish that the charitable group's auditor is aware of that information.

AUDITOR

Buzzacott LLP was reappointed as statutory auditor on 16 June 2018 and has indicated its willingness to continue in office and a resolution proposing its reappointment will be put to the Annual General Meeting.

This report, incorporating the Strategic Report, was approved by the Trustees on 13 June 2019 and signed on their behalf by:



Nigel Mansley

Trustee

Independent Auditor's Report to the Members of Canterbury Diocesan Board of Finance

Opinion

We have audited the financial statements of Canterbury Diocesan Board of Finance (the 'charitable parent company') and of Canterbury Diocesan Board of Finance and its subsidiaries (the 'group') for the year ended 31 December 2018 which comprise the consolidated statement of financial activities, the consolidated summary income and expenditure account, the consolidated and charitable parent company balance sheets, the consolidated statement of cash flows, the principal accounting policies, the notes to the financial statements and the appendix. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- ◆ give a true and fair view of the state of the group's and of the charitable parent company's affairs as at 31 December 2018 and of the group's income and expenditure for the year then ended;
- ◆ have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- ◆ have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

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

- ◆ the Trustees' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- ◆ the Trustees have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the charitable parent 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.

Independent auditor's report Year ended 31 December 2018

Other information

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

- ◆ the information given in the Trustees' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- ◆ the Trustees' 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 group and the charitable parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the Trustees' 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 parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- ◆ the charitable parent 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.

Responsibilities of Trustees

As explained more fully in the Trustees' responsibilities statement in the Trustees' report, the Trustees are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

Use of our report

This report is made solely to the charity'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 charity'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 charity and the charity's members as a body, for our audit work, for this report, or for the opinions we have formed.

Buzzacott LLP

Amanda Francis (Senior Statutory Auditor)
For and on behalf of Buzzacott LLP, Statutory Auditor
130 Wood Street
London
EC2V 6DL

12 July 2019

Consolidated statement of financial activities Year to 31 December 2018

	Notes	Unrestricted funds £'000	Restricted funds £'000	Endowment funds £'000	Total funds 2018 £'000	Total funds 2017 £'000
Income and endowments from:						
Donations and legacies	1	7,864	1,107	—	8,971	8,757
Charitable activities	2	415	—	—	415	444
Other trading activities	3	667	—	—	667	522
Investments and interest	4	306	—	—	306	233
Other sources						
· Gains on property disposals	5	—	—	311	311	731
Total income and endowments		9,252	1,107	311	10,670	10,687
Expenditure on:						
Raising funds	6	295	—	—	295	274
Charitable activities	8	9,676	1,104	(105)	10,675	10,430
Total expenditure	10	9,971	1,104	(105)	10,970	10,704
Net (expenditure) income before investment (losses) gains						
		(719)	3	416	(300)	(17)
Net (losses) gains on investments	16	(11)	(8)	(152)	(171)	363
Net (expenditure) income before transfers						
		(730)	(5)	264	(471)	346
Transfers between funds	20	1,528	(753)	(775)	—	—
Net income (expenditure) for the year	11	798	(758)	(511)	(471)	346
Other recognised gains and losses:						
Gains on revaluations of tangible fixed assets	15	—	—	760	760	4,475
Net movement in funds		798	(758)	249	289	4,821
Reconciliation of funds						
Total funds brought forward		12,164	1,744	68,772	82,680	77,859
Total funds carried forward		12,962	986	69,021	82,969	82,680

All activities relate to continuing operations in both the above financial years.

The unrestricted fund column above comprises both general funds and designated funds. Details of the analysis between these funds can be found in note 20 to these financial statements. At 31 December 2018, general funds amounted to £132k (2017 - £296k) whilst designated funds (many of which represent ministry housing) amounted to £12.8m (2017 - £11.9m).

Consolidated summary income and expenditure account Year to 31 December 2018

	Note	2018 £'000	2017 £'000
Income		10,359	10,415
Less: Expenditure		(11,075)	(10,332)
Net (expenditure) income for the year before transfers and investment gains and losses		(716)	83
Transfers from endowment funds	20	775	500
Net (losses) gains on investments		(19)	152
Net income for the financial year		40	735

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

Balance sheets 31 December 2018

	Note	Group 2018 £'000	Group 2017 £'000	Charity 2018 £'000	Charity 2017 £'000
Fixed assets					
Tangible fixed assets	15	77,874	78,139	77,874	78,139
Investments	16	7,019	6,951	7,020	6,952
		84,893	85,090	84,894	85,091
Current assets					
Debtors	17	1,112	1,139	1,097	1,170
Cash at bank and in hand		3,452	3,112	3,323	3,019
		4,564	4,251	4,420	4,189
Creditors: amounts falling due within one year	18	(2,712)	(3,026)	(2,644)	(2,949)
Net current assets		1,852	1,225	1,776	1,240
Total assets less current liabilities		86,745	86,315	86,670	86,331
Creditors: amounts falling due after more than one year	19	(3,776)	(3,635)	(3,776)	(3,635)
Net assets		82,969	82,680	82,894	82,696
Funds					
Endowment funds	20	69,021	68,772	69,021	68,772
Restricted funds	20	986	1,744	986	1,744
Unrestricted funds					
. Designated funds	20	12,755	11,884	12,755	11,884
. General funds	20	132	296	132	296
. Non-charitable trading funds	20	75	(16)	—	—
Total funds		82,969	82,680	82,894	82,696

The financial statements were approved by the Trustees on 13 June 2019 and signed on their behalf by:



(NIGEL MANSLEY)

Trustee

Consolidated statement of cash flows Year to 31 December 2018

	Note	2018 £'000	2017 £'000
Cash flows from operating activities			
Net cash used in operating activities	A	(1,822)	(1,806)
Cash flows from investing activities			
Investment income and interest received		306	233
Rental income received		366	222
Proceeds from the sale of tangible fixed assets		2,654	3,841
Purchase of tangible fixed assets		(1,601)	(1,556)
Proceeds from sale of investments		21	291
Net cash provided by investment activities		1,746	3,031
Cash flows from financing activities			
Repayments of borrowings		(7)	(422)
Cash inflows from new borrowing		423	—
Net cash provided by (used in) financing activities		416	(422)
Change in cash and cash equivalents in the year		340	803
Cash and cash equivalents brought forward		3,112	2,309
Cash and cash equivalents carried forward	B	3,452	3,112

A. Reconciliation of net income for the year to net cash used in operating activities

	2018 £'000	2017 £'000
Net (expenditure) income for the year (as per the statement of financial activities)	(471)	346
Adjustment for:		
Depreciation charges	23	27
Impairment of investment property	—	10
Losses (gains) on investments	171	(363)
Investment income and interest receivable	(306)	(233)
Rental income receivable	(366)	(222)
Gains on disposal of tangible fixed assets	(311)	(731)
Decrease in stocks and work in progress	—	54
Decrease (increase) in debtors	27	(83)
Decrease in creditors	(589)	(611)
Net cash used in operating activities	(1,822)	(1,806)

B. Analysis of cash and cash equivalents

	2018 £'000	2017 £'000
Cash in hand	3,452	3,112

Principal accounting policies Year ended 31 December 2018

Basis of accounting

The principal accounting policies adopted, judgements and key sources of estimation uncertainty in the preparation of the financial statements are laid out below.

Basis of preparation

These financial statements have been prepared for the year to 31 December 2018 with comparative information provided for the year to 31 December 2017.

The financial statements have been prepared under the historical cost convention with items recognised at cost or transaction value unless otherwise stated in the relevant accounting policies below or the notes to these financial statements.

The financial statements have been prepared in accordance with Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (Charities SORP FRS 102), the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) and the Companies Act 2006.

The financial statements have been drawn up in accordance with the requirements of the Companies Act 2006 except where the special nature of the Canterbury Diocesan Board of Finance's operations has required adaptation of the formats as allowed by section 396(5).

The charity constitutes a public benefit entity as defined by FRS 102.

The financial statements are presented in sterling and are rounded to the nearest thousand pounds.

Basis of consolidation

The financial statements consolidate the accounts of Canterbury Diocesan Board of Finance and all of its subsidiary undertakings ('subsidiaries').

The charity has taken advantage of the exemption contained within section 408 of the Companies Act 2006 not to present its own income and expenditure account. Gross income of the charity of £10,546k (2017 - £10,543k) and net expenditure of £562k (2017 - income of £340k) has been dealt with in the accounts of the charity.

Company status

The charity is a company limited by guarantee, Company Registration Number 00145650 (England and Wales). Every member of Diocesan Synod is a member of CDBF for company law purposes. In the event of the charity being wound up the liability in respect of the guarantee is limited to £1 per member of the charity. The company's address and other reference information is shown on page 1.

Fund structure

The unrestricted funds comprise those monies which may be used towards meeting the charitable objectives of the charity and may be applied at the discretion of the Trustees. Certain unrestricted funds have been set aside and designated for specific purposes by the Trustees.

The restricted funds are monies raised for, and their use restricted to, a specific purpose, or donations subject to donor imposed conditions.

Principal accounting policies Year ended 31 December 2018

Fund structure (continued)

The endowment funds comprise assets which normally must be held as capital but, where permitted, may be applied towards meeting certain charitable aims. The income therefrom may be used either in accordance with the donors' wishes, if stipulated, or for general purposes.

The non-charitable trading funds represent the accumulated gains and losses arising on the charity's trading subsidiaries.

Critical accounting estimates and areas of judgement

Preparation of the financial statements requires the Trustees and management to make significant judgements and estimates. The items in the financial statements where these judgements and estimates have been made include:

- the useful economic life of tangible fixed assets for the purpose of determining the annual depreciation charge;
- the valuation of investment property and benefice properties;
- the underlying assumptions in the actuarial valuations of the defined benefit schemes; and
- the recoverability of debtors and any provision for bad or doubtful debts.

The Trustees consider valuation of benefice properties and pensions liabilities to be the areas of judgement and estimation that have a significant effect on the financial statements. Further details of these judgements is given in notes 15 and 22 respectively.

Going concern

The Trustees have assessed whether the use of the going concern assumption is appropriate in preparing these financial statements. The Trustees have made this assessment in respect to a period of one year from the date of approval of these financial statements.

The Trustees have concluded that there are no material uncertainties related to events or conditions that may cast significant doubt on the ability of the charity to continue as a going concern. The Trustees are of the opinion that the charity will have sufficient resources to meet its liabilities as they fall due. This is because the charity has sufficient monetary assets, including short term cash deposits, which could be readily realised to meet liabilities should there be an unexpected curtailment of income.

Income

Income is recognised in the period in which the charity is entitled to receipt, the amount can be measured reliably and it is probable that the funds will be received.

Income comprises donations and legacies, including Parish Share income, income from listed investments, interest receivable, income directly related to charitable activities (including grants), income from trading activities, the surplus on disposal of tangible fixed assets and miscellaneous income.

Principal accounting policies Year ended 31 December 2018

Income (continued)

Donations are recognised when the charity has confirmation of both the amount and settlement date. In the event of donations pledged but not received, the amount is accrued for where the receipt is considered probable. In the event that a donation is subject to conditions that require a level of performance before the charity is entitled to the funds, the income is deferred and not recognised until either those conditions are fully met, or the fulfilment of those conditions is wholly within the control of the charity and it is probable that those conditions will be fulfilled in the reporting period.

In accordance with the Charities FRS 102 SORP 2015 volunteer time is not recognised.

Legacies are included in the statement of financial activities when the charity is entitled to the legacy, the executors have established that there are sufficient surplus assets in the estate to pay the legacy, and any conditions attached to the legacy are within the control of the charity.

Grants from government and other agencies have been included as income from activities in furtherance of the charity's objectives where these amount to a contract for services, but as donations where the money is given in response to an appeal or with greater freedom of use, for example monies for core funding.

Income is deferred only when the charity has to fulfil performance related conditions before becoming entitled to it or where the donor or funder has specified that the income is to be expended in a future accounting period.

Investment income is recognised once the dividend or similar income has been declared and notification has been received of the amount due.

Interest on funds held on deposit is included when receivable and the amount can be measured reliably by the charity; this is normally upon notification of the interest paid or payable by the bank.

Income from charitable activities comprises parochial fees received for occasional offices including baptisms, weddings and funerals. Such income is recognised as if it were a donation from the parishes in a manner consistent with that adopted for other donations as set out above.

Income from trading activities comprises the income received from third parties by the charity's trading subsidiaries. Such income is measured at the fair value of the consideration received or receivable, excluding discounts and rebates.

The gains or losses on the disposal of property assets are calculated as the difference between the sale proceeds net of sale costs and the net book value of the asset immediately prior to disposal. They are accounted for once legal completion of the disposal has taken place.

Principal accounting policies Year ended 31 December 2018

Expenditure

Expenditure is included in the statement of financial activities when incurred and includes any attributable VAT which cannot be recovered. Expenditure comprises the following:

- a) Expenditure on raising funds which includes expenditure associated with raising funds and comprises expenditure of trading subsidiary companies.
- b) Expenditure on charitable activities which comprises expenditure on the charity's primary charitable purposes as described in the Trustees' report i.e. promoting and assisting the work of the Church of England for the advancement of the Christian religion in the Diocese of Canterbury. The expenditure includes both costs that can be allocated directly to such activities and those indirect costs necessary to support them.

Support costs are those costs which enable charitable activities to be carried out. These costs include the expenses relating to finance, human resources, property management, communications and information technology. Where expenditure incurred relates to more than one activity it is apportioned using the most appropriate basis.

Grants payable are included in the statement of financial activities when approved and when committed. Commitment will usually arise when the intended recipient has either received the funds or been informed of the decision to make the donation.

Property, plant and equipment

All assets costing more than £1,000 and with an expected useful life exceeding one year are capitalised. Laptop and desktop computers costing under £1,000 are also capitalised.

Benefice property being buildings designed as, and used wholly or mainly for, private residential accommodation are not depreciated. Their value and conditions are reviewed annually by the Trustees, who are satisfied that their residual value is not materially less than their book value.

Other freehold buildings which are used either as private residential properties or as Diocesan offices are not depreciated. The value and condition of the properties is reviewed annually to ensure that their residual value is not materially less than their book value.

Office equipment is written off over a period of three to five years, based on cost, in order to write the cost of each asset off over its estimated useful life.

Benefice property

CDBF has followed the requirements of FRS 102 in its accounting treatment for benefice houses. FRS 102 requires the accounting treatment to follow the substance of arrangements rather than their strict legal form. CDBF is formally responsible for the maintenance and repair of benefice houses 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. Therefore, the Trustees consider the most suitable accounting policy to be to capitalise such properties as expendable endowment assets and to carry them at their estimated current value. Benefice houses are revalued on a five year cycle by professional valuers and the whole portfolio is reviewed annually against insurance valuations.

Principal accounting policies Year ended 31 December 2018

Investments

Listed investments are a form of basic financial instrument and are initially recognised at their transaction value and subsequently measured at their fair value as at the balance sheet date using the closing quoted market price.

Glebe property comprising agricultural land is included in the financial statements at a valuation based on income yield with provision being made for any impairment deemed necessary. The valuation has been determined by the Trustees after consultation with the Board's property director.

Realised gains (or losses) on investment assets are calculated as the difference between disposal proceeds and their opening carrying value or their purchase value if acquired subsequent to the first day of the financial year. Unrealised gains and losses are calculated as the difference between the fair value at the year end and their carrying value at that date. Realised and unrealised investment gains (or losses) are combined in the statement of financial activities and are credited (or debited) in the year in which they arise.

Operating leases

Rentals under operating leases are charged to the statement of financial activities on a straight line basis over the lease term.

Debtors

Debtors are recognised at their settlement amount, less any provision for non-recoverability. Prepayments are valued at the amount prepaid.

Cash at bank and in hand

Cash at bank and in hand represents such accounts and instruments that are available on demand or have a maturity of less than three months from the date of acquisition.

Creditors and provisions

Creditors and provisions are recognised when there is an obligation at the balance sheet date as a result of a past event, it is probable that a transfer of economic benefit will be required in settlement, and the amount of the settlement can be estimated reliably. Creditors and provisions are recognised at the amount the charity anticipates it will pay to settle the debt. They have been discounted to the present value of the future cash payment where such discounting is material.

Financial instruments

The charity only has financial assets and financial liabilities of a kind that qualify as basic financial instruments. Apart from fixed asset investments held at fair value, basic financial instruments are initially recognised at transaction value and subsequently measured at amortised cost using the effective interest method.

Principal accounting policies Year ended 31 December 2018

Pensions

The charity operates four pension schemes as more fully described in note 22:

- i) A defined benefits scheme for clergy - the Church of England Funded Pensions Scheme
- ii) A defined benefits scheme for certain diocesan staff now closed to new staff - the Church of England Defined Benefits Scheme (DBS), part of the Church Workers Pension Fund
- iii) A defined benefits scheme - the Church of England Pension Builder Classic Scheme, part of the Church Workers Pension Fund
- iv) A defined contribution pension scheme for diocesan staff not included in the above schemes

The pension costs charged as expenditure represent the CDBF's contributions payable in respect of the accounting period, in accordance with FRS 102. Deficit funding for the pension schemes to which CDBF participates is accrued at current value in creditors distinguished between contributions falling due within one year and after more than one year.

Custodian funds

Funds held by the charity on behalf of parishes, church schools and other entities and over which the charity has no power to make management decisions are classified as custodian funds and are not included in the financial statements. Instead, the funds held are disclosed by way of a note to the financial statements.

School major repair and capital projects

The charity receives Government grants in connection with major repair and capital projects to Church Schools. The charity administers these monies as managing agent and makes the appropriate payments to contractors for work carried out. The monies do not belong to the charity and as such the receipts and payments are not treated as income or expenditure in the statement of financial activities. Any monies held at the balance sheet date are treated as creditors on the balance sheet.

Notes to the financial statements Year to 31 December 2018

1. Income from: Donations and legacies

	Unrestricted funds £'000	Restricted funds £'000	2018 £'000	2017 £'000
Parish Share	7,734	—	7,734	7,764
Archbishops' Council	—	923	923	696
Allchurches Trust	121	—	121	121
Other donations and grants	9	184	193	63
Legacies	—	—	—	113
Total funds	7,864	1,107	8,971	8,757

Other donations and grants include £28,500 (2017: £nil) from Appleton Trust, a charity of which all of the trustees are, ex-officio, trustees or key management of Canterbury Diocesan Board of Finance.

2. Income from: Charitable activities

	Unrestricted funds	
	2018 £'000	2017 £'000
Total funds: Parochial fees for occasional offices	415	444

Occasional offices include weddings and funerals.

3. Income from: Other trading activities

	Unrestricted funds	
	2018 £'000	2017 £'000
Income from subsidiary trading companies	124	144
Rental income	366	222
Other trading income	177	156
Total funds	667	522

Income from subsidiary trading companies represents work done by Canterbury Diocesan Enterprises Limited and Ethos School Improvement Limited for third parties outside of the group. Work done by Canterbury Diocesan Enterprises Limited for CDBF of £259k (2017 - £105k) and work done by Canterbury Diocesan Board of Finance for Ethos School Improvement Limited of £22k (2017-£nil) has been eliminated on consolidation.

4. Income from: Investments and interest

	Unrestricted funds	
	2018 £'000	2017 £'000
Investment income	243	227
Bank and other interest receivable	63	6
Total funds	306	233

Notes to the financial statements Year to 31 December 2018

5. Income from: Other sources

	Unrestricted Funds £'000	Restricted funds £'000	Endowment funds £'000	Total funds £'000
2018 Total funds: Gains on property disposals	—	—	311	311
2017 Total funds: Gains on property disposals	459	—	272	731

6. Expenditure on: Raising funds

	Unrestricted funds	
	2018 £'000	2017 £'000
Wages and salaries	129	127
Social security costs	12	13
Pension costs	5	9
Other overheads	149	125
	295	274

Expenditure on raising funds comprises the expenditure of subsidiary trading companies.

7. Analysis of grant funding activities

Included within expenditure on charitable activities (note 8) are the following grants:

	Number	2018 £'000	Number	2017 £'000
From unrestricted funds for national Church responsibilities				
Contributions to Archbishops' Council	—	544	—	550
From unrestricted and restricted funds				
Parochial fee grants	173	37	186	99
Ministry grants	17	533	17	482
Transitional grants	—	—	62	43
Children, youth and schools	7	89	9	96
Parish administration	3	69	3	59
Parish support	5	38	13	83
Deanery grants	15	30	15	30
		1,340		1,442

The development of Diocesan grants using the Church Commissioner funding allocation continues to see the Diocese giving financial assistance to parishes to leverage their mission. In 2018, £759k (2017 - £750k) was spent in targeting parishes which can most benefit from grant funding for mission and ministry. In 2017, a further £43k was spent on transitional grants to finance the extra costs of those former House for Duty priests who had moved onto a part-time stipend commensurate with the ministry time offered to their parish.

Notes to the financial statements Year to 31 December 2018

8. Expenditure on: Charitable activities

	Unrestricted funds £'000	Restricted funds £'000	Endowment funds £'000	Total funds 2018 £'000	Total funds 2017* £'000
Contributions to Archbishops' Council:					
Training for ministry	227	—	—	227	222
National Church Responsibilities	181	—	—	181	177
Grants and provisions	20	—	—	20	19
Mission agency pension costs	2	—	—	2	2
Retired clergy housing costs	76	—	—	76	73
Pooling of ordinands maintenance grants	38	—	—	38	57
	544	—	—	544	550
Resourcing Ministry and Mission:					
Parish Ministry					
Stipends	3,007	—	—	3,007	2,960
National Insurance	235	—	—	235	234
Pension contributions					
· Employer pension contributions	757	—	—	757	684
· FRS 102 pension adjustment	—	—	(130)	(130)	134
Housing costs	1,475	91	—	1,566	1,578
Apprenticeship levy	14	—	—	14	11
Removal and resettlement grants	98	—	—	98	153
Other expenses	241	—	—	241	140
Lay and ordinand training	166	105	—	271	134
Parochial fee grants	37	—	—	37	99
Mission development grants	—	533	—	533	482
	6,030	729	(130)	6,629	6,609
Senior Clergy					
Stipends, NI and Pensions	49	—	—	49	58
Housing cost allocation	27	—	—	27	26
	76	—	—	76	84
Strategic Investment Projects (see below)	27	104	—	131	—
Support costs (note 9)	2,550	205	12	2,767	2,493
Total expenditure on resourcing Ministry and Mission	8,683	1,038	(118)	9,603	9,186
Expenditure on education:					
Support for church schools and young people	449	66	13	528	694
Total funds 2018	9,676	1,104	(105)	10,675	10,430

* The 2017 expenditure is analysed by fund in the appendix.

Expenditure on Strategic Investment Projects comprises expenditure on projects to enable the Diocesan Strategy of Changed Lives ► Changing Lives of which £104k is funded by the Church Commissioners.

Notes to the financial statements Year to 31 December 2018

9. Analysis of support costs

	Unrestricted funds £'000	Restricted funds £'000	Endowment funds £'000	Total funds 2018 £'000	Total funds 2017 £'000
Diocesan administration					
Salaries	1,066	49	—	1,115	1,059
National Insurance	108	1	—	109	97
Pensions	222	2	—	224	201
FRS 102 pension adjustment	506	—	—	506	—
Grants to support parishes and deaneries	34	103	—	137	215
Administration, office and other indirect costs	495	50	12	557	819
Governance					
External audit	23	—	—	23	20
Diocesan Synod and Archbishop's Council	10	—	—	10	15
National Synod	10	—	—	10	6
Registrar	51	—	—	51	41
Statutory accounts preparation	10	—	—	10	10
Strategic Management	15	—	—	15	10
Total support costs	2,550	205	12	2,767	2,493

The 2017 support costs are analysed by fund in the appendix.

In both 2017 and 2018, support costs relate only to the resourcing of Ministry and Mission.

10. Analysis of total expenditure

	Activities directly undertaken £'000	Grant funding of activities £'000	Support costs £'000	Total funds 2018 £'000
Raising funds	295	—	—	295
Charitable activities				
Contributions to Archbishops' Council	—	544	—	544
Resourcing Ministry and Mission	6,129	707	2,767	9,603
Education	439	89	—	528
	6,863	1,340	2,767	10,970

The 2017 analysis of total expenditure is included in the appendix.

11. Net income (expenditure) for the year

This is stated after charging:

	2018 £'000	2017 £'000
Depreciation of tangible fixed assets owned by the charitable group	23	27
Operating lease rentals	26	26
Impairment of investment property	—	10

Notes to the financial statements Year to 31 December 2018

12. Auditor's remuneration

	2018 £'000	2017 £'000
Fees payable to the charity's auditor for:		
Audit of the charity's annual accounts and those of subsidiary trading companies	24	23
Taxation services to the group	3	3
Other consultancy services to the group	8	—

13. Stipends and staff costs

	2018 £'000	2017 £'000
Wages, salaries and stipends	4,657	4,435
Social security costs	393	372
Other pension costs	1,050	955
	6,100	5,762
Defined benefit scheme operating cost	6	6
Apprenticeship levy	14	11
	6,120	5,779

The average number of persons employed by the group during the year was as follows:

	2018 No.	2017 No.
Clergy, Curates and Senior Staff	136	139
Diocesan House	56	54
Subsidiary trading companies	4	4
	196	197

The number of employees with remuneration in excess of £60,000 (including taxable benefits but excluding employer pension and national insurance contributions) was:

	2018 No.	2017 No.
In the band £60,001 - £70,000	2	2
In the band £70,001 - £80,000	1	1

Employer pension scheme costs in respect of the above employees were £43,786 (2017 - £38,932).

Remuneration of key management personnel

Key management personnel are deemed to be those having authority and responsibility, delegated to them by the Trustees, for planning, directing and controlling the activities of the Diocese. During 2018 and 2017 they were:

Diocesan Secretary and Company Secretary
 Diocesan Director of Ordinands
 Director of Communications
 Director of Communities and Partnerships
 Director of Education
 Director of Finance
 Director of Strategic Property

Remuneration, pensions and expenses for these 7 employees amounted to £492,847 (2017 - £480,272).

Notes to the financial statements Year to 31 December 2018

14. Trustees' remuneration

No Trustee received any remuneration in connection with their duties as trustees during the year (2017 – none). During the year several Trustees, who are also clergy within the Diocese, received stipends from, and/or were provided with housing by, the charity in connection with their religious and pastoral duties within the Diocese.

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

	Stipend	Housing
The Bishop of Dover	No	Yes
The Archdeacon of Ashford	Yes	Yes
The Archdeacon of Canterbury	Yes	No
The Archdeacon of Maidstone	No	Yes
Revd Canon Andrew Sewell	Yes	Yes
Revd Anthony Everett	Yes	Yes
Revd Canon Stephen Lillicrap	Yes	Yes
Revd Canon Timothy Wilson	Yes	Yes

Trustees received reimbursement of expenses of £22,304 (2017 - £20,290) in respect of General Synod duties, duties as archdeacon and other duties as trustees.

15. Tangible fixed assets

Group and charity	Freehold property £'000	Office equipment £'000	Benefice Property £'000	Total £'000
Cost or valuation				
At 1 January 2018	13,445	304	65,646	79,395
Additions	1,585	16	—	1,601
Reclassification as glebe property (note 16)	—	—	(260)	(260)
Disposals	—	—	(2,343)	(2,343)
Revaluation	—	—	760	760
At 31 December 2018	15,030	320	63,803	79,153
Depreciation				
At 1 January 2018	977	279	—	1,256
Charge for the year	—	23	—	23
At 31 December 2018	977	302	—	1,279
Net book values				
At 31 December 2018	14,053	18	63,803	77,874
At 31 December 2017	12,468	25	65,646	78,139

Notes to the financial statements Year to 31 December 2018

15. Tangible fixed assets (continued)

Benefice properties are included in the financial statements at a valuation determined as part of a rolling programme designed to value all such properties over a five year period. The valuation is based on market value for existing use of approximately one fifth of the property portfolio for each of the years 2015, 2016, 2017 and 2018, and has been carried out by a member of the charity's property team with a Chartered Surveyor qualification. The valuation is always compared with the insurance value of the relevant property. The valuation of properties not yet revalued, approximately one fifth, is based on insurance value; these properties will be revalued in 2019 and then the rolling programme will recommence in 2020 with those previously valued in 2015.

All other tangible fixed assets are included in the financial statements at cost.

16. Fixed asset investments

Group	Glebe property £'000	Listed investments £'000	Total £'000
Market value			
At 1 January 2018	1,500	5,451	6,951
Reclassification from benefice property (note 15)	260	—	260
Disposal proceeds	—	(21)	(21)
Net investment losses	(137)	(34)	(171)
At 31 December 2018	1,623	5,396	7,019
Historical cost	—	3,987	3,987

Charity	Glebe property £'000	Investment in subsidiaries £'000	Listed investments £'000	Total £'000
Cost or valuation				
At 1 January 2018	1,500	127	5,451	7,078
Reclassification from benefice property (note 15)	260	—	—	260
Disposal proceeds	—	—	(21)	(21)
Net investment losses	(137)	—	(34)	(171)
At 31 December 2018	1,623	127	5,396	7,146
Impairment				
At 1 January 2018 and 31 December 2018	—	126	—	126
Net book values				
At 31 December 2018	1,623	1	5,396	7,020
At 31 December 2017	1,500	1	5,451	6,952

All the fixed asset investments are held in the UK. The listed investments are held in Church of England Central Board of Finance funds managed by CCLA Investment Management Limited.

Notes to the financial statements Year to 31 December 2018

16. Fixed asset investments (continued)

At 31 December 2018, the listed investments included the following holdings deemed material in the context of the entire portfolio of listed investments.

Holding	Value £'000	% of portfolio
Property fund	1,206	22.4
Investment fund	3,688	68.3
Global Equity fund	467	8.7

17. Debtors

	Group		Charity	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Parish share due	208	273	208	273
Amounts owed by subsidiaries	—	—	34	108
Amounts owed by undertakings in which the company has a participating interest	9	10	9	10
Other debtors:				
. Amounts owed by connected entities	—	52	—	52
. Secured loan	209	160	209	160
. Other debtors	542	511	507	487
Prepayments and accrued income	144	133	130	80
	1,112	1,139	1,097	1,170

Parish Share (the group and the charity)

The parish share element within debtors above consists of:

	2018 £'000	2017 £'000
Total parish share due at 31 December	2,309	2,044
Provisions made in respect of:		
. Current year	(693)	(384)
. Previous years	(1,408)	(1,387)
Total	208	273

18. Creditors: amounts falling due within one year

	Group		Charity	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Other loans	420	152	420	152
Expense creditors	125	182	104	177
Other taxation and social security	46	55	46	39
Other creditors	1,481	1,815	1,454	1,805
Pension scheme liabilities	446	511	446	511
Amounts owed to subsidiaries	—	—	26	—
Accruals and deferred income	194	311	148	265
	2,712	3,026	2,644	2,949

Notes to the financial statements Year to 31 December 2018

18. Creditors: amounts falling due within one year (continued)

Other loans include £145,000 in respect to Value Linked Loans for the purchase of special needs housing (purchased on behalf of the Church Commissioners). These loans are only repayable in the event of a sale of any of the properties and interest is charged on these loans at a variable rate. Also included within other loans is £275,000, a mortgage secured on a freehold property on which interest is charged at 0.55% over the CBF Church of England deposit rate. The mortgage is repayable in 2019.

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

	Group		Charity	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Bank loan	423	—	423	—
Other loans	778	1,053	778	1,053
Pension scheme liabilities	2,575	2,582	2,575	2,582
	3,776	3,635	3,776	3,635

Creditors include amounts not wholly repayable within 5 years as follows:

	Group		Charity	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Repayable other than by instalments	3,353	3,635	3,353	3,635

The bank loan is secured over a freehold property and is repayable in one instalment no later than two years after drawdown with interest charged at 1.99% above base rate.

The other loans consist of three (2017 - four) interest only mortgages which are secured on freehold properties. All of the loans are repayable within 20 years. Interest on three loans is charged at 1.50% above base rate (2017 – interest charged at 1.50% above base rate on three loans and interest charged at 0.55% over the CBF Church of England Deposit rate on one loan).

Notes to the financial statements Year to 31 December 2018

20. Statement of funds

Year to 31 December 2018	Brought forward at 1 January 2018 £'000	Income £'000	Expenditure £'000	Transfers in (out) £'000	(Losses) gains £'000	Carried forward at 31 December 2018 £'000
Endowment funds						
Ministry Trust Fund	1,752	—	—	—	(14)	1,738
Clergy Training Fund	481	—	—	—	(4)	477
Tait Mission Fund	175	—	—	—	(3)	172
Benefice Properties	61,938	—	130	—	760	62,828
General Education Fund	1,146	—	(13)	25	2	1,160
Stipends Capital Fund	3,280	311	(12)	(800)	(133)	2,646
	68,772	311	105	(775)	608	69,021
Restricted funds						
Clergy and Spouses Retirement Fund	626	—	(5)	—	(8)	613
Lower Income Communities Fund	—	702	(702)	—	—	—
Resourcing Ministerial Education	—	105	(105)	—	—	—
Strategic Investment Projects	—	144	(104)	—	—	40
Other Funds	—	156	(156)	—	—	—
Diocesan Pastoral Account Fund	1,118	—	(32)	(753)	—	333
	1,744	1,107	(1,104)	(753)	(8)	986
Designated funds						
Ministry Housing	10,446	—	—	1,133	—	11,579
Spirituality Fund	227	6	(14)	—	(1)	218
Witney Fund	937	29	(26)	—	(5)	935
Holiday Fund	27	—	—	(27)	—	—
Mission Initiatives Fund	139	3	—	(142)	—	—
Taylor Bequest	23	—	—	—	—	23
Davington Gatehouse	21	—	—	(21)	—	—
Training Fund	64	5	—	(69)	—	—
	11,884	43	(40)	874	(6)	12,755
General funds						
General	296	9,085	(9,898)	654	(5)	132
Total unrestricted funds	12,180	9,128	(9,938)	1,528	(11)	12,887
Total Charity funds	82,696	10,546	(10,937)	—	589	82,894
Non-charitable trading funds	(16)	124	(33)	—	—	75
Total Group funds	82,680	10,670	(10,970)	—	589	82,969

Summary: Group funds 2018	Brought forward at 1 January 2018 £'000	Income £'000	Expenditure £'000	Transfers in (out) £'000	(Losses) gains £'000	Carried forward at 31 December 2018 £'000
Designated funds	11,884	43	(40)	874	(6)	12,755
General funds (and non- charitable trading funds)	280	9,209	(9,931)	654	(5)	207
Unrestricted funds	12,164	9,252	(9,971)	1,528	(11)	12,962
Endowment funds	68,772	311	105	(775)	608	69,021
Restricted funds	1,744	1,107	(1,104)	(753)	(8)	986
Total funds	82,680	10,670	(10,970)	—	589	82,969

20. Statement of funds (continued)

Designated Funds

- i) Ministry Housing - This fund consists of Ministry Housing properties.
- ii) Spirituality Fund - The fund represents the sale proceeds of St Gabriel's Retreat House for financing a part time Diocesan Spirituality Adviser and making grants to assist Parishes and individuals to take retreats.
- iii) Witney Fund - This fund consists of a legacy from the Estate of the Late Dr Raymond Witney. The Board resolved that the capital of the fund should be retained intact and the income be used to assist in the promotion of the Christian faith in the Diocese.
- iv) Holiday Fund - The purpose of this fund was to assist clergy and lay workers to take holidays.
- v) Mission Initiatives Fund - The purpose of this fund was for developing mission within parishes and consists of the following funds:
 - Eunice fund - for mission initiatives in rural areas.
 - Luman fund - for general discretionary purposes.
 - Mission Initiatives fund - formed in 2004 from £500k arising from the sale proceeds of redundant parsonages.
 - Mission & Ministry fund - grant funding from the Church Commissioners for developing mission in parishes.
- vi) Taylor Bequest – This fund is for grants and payments to retiring clergy.
- vii) Davington Gatehouse - The fund was for the development of facilities at Davington Church.
- viii) Training Fund - The purpose of this fund was to provide grants to clergy to supplement their training needs as appropriate. This fund receives unused Continuing Ministerial Education contributions and the income arising from the Cobbe Holiday Trust Fund (with the approval of the Charity Commission).

General Funds

General funds consist of the accumulated surpluses, less deficits, on unrestricted funds, excluding designated fund movements.

Endowment Funds

Permanent Endowment Funds

The endowment funds, whereby the capital may not be expended and the income may be applied as specified are as follows:

- i) Ministry Trust Fund - Income to be applied for stipends. The fund comprises the Standen Bequest, the Spooner Bequest, the A T Wiggins Bequest, the Parsonage Repair Fund, and the Dame Stancombe- Wills Fund.
- ii) Clergy Training Fund - Income to be applied for clergy training. The fund comprises the Candidates for the Ministry Fund, the Holt Fund and the Knight Trust Fund.

20. Statement of funds (continued)

Endowment Funds (continued)

Permanent Endowment Funds (continued)

- iii) Tait Mission Fund - Income to be applied for the expenses of the Tait Missioner.

Expendable Endowment Funds

- i) Benefice Properties - The fund consists of resources restricted to provision of benefice houses which are vested for the time being in the incumbents of the benefices concerned. The CDBF is obliged to maintain them and to ensure that there are sufficient benefice houses for the pastoral structure of the Diocese. Sale proceeds of benefice houses surplus to requirements may be transferred into the diocesan pastoral account fund.
- ii) General Education Fund - The proceeds of sale of redundant properties are held on a separate endowment fund under S554 of the Education Act. The capital of funds awaiting Orders from the Secretary of State are not available for use until such time as they are included in a charitable order or scheme which may require funds to be disposed of to other parties in part or in full. Other proceeds of sale of redundant properties are held until the completion of replacement schools. In these cases the proceeds of sale may be used to offset expenses relating to the new school projects.
- iii) Stipends Capital Fund - The fund is governed by Section 35 of the Endowments and Glebe Measure 1976. Income is derived primarily from the return on investments, the sale of glebe, gains on sale of investments, the transfer of parsonage proceeds and occasional gifts and bequests. Income of the fund is automatically applied to stipends but, at the request of the Bishop, and with the concurrence of the Board, can be applied to:
- acquiring new glebe land;
 - developing, improving and protecting amenities of glebe;
 - discharging loans on glebe;
 - the improvement or repair of parsonage houses or ministry housing.

During the year £800k was transferred to the Ministry Housing Fund (2017 - £300k) and no amount was transferred to the Diocesan Pastoral Account Fund (2017 - £200k).

Restricted Funds

Restricted funds comprise of:

- i) Clergy and Spouses Retirement Fund - The following restricted funds specify that both capital and income must be applied for retired clergy and spouses:
- C S Thomas
 - Mrs A W Mannell Bequest
 - R & M Pratt
 - Dorothy Mowll Will Trust
- ii) Lower Income Communities Fund – The fund consists of income from Archbishops' Council to make provision for the cure of souls in parishes where such assistance is most required.

Notes to the financial statements Year to 31 December 2018

20. Statement of funds (continued)

Restricted Funds (continued)

- iii) Resourcing Ministerial Education- The fund consists of income from Archbishops' Council to support ordinand training.
- iv) Strategic Investment Projects - The fund consists of funding for projects to enable the Diocesan Strategy of Changed Lives ► Changing Lives.
- v) Other Funds – These funds consist of various funds for projects outwith the Diocesan Strategy.
- vi) Diocesan Pastoral Account Fund - The purposes for which this fund may be used are laid down in Section 94 of the Pastoral Measure 2011 and comprise:
 - grants and loans for parsonage and church provision, restoration, improvement or repair;
 - costs of disposing of or maintaining houses and churches vested in the Board or Commissioners by the Measure;
 - transfers to Stipends Capital Fund of capital or income;
 - other purposes of the Diocese or any benefice or parish.

The fund receives the sale proceeds of churches and parsonages, which have become redundant under pastoral reorganisation when it is specified that they should be paid into this fund. The fund includes monies set aside by the Pastoral Committee for mission and development in parishes. During the year, £420k (2017 - £nil) was transferred to unrestricted funds to assist with the funding of parsonage maintenance and £333k (2017 - £nil) to assist with the purchase of Ministry Housing.

The analysis of the movements in funds for 2017 is included in the appendix.

21. Analysis of net assets between funds

An analysis of the group net assets between funds at 31 December 2018 is given below:

Group 2018	General funds £'000	Designated funds £'000	Restricted funds £'000	Endowment funds £'000	Total funds 2018 £'000
Tangible fixed assets	2,492	11,579	—	63,803	77,874
Fixed asset investments	278	1,254	637	4,850	7,019
Current assets	423	849	349	2,943	4,564
Creditors due within one year	(1,785)	(927)	—	—	(2,712)
Creditors due in more than one year	(1,201)	—	—	(2,575)	(3,776)
Total funds	207	12,755	986	69,021	82,969

General funds include non-charitable trading funds of £75k (2017 – funds deficit of £16k).

The 2017 analysis of net assets by fund is included in the appendix.

22. Pension commitments

Clergy

The charity (the 'Employer') participates in the Church of England Funded Pensions Scheme for stipendiary clergy, a defined benefit pension scheme. This scheme is administered by the Church of England Pensions Board, which holds the assets of the scheme separately from those of the Employer and the other participating employers.

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

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

A valuation of the scheme is carried out once every three years. The most recent scheme valuation completed was carried out at as 31 December 2015. A valuation at 31 December 2018 is currently underway, but the results of this are yet to be determined. The 2015 valuation revealed a deficit of £236m, based on assets of £1,308m and a funding target of £1,544m, assessed using the following assumptions:

- An investment strategy of:
 - for investments backing liabilities for pensions in payment, an allocation to gilts of 33% from the valuation date until 31 December 2019 and thereafter increasing linearly to 70% by 31 December 2030; 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. Contributions since 2016 are shown for reference.

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

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

Notes to the financial statements Year to 31 December 2018

22. Pension commitments (continued)

Clergy (continued)

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.

	2018 £'000	2017 £'000
Balance sheet liability at 1 January	2,907	3,200
Deficit recovery contributions paid	(371)	(427)
Interest cost (recognised in statement of financial activities)	38	45
Remaining change to the balance sheet liability* (recognised in statement of financial activities)	(168)	89
Balance sheet liability at 31 December	2,406	2,907

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

This liability represents the present value of the deficit recovery 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:

	2018	2017
Discount rate	2.1% pa	1.4% pa
Price inflation	3.1% pa	3.0% pa
Increase to total pensionable payroll	1.6% pa	1.5% pa

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

Staff

Canterbury DBF participates in the Defined Benefits Scheme section of Church Workers Pension Fund for lay staff. The scheme is administered by the Church of England Pensions Board, which holds the assets of the scheme separately from those of the Employer and the other participating employers.

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

Defined Benefits Scheme

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

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

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

22. Pension commitments (continued)

Staff (continued)

Defined Benefits Scheme (continued)

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.

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 valuation was carried out as at 31 December 2016. In this valuation, the Life Risk Section was shown to be in deficit by £2.6m and £2.6m 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 £26.2m.

Following the valuation, the Employer has entered into an agreement with the Church Workers Pension Fund to pay a contribution rate of 40.5% of pensionable salary and expenses of £6,100 per year. In addition, deficit payments of £74,552 per year have been agreed for 10 years from 1 April 2018 in respect of the shortfall in the Employer sub-pool. This obligation has been recognised as a liability within these 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:

	2018 £'000	2017 £'000
Balance sheet liability at 1 January	186	268
Deficit recovery contributions paid	(77)	(84)
Interest cost (recognised in statement of financial activities)	1	2
Remaining change to the balance sheet liability* (recognised in statement of financial activities)	505	—
Balance sheet liability at 31 December	615	186

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

This liability represents the present value of the deficit recovery 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:

	2018	2017
Discount rate	2.3% pa	1.0% pa

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

The next valuation of the scheme will be carried out as at 31 December 2019.

Notes to the financial statements Year to 31 December 2018

23. Operating lease commitments

At 31 December 2018 the total of the group's and charity's future minimum lease payments under non-cancellable operating leases was:

Group and Charity	Land and buildings £'000	Equipment £'000	2018 £'000	Land and buildings £'000	Equipment £'000	2017 £'000
Amounts payable:						
Within 1 year	15	7	22	15	11	26
Between 2 and 5 years	49	4	53	60	11	71
After more than 5 years	—	—	—	4	—	4
Total	64	11	75	79	22	101

24. Principal subsidiaries, joint ventures and connected charities

a. Principal subsidiaries

Details of the principal subsidiaries are provided below:

Company name	Registration number	Country	Percentage Shareholding	Principal Activity
Diocesan Architectural Services Limited	2790278	England & Wales	100%	Architectural services Dormant from May 2018
Canterbury Diocesan Enterprises Limited	6673588	England & Wales	100%	Property management
Ethos School Improvement Limited	7945168	England & Wales	100%	Provision of services to schools

Financial information for each of the subsidiaries is as follows:

Diocesan Architectural Services Limited	2018 £'000	2017 £'000
Income	—	53
Expenditure	—	(88)
Loss	—	(35)
Assets	1	1
Liabilities	—	—
Funds	1	1
Canterbury Diocesan Enterprises Limited	2018 £'000	2017 £'000
Income	312	163
Expenditure	(266)	(154)
Profit	46	9
Assets	68	96
Liabilities	(30)	(104)
Funds	38	(8)

24. Principal subsidiaries, joint ventures and connected charities (continued)

a. Principal subsidiaries (continued)

	2018 £'000	2017 £'000
Ethos School Improvement Limited		
Income	71	33
Expenditure	(29)	(31)
Profit	42	2
Assets	77	77
Liabilities	(40)	(82)
Funds	37	(5)

b. Principal joint ventures

Company name	Registration number	Country	Percentage Shareholding	Principal Activity
Together Kent	8763875	England & Wales	50%	Christian Charity missionary work

c. Connected entities

Company name	Registration number	Country	Principal Activity
The Diocese of Canterbury Academies Company Limited	7793458	England & Wales	Educational activities

25. Custodian Trustee

The charity acts as Custodian Trustee in respect of various funds. These assets are held separately from those of the charity and are not included in the balance sheets on page 20. The summary of the funds as at 31 December is as follows:

	2018 £'000	2017 £'000
Trust funds		
Represented by:		
Fixed assets		
· Listed investments (at cost)	1,576	1,464
Current assets		
· Central Board of Finance Deposit Fund	1,329	1,630
· Cash at bank	1	7
Total	2,906	3,101
Market value of investments at 31 December		
Listed investments	4,438	4,459

26. School building projects

The charity received government grants of £1,394,000 (2017 - £681,000) in connection with major repair and capital projects at church schools in the Diocese. These monies, together with the contributions received from school governors are used to fund contractor payments also administered by the charity acting as managing agent for the schools. During the year the charity made payments to contractors of £620,000 (2017- £1,764,000).

Appendix: Comparative consolidated statement of financial activities Year to 31 December 2017

	Notes	Unrestricted funds £'000	Restricted funds £'000	Endowment funds £'000	Total funds 2017 £'000
Income and endowments from:					
Donations and legacies	1	8,019	738	—	8,757
Charitable activities	2	444	—	—	444
Other trading activities	3	522	—	—	522
Investments and interest	4	233	—	—	233
Other sources					
· Gains on property disposals	5	459	—	272	731
Total income and endowments		9,677	738	272	10,687
Expenditure on:					
Raising funds	6	274	—	—	274
Charitable activities	8	9,303	755	372	10,430
Total expenditure	10	9,577	755	372	10,704
Net income (expenditure) before investment gains					
		100	(17)	(100)	(17)
Net gains on investments		108	44	211	363
Net income before transfers					
		208	27	111	346
Transfers between funds	20	300	200	(500)	—
Net income (expenditure) for the year					
		508	227	(389)	346
Other recognised gains and losses:					
Gains on revaluations of tangible fixed assets		—	—	4,475	4,475
Net movement in funds					
		508	227	4,086	4,821
Reconciliation of funds					
Total funds brought forward		11,656	1,517	64,686	77,859
Total funds carried forward		12,164	1,744	68,772	82,680

Appendix: Comparative notes to the financial statements Year to 31 December 2017

1. Income from: Donations and legacies

	Unrestricted funds £'000	Restricted funds £'000	2017 £'000
Parish Share	7,764	—	7,764
Archbishops' Council	—	696	696
Allchurches Trust	121	—	121
Other donations and grants	21	42	63
Legacies	113	—	113
Total funds	8,019	738	8,757

8. Expenditure on: Charitable activities

	Unrestricted funds £'000	Restricted funds £'000	Endowment funds £'000	Total funds 2017 £'000
Contributions to Archbishops' Council:				
Training for ministry	222	—	—	222
National Church Responsibilities	177	—	—	177
Grants and provisions	19	—	—	19
Mission agency pension costs	2	—	—	2
Retired clergy housing costs	73	—	—	73
Pooling of ordinands maintenance grants	57	—	—	57
	550	—	—	550
Resourcing Ministry and Mission:				
Parish Ministry				
Stipends	2,960	—	—	2,960
National Insurance	234	—	—	234
Pension contributions				
Employer pension contributions	684	—	—	684
FRS 102 pension adjustment	—	—	134	134
Housing costs	1,474	12	92	1,578
Apprenticeship levy	11	—	—	11
Removal and resettlement grants	153	—	—	153
Other expenses	140	—	—	140
Lay and ordinand training	134	—	—	134
Parochial fee grants	99	—	—	99
Mission development grants	—	482	—	482
	5,889	494	226	6,609
Senior Clergy				
Stipends, NI and Pensions	58	—	—	58
Housing cost allocation	26	—	—	26
	84	—	—	84
Support costs (note 9)	2,318	165	10	2,493
Total expenditure on resourcing Ministry and Mission	8,291	659	236	9,186

Appendix: Comparative notes to the financial statements Year to 31 December 2017

8. Expenditure on: Charitable activities (continued)

	Unrestricted funds £'000	Restricted funds £'000	Endowment funds £'000	Total funds 2017 £'000
Expenditure on education:				
Support for church schools and young people	462	96	136	694
Total funds 2017	9,303	755	372	10,430

Included within the 2017 expenditure on education are one off costs for the refurbishment of a school roof (£90k), write off of a loan to one of the schools in the Diocese (£46k) and a write off of historic balances (£69k).

9. Analysis of support costs

	Unrestricted funds £'000	Restricted funds £'000	Endowment funds £'000	Total funds 2017 £'000
Diocesan administration				
Salaries	1,036	23	—	1,059
National Insurance	97	—	—	97
Pensions	201	—	—	201
Grants to support parishes and deaneries	97	118	—	215
Administration, office and other indirect costs	785	24	10	819
Governance				
External audit	20	—	—	20
Diocesan Synod and Archbishop's Council	15	—	—	15
National Synod	6	—	—	6
Registrar	41	—	—	41
Statutory accounts preparation	10	—	—	10
Strategic Management	10	—	—	10
Total support costs	2,318	165	10	2,493

10. Analysis of total expenditure

	Activities directly undertaken £'000	Grant funding of activities £'000	Support costs £'000	Total funds 2017 £'000
Raising funds	274	—	—	274
Charitable activities				
Contributions to Archbishops' Council	—	550	—	550
Resourcing Parish Ministry	5,897	796	2,493	9,186
Education	598	96	—	694
	6,769	1,442	2,493	10,704

Appendix: Comparative notes to the financial statements Year to 31 December 2017

20. Statement of funds

Year to 31 December 2017	Brought forward at 1 January 2017 £'000	Income £'000	Expenditure £'000	Transfers in (out) £'000	Gains £'000	Carried forward at 31 December 2017 £'000
Endowment funds						
Ministry Trust Fund	1,635	—	—	—	117	1,752
Clergy Training Fund	448	—	—	—	33	481
Tait Mission Fund	162	—	—	—	13	175
Benefice Properties	57,597	—	(134)	—	4,475	61,938
General Education Fund	1,281	—	(136)	—	1	1,146
Stipends Capital Fund	3,563	272	(102)	(500)	47	3,280
	64,686	272	(372)	(500)	4,686	68,772
Restricted funds						
Clergy and Spouses Retirement Fund	585	—	(3)	—	44	626
Lower Income Communities Fund	—	696	(696)	—	—	—
Other Grant Funding	—	42	(42)	—	—	—
Diocesan Pastoral Account Fund	932	—	(14)	200	—	1,118
	1,517	738	(755)	200	44	1,744
Designated funds						
Ministry Housing	9,875	—	—	571	—	10,446
Spirituality Fund	238	6	(31)	—	14	227
Witney Fund	854	28	—	—	55	937
Holiday Fund	25	1	—	—	1	27
Mission Initiatives Fund	135	3	—	—	1	139
Taylor Bequest	23	—	—	—	—	23
Davington Gatehouse	86	—	(65)	—	—	21
Training Fund	59	5	—	—	—	64
	11,295	43	(96)	571	71	11,884
General funds						
General	383	9,490	(9,343)	(271)	37	296
Total unrestricted funds	11,678	9,533	(9,439)	300	108	12,180
Total Charity funds	77,881	10,543	(10,566)	—	4,838	82,696
Non-charitable trading funds	(22)	144	(138)	—	—	(16)
Total Group funds	77,859	10,687	(10,704)	—	4,838	82,680

Summary: Group funds 2017	Brought forward at 1 January 2017 £'000	Income £'000	Expenditure £'000	Transfers in (out) £'000	Gains £'000	Carried forward at 31 December 2017 £'000
Designated funds	11,295	43	(96)	571	71	11,884
General funds (net of non- charitable trading funds)	361	9,634	(9,481)	(271)	37	280
Unrestricted funds	11,656	9,677	(9,577)	300	108	12,164
Endowment funds	64,686	272	(372)	(500)	4,686	68,772
Restricted funds	1,517	738	(755)	200	44	1,744
Total funds	77,859	10,687	(10,704)	—	4,838	82,680

Appendix: Comparative notes to the financial statements Year to 31 December 2017

21. Analysis of net assets between funds

Group 2017	General funds £'000	Designated funds £'000	Restricted funds £'000	Endowment funds £'000	Total funds 2017 £'000
Tangible fixed assets	2,006	10,487	—	65,646	78,139
Fixed asset investments	258	1,282	640	4,771	6,951
Current assets	1,680	141	1,104	1,326	4,251
Creditors due within one year	(2,509)	(26)	—	(491)	(3,026)
Creditors due in more than one year	(1,155)	—	—	(2,480)	(3,635)
Total funds	280	11,884	1,744	68,772	82,680