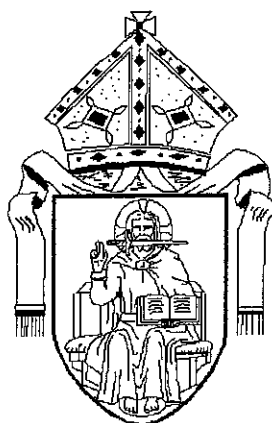


**DIOCESE OF
CHICHESTER**



**The Chichester Diocesan Fund
and Board of Finance
Incorporated**



**Report of the Board
and Financial Statements
for the year ended
31 December 2012**

Company No: 133558

THE CHICHESTER DIOCESAN FUND AND BOARD OF FINANCE (INC)

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THE CHICHESTER DIOCESAN FUND AND BOARD OF FINANCE (INC)

REPORT OF THE TRUSTEES

REFERENCE AND ADMINISTRATIVE DETAILS OF THE DIOCESE, ITS TRUSTEES AND ADVISERS

Company registration number
133558

Charity registration number
243134

Directors and trustees

Under the Memorandum and Articles of Association members of the finance committee are designated as directors. All members of the finance committee are directors for the purposes of the Companies Act 2006 and are trustees under charity law. No director had any beneficial interest in the company during 2012. The following directors served during 2012.

Finance committee

Elected by the finance committee
Mr J Kaye

Ex officio members

The Right Reverend M Warner (Bishop of Chichester) (appointed 2/07/2012)
The Right Reverend J Hind (Bishop of Chichester) (resigned 30/04/2012)
The Right Reverend M Sowerby (Bishop of Horsham)
The Right Reverend W Benn (Bishop of Lewes) (resigned 23/11/2012)
The Venerable D McKittrick (Archdeacon of Chichester)
The Venerable R Combes (Archdeacon of Horsham)
The Venerable P Jones (Archdeacon of Lewes and Hastings)
The Revd S France (Archbishops' council finance committee member (resigned 10/11/2012)

Elected by diocesan synod

Archdeaconry of Chichester

The Revd T Ward
Mr E Andrew (to 31/12/2012)
Mr M Cruttenden
Mr C Robinson (from 01/01/2013)

Archdeaconry of Lewes and Hastings

The Revd Canon T Mendel (to 31/12/2012)
The Very Revd Dr J Edmondson (from 01/01/2013)
Mr K Edwards (from 01/01/2013)
Mr A Morgan

Archdeaconry of Horsham

The Revd M Liles
Mrs V Burgess
Mr F Midmer (to 31/12/2012)
Mr M Smith

Co-opted

Mrs K Sims (from 28/05/2012)

THE CHICHESTER DIOCESAN FUND AND BOARD OF FINANCE (INC)

REPORT OF THE TRUSTEES (continued)

Sub committees

Diocesan personnel committee

Chairman

Mr J Kaye

Ex officio

The Venerable D McKittrick (Archdeacon of Chichester)

The Venerable R Combes (Archdeacon of Horsham)

The Venerable P Jones (Archdeacon of Lewes and Hastings)

Appointed

Mrs V Burgess

The Revd M Liles

The Very Revd Dr J Edmondson (from 28/01/2013)

Mr M Smith (from 28/01/2013)

Archdeaconry parsonages sub committees (3)

Chairmen

The Venerable D McKittrick (Archdeacon of Chichester)

The Venerable R Combes (Archdeacon of Horsham)

The Venerable P Jones (Archdeacon of Lewes and Hastings)

Vice-chairman

Mrs V Burgess (from 01/01/13)

Mr F Midmer (to 31/12/12)

Ex officio

Mr J Kaye

Nominated

Mrs V Burgess

Mrs M Nagel

Mrs J Spriggs (to 18/02/13)

Mrs J Wilkinson

Co-opted

Mr R Crook

The Revd D Wallis

The Revd J Eldridge

The Revd M Harper

Mrs M Jenkins

Mr E Redstone

The Revd Mrs P Sinton

Investments Group

Chairman

Mr J Kaye

Appointed

The Venerable P Jones (Archdeacon of Lewes and Hastings)

The Revd Canon T Mendel

Mr J Taylor

Mr C Corfield

Audit committee

Chairman

Mr B Angers

Appointed

Mrs H Thompson

Mr M Cruttenden

THE CHICHESTER DIOCESAN FUND AND BOARD OF FINANCE (INC)

REPORT OF THE TRUSTEES (continued)

Schools Finance Committee

Chairman

Mr J Kaye

Appointed

Mrs V Burgess (to 28/01/2013)

The Revd M Liles (from 28/01/2013)

Senior staff and principal advisors

Company secretary, diocesan secretary and secretary to diocesan synod

Ms A Sibson OBE

Diocesan Accountant

Mr A Cunningham

Property director

Mr A Craft BSc (Building surveying) MRICS

Registered office

Diocesan Church House

211 New Church Road

Hove

East Sussex

BN3 4ED

Bankers

Barclays Bank plc

137/142 North Street

Hove

East Sussex

BN1 1RU

Insurers

Ecclesiastical Insurance Office plc

Beaufort House

Brunswick Road

Gloucester

GL1 1JZ

Auditor

haysmacintyre

15 Fulwood Place

London

WC1V 6AY

Solicitors

Thomas Eggar

The Corn Exchange

Baffins Lane

Chichester

West Sussex

PO19 1GE

Investment managers

CCLA Investment Management Ltd

80 Cheapside

London

EC2V 6DZ

M&G Securities Ltd

M&G House

Victoria Road

Chelmsford

CM1 1FB

Charles Stanley & Co Ltd

25 Luke Street

London

EC2A 4AR

J M Finn & Co

4 Coleman Street

London

EC2R 5TA

THE CHICHESTER DIOCESAN FUND AND BOARD OF FINANCE (INC)

REPORT OF THE TRUSTEES (continued)

STRUCTURE GOVERNANCE AND MANAGEMENT

Constitution

The Chichester Diocesan Fund and Board of Finance Incorporated is a company limited by guarantee and a registered charity governed by its memorandum and articles of association.

The company's principal activity is to promote, assist and advance the work of the Church of England in the diocese of Chichester by acting as the financial executive of the diocesan synod. It oversees the funding of ministry in the diocese, including the provision of housing, the insurance of churches and the financing of various boards, councils and committees constituted under ecclesiastical statute for the advancement of the aims of the Church of England in the diocese. These activities are managed by the finance committee (the company's board of directors and charity trustees) and its sub-committees as set out on pages 1 to 3. The finance committee with the consent of the Bishop of Chichester elects the chairman. Elected members of the committee are elected by the diocesan synod and serve for three years.

Organisation and decision making structure

Members of diocesan synod are also members of the company and charity ("The Board") and set corporate priorities and decide the overall financial strategy for the diocese in its prime imperative to participate in God's mission to the people of Sussex. Monitoring the implementation of financial policies that reflect these agreed priorities is delegated to the finance committee the members of which are the company's directors.

As members of the company, no benefit, income or capital interest from the company's affairs other than the reimbursement of out-of-pocket expenses can be accrued personally. In the event of the company being wound up each member, who is a member at that time, has undertaken to contribute £1.

The company meets twice a year to approve the budget and to accept the annual report. The finance committee met six times in the year reviewing overall activities against budget, deciding investment policy and performance and approving expenditure on replacement parsonages. Monthly reports on collection of parish contribution pledged by parishes through deaneries are received. The Board's role as custodian trustee for parochial property is exercised by the committee. The finance committee also works through a number of sub-committees and groups including:

- Parsonages: structured into archdeaconry groups, managing the repair of parsonages, glebe and board properties; overseeing the retention, disposal, and development of property and land together with any rents or payments associated with their ownership;
- Personnel: advises on the levels of stipend and church house remuneration; approves any changes in policy affecting remuneration, benefits and changes to establishment in church house staff. Monitors the operation of the clergy and lay worker pension schemes; advises the Bishop staff meeting on budget implications of changes to stipendiary clergy.
- Audit: sets internal audit programme; receives audit reports on internal control and financial accounting issues and meets with the external auditors annually.
- Investment group: oversees investment performance and reviews strategy with its advisors;
- Schools finance group: monitors the financial aspects of aided schools' building programmes and use of the aided schools fund.

The finance committee promotes the annual budget having set key indicators and performance targets for departments with responsibility for various areas of activity.

Trustee recruitment, selection and induction

Membership of the finance committee which is set by statute is a mixture of ex-officio appointments and those elected every three years from diocesan synod membership. There is power to co-opt and nominate, which members use to ensure that the committee has the appropriate skills and experience to perform its tasks. Prior to standing for election members of diocesan synod are given the opportunity to understand fully the responsibilities of the committee. At the beginning of the triennium any new members participate in an induction and training programme.

THE CHICHESTER DIOCESAN FUND AND BOARD OF FINANCE (INC)

REPORT OF THE TRUSTEES (continued)

Trustees are provided with regular updates on best practice and opportunities for further training are made available. Charity Commission publications are provided whenever published.

Other organisations with which the Board co-operates in achieving its objectives

The company's activities involve substantial financial transactions with parochial church councils in the diocese as well as with the central Church authorities, though none of these bodies is a connected charity as defined by charity law. In addition, there are financial and activity links with school governors, Chichester Cathedral and various diocesan wide voluntary or statutory organisations including the Chichester Diocesan Association for Family Support Work. Further detail is available to interested parties by application to the company secretary.

Decision making and delegation policy

Diocesan synod sets and approves strategy and policies promoted through the Bishop's Council. The Board sets the annual budget and delegates to the finance committee monitoring and reporting responsibilities associated with the financial aspects of activities. Day to day management and implementation of agreed strategies and policies is undertaken by senior staff.

Risk assessment

The directors are responsible for maintaining a sound system of internal financial control to safeguard the company's assets. The finance committee identifies the major risks to which the company is exposed and systems continue to be developed and procedures established to mitigate those risks. A formal risk assessment process has been adopted and will continue to be developed. The trustees review the risk report twice a year. The two largest risks are reputational and under collection of parish share due to falling congregational numbers

The system of internal control is designed to provide a prudent level of assurance against material misstatement or loss. The Board has established an on-going process for identifying, evaluating and managing the company's key risks. There are clear procedures for financial reporting, within a comprehensive financial planning and accounting framework. The finance committee, on behalf of the Board members, continues to review the system of internal control and its effectiveness operated by the company. The finance committee, is responsible for monitoring the risks and through the audit committee monitors these risks and the effectiveness of the system of internal control operated by the company on an on-going basis. The finance committee is satisfied that its system and procedures address these risks, although it always continues to look for improvements.

OBJECTIVES AND ACTIVITIES

The Diocese of Chichester covers the two counties of East and West Sussex and the unitary authority of the City of Brighton and Hove. Small areas of Kent and Surrey are attached to border parishes. It is one of 44 dioceses of the Church of England.

The company's principal activity is to promote, assist and advance the work of the Church of England in the diocese of Chichester by acting as the financial executive of the diocesan synod.

The main objectives of the charity are:

1. to identify and manage the financial aspects of providing a priestly and pastoral presence in every parish of the diocese;
2. to provide appropriate personnel and financial resources to support the making of disciples in Sussex;
3. to engage with the community as part of the Church's response to God's mission to His people of the area.

As part of the first objective of the charity, financial information and projected income and expenditure continued to be provided to deaneries and parishes in a number of forms. Improvement to timeliness and presentation is a key aspect in its effectiveness and usefulness.

Deanery treasurers regularly provide guidance and advice about the content and design of the reports provided by the charity.

THE CHICHESTER DIOCESAN FUND AND BOARD OF FINANCE (INC)

REPORT OF THE TRUSTEES (continued)

Diocesan support services for parishes and deaneries are primarily arranged through three support for parishes departments: **church growth; schools and education and training of adults (including work with ordained ministry)**. In addition, all other departments in Church House, **finance, property, communications, safeguarding** and the **general office** as well as the **archdeacons** and **Episcopal offices** provide advice, information and support to clergy and parochial officers. The size and variety of parishes which make up the diocese demands a flexible approach to the provision of support and leads to periods of measured withdrawal in some areas simply because of the need for targeting of resources and to be responsive to priorities.

In most dioceses and in the national Church many of the issues facing communities fall into the ambit of the named social responsibility department. However, no issues are ever simple and their effect crosses department boundaries. All departments' motivation remains to reflect God's invocation to all human beings to partake in His mission. Therefore the charity's priority has been to support individual and corporate responses by providing information and guidance. Support has also been given to encourage fresh expressions for worship and mission.

Public benefit

The directors of the Board are aware of the Charity Commission's guidance on public benefit in *The Advancement of Religion for the Public Benefit* and have had regard to it in their administration of the Board.

The Board believes that, by promoting the work of the Church of England in the diocese of Chichester, it helps to promote the whole mission of the Church (pastoral, evangelistic, social and ecumenical) more effectively, both in the diocese as a whole and in its individual parishes, and that in doing so it provides a benefit to the public by:

- providing facilities for public worship, pastoral care and spiritual, moral and intellectual development, both for its members and for anyone who wishes to benefit from what the Church offers; and
- promoting Christian values, and service by members of the Church in and to their communities, to the benefit of individuals and society as a whole.

ACHIEVEMENTS AND PERFORMANCE

Bishop John Hind retired as diocesan bishop on 30 April 2012 and a service to mark the occasion was held at Holy Cross Church, Uckfield. The Vacancy in See Committee, chaired by the Archdeacon of Chichester, began the discernment process in January 2012 and prepared the Statement of Needs for the diocese. After Bishop John's retirement, the Rt Revd Mark Sowerby, Bishop of Horsham, was appointed Acting Bishop of Chichester, pending the announcement of the successor.

The Crown Nominations Committee met to consider the appointment and it was announced on 3 May that the Rt Revd Dr Martin Warner, Bishop of Whitby, was to be the 103rd Bishop of Chichester. Dr Warner was confirmed in office on 2 July and his enthronement took place in Chichester Cathedral on 25 November.

The Rt Revd Wallace Benn, Bishop of Lewes, retired on 31 October 2012 and services had been held to mark the occasion in the summer. The process of appointing a successor is awaiting the reconsideration of the Area Scheme recommended by the Archbishop's Visitors in their Interim Report.

The Visitation upon the Diocese of Chichester by the Archbishop of Canterbury, announced in December 2011 began in January 2012. The Visitors, the Rt Revd John Gladwin and Chancellor Rupert Bursell, QC, carried out an extensive inquiry involving people both within and outside the diocese and they published their Interim Report in August 2012. The report explored in depth the history of the management of safeguarding cases in the diocese and analysed rigorously the reasons for the failures and shortcomings that had occurred. There were 32 recommendations for the diocese and 12 for the national church. Many of the recommendations for the diocese were already in hand and a full plan for implementation was produced. The Visitation was a very productive and useful exercise which strengthened the ability of the diocese, especially the leadership team, to implement improved practice. It continued until the end of 2012 and is still in place, with recognition that safeguarding practice has undergone significant and sustainable improvement.

THE CHICHESTER DIOCESAN FUND AND BOARD OF FINANCE (INC)

REPORT OF THE TRUSTEES (continued)

The Safeguarding department's work was inevitably influenced by the process of the Visitation and much of the activity carried out was in connection with their inquiries. The present Bishop of Chichester and the Bishop of Horsham held meetings with organisations and individuals representing the interests of victims and survivors and the diocese supported their call for a national public inquiry into child abuse. Investigation of the cases that arose as a result of inquiries by Sussex Police following the report by Dame Butler-Sloss continued and some arrests were made. These cases are continuing to be subject to the judicial process. The Safeguarding Advisor worked closely with the Police throughout, which led to effective communications and information sharing. Meetings were held between the Bishops, the Diocesan Secretary, the Safeguarding Advisor and representatives of local authorities to share information and strengthen working relationships. The training programme continued with over 1,000 people attending training courses and administration processes are subject to continual review and improvement.

The focus of the Church Growth team continues to be a bespoke approach, offering individual, focussed coaching and consultancy to clergy, parishes and deaneries. We seek to resource spiritual renewal and strategic planning that releases resources of both people and money to enable the Church to grow. Over 2012 the Stewardship Team returned to full strength with the appointment of an Eastern Stewardship Officer. The half time Liturgy and Music Consultant post came to an end as we seek to resource this area of Church life more efficiently through volunteers. A number of other volunteers were active in the Team increasing our capacity at no extra cost. Over the year we have worked with well over 100 different benefices, including 25 vision days.

David Farey has taken over as Church in Society Officer. His role thus far has been to revamp the Churches disaster response plan and review how we can encourage churches to be more effective in community engagement. This is a multi-track approach through training, helping parishes to access funding for capital projects, and encouraging environmental awareness and responsibility.

A major project undertaken this year by the Stewardship team has been the roll out of the Gloucester Diocese giving scheme. 30 Parishes undertook a pilot, which was a success and led to several thousand pounds being collected by direct debit. It has resulted in the scheme being made available to any parish within the Diocese and so far the take up has been good. This scheme works in conjunction with other schemes like "Giving in Grace".

The Youth and Children's department offers cutting edge advice on good practice working with children and young people. They have a wide portfolio of training opportunities in everything from Sunday school to All Age Worship and Messy Church. Diocesan May Camp, attended by nearly 400 young people and their youth leaders is a major focus of activity and is a significant resource for parish based youth groups. Of particular focus for the youth officers has been the mentoring of trainee youth workers and the supervision, as requested by parishes, of youth work; strategic support across the Horsham area and in East Sussex being a key representative for the faith sector as the local authority changes its work with children and families under their "Thrive" initiative; helping to plan and run a national conference for 900+ youth leaders from the UK. Looking forward, major work for 2013 includes being part of the editorial team for YP's and developing "Thrive – For the Journey" (Discipleship material and training for 14+ young people and their youth leaders).

The Discipleship and Ministry Department has continued to oversee and provide the training requirement for the diocese. Both Readers and curates are trained using Ministry and Mission programmes validated by the University of Chichester, but run by diocesan staff. Curates are registered either on the BA or PG Dip in Ministry and Mission, depending on their previous qualifications. They are then able to progress to MA level. Reader candidates are registered on the Foundation degree in Ministry and Mission.

During 2012 18 candidates were in training for Reader Ministry in the diocese. The diocese continues to be an 'exporting diocese' (the allocation from ministry division is for 10 or 11 stipendiary curates a year). 61 curates were engaged in the diocesan IME 4-7 programme and 100 people have been active in the discernment process and 56 were in training for ordination.

During 2012, 6 *Following Jesus* courses ran and 50 people attended the course. 214 people attended a *Developing Discipleship* module. Additionally over 180 people have been trained to be Lay Ministers of Holy Communion

THE CHICHESTER DIOCESAN FUND AND BOARD OF FINANCE (INC)

REPORT OF THE TRUSTEES (continued)

The Diocese has considerable assets in the form of land and buildings which can be used to improve its mission either by providing housing for clergy in parishes or by generating income. A report has been prepared which will form the basis of a strategy for a more integrated use of these assets which will ensure that they are used to maximum effect in a way which protects them in the long term. The plan has included effective information management, maintenance programmes, strategies for development of land and buildings and comprehensive risk assessment.

The Schools Department has continued to provide a wide range of services to support the 158 Church of England schools in the diocese. These schools educate over 35,000 pupils. Of these schools 60 have voluntary aided status, 98 have voluntary controlled status and seven are church secondary schools. A strong partnership agreement continues with a community school in East Sussex, Tollgate Primary School. The DBE committees and officers concluded work to agree a new purpose statement, guidance on the role of foundation governors (about 750) and also diocesan collective workshop guidance for the 158 church schools. A large LCVAP programme (£2.5M) has improved many schools' facilities and the bid for 2013 -14 was successful. Regular deanery meetings reinforced the close links between church schools and their parishes and to take forward the 'Church School of the Future' national report.

The Diocesan Director of Education retired in August 2012. The appointment of a successor was deferred pending the outcome of the Visitation, when the extent and nature of the recommendations and the content of a final report would be known to candidates. A Strategic Education Adviser was appointed in the meantime with the purpose of developing the diocesan response to the changing government policy on education, funding and academies. As the policy has evolved, officers have arranged meetings to inform schools, ask their views, liaise with local authorities and establish the new legal and administrative processes to support schools that choose to convert in the immediate future – to ensure a positive relationship with any new church academies. Officers have worked with a new free school due to open in September 2013 in Hove as a Church of England secondary academy. The new Ofsted framework is tougher and in 2012 five schools were placed in categories, requiring new forms of support and close work with the local authorities such as two where the governing bodies have been replaced by interim executive boards including diocesan officers. Bids have been made to Dfe for approval of a new structure to sponsor those schools requiring it and for a capacity grant to help this.

FINANCIAL REVIEW

After having served 21 years as a trustee Jeremy Kaye has decided to step down as Chair of the Diocesan Board of Finance with effect from the next meeting of Synod 11th May 2013.

Each year every deanery is advised of the cost of providing the proposed ministerial support to the parishes financed through the Board. Under the present system each deanery discusses these figures with parishes and congregations and then commits/pledges to send to the Board contributions to meet as much of those costs as possible. In 2012 the deaneries committed to raise £13.356m which was £198k more than 2011. The results for 2012 show that £13.152m (99%) of the commitments/pledges were collected. In addition many parishes with arrears from previous years were asked to contribute to those arrears and a further £202k was raised.

The manpower planning by bishops and archdeacons in conjunction with deaneries continues to reflect an expected fall in the number of full time stipendiary clergy to serve throughout the county. This is mainly as a result of the current age profile of clergy which is leading to more retirements than numbers completing training. The Board recognises that this trend will continue for some years and it is reflected in the growing number of house for duty posts as well as part time parochial posts sometimes linked with work within a different pastoral setting. The Board also continues to recognise that the number of ministerial staff, such as Non Stipendiary Ministers and Readers, working in parishes is increasing and will support the expansion as decided by bishops and deaneries through the deanery pastoral plans being developed by each deanery.

There has been evidence of a gradual pickup in the health of the global economy but national deficits continue to restrict economic growth in the developed world. These continuing problems have had an effect on the Board's own financial position. The same financial concerns affect individual parishes and for members of congregations their own financial positions. Therefore it is not surprising that the level of parish

THE CHICHESTER DIOCESAN FUND AND BOARD OF FINANCE (INC)

REPORT OF THE TRUSTEES (continued)

contribution for 2013 pledged by deaneries and parishes is currently ½% below the amount required to meet the 2013 budget approved by Synod in November 2012.

The equity markets have had a strong but volatile year and they outperformed bonds reversing the trend set in 2011. This together with a restructuring of the investment management has led to a gain in capital value of the Board's investments for the year of £1,138k (2011 –£23k). However total investment income received has remained consistent this financial year.

The Board, through its investment group, is still acutely aware of the need to maintain income as far as possible in the clear knowledge that immediate capital values have started to recover. However it is recognised that the Board's investments are long term income sources and short term action should not jeopardise the long term income plans. The investment group continues to recommend that the Board should conserve its cash position throughout 2013 so the level of funds invested can remain generating income to support the mission activities.

Overall financial position

The company's 2012 budget had anticipated a minor deficit £86k on the unrestricted funds (representing the underlying activities). However due to the fact that deaneries pledged lower parish contributions than needed to balance the budget the annual deficit was forecast at £600k. The Board reviewed the position and requested additional pledges where possible and also that parishes met their pledge in full. Additionally the Board contacted Deaneries to review parishes which had arrears from previous years and for them to make a contribution against those arrears. This brought the parish contribution pledged to £13.356m 96% of the originally budgeted figure £13.852m. Together with savings made against budget in the ministry and training departments the deficit was £322k. Following some prudent financial management certain initiatives and projects have been introduced which should see savings made in 2013 and ongoing years

On all activities, income totalled £16.757m (2011: £16.271m) and expenditure amounted to £16.766m (2011: £16.357m). The Statement of Financial Activities (SOFA) for the year shows net outgoing resources of £9k (2011: £86k). There were gains in valuation of fixed assets of £536k (2011 £4.464m) together with gains on the disposal of fixed assets of £1.180m (2011 £602k). There were gains in valuation of investments of £1.483m (2011 – loss: £347k) together with gains on the disposal of investments of £222k (2011 – loss: £136). After these gains and losses for the year the net increase in funds amounted to £3.412m (2011: £4.633m). During the year the total fund balances increased from £169m to £172m and there was an overall cash inflow of £1.482m (2011: outflow - £81k).

As stated previously parish contribution payments by the end of the year reached £13.152m which was 99% against deanery promises. Payments on the previous arrears totalled £202k and further receipts are expected to be made throughout 2013. Once again this creditable figure reflects the continuing financial understanding and commitment of parishes to meet costs directly arising from activities at parochial level. Congregations are faced with understanding the fact that, at a time of low official inflation, direct parochial costs are rising well in excess of the retail price index. However it remains clear that the cost base of both ministry and support services will need to be examined thoroughly over the next few years to identify what support is vital and can be made available to parishes within the financial resources available.

Reserves policy

The Board's policy is that the unrestricted general fund should be set at a minimum level of one month's expenditure (£1.35M) of the current year and up to a maximum of two months expenditure (£2.7M). The Board considers that the minimum level is sufficient to finance working capital, fixed assets, and future investments in major projects. The main purposes of holding these funds are to avoid bank borrowing and to provide for emergencies. The minimum level was set having taken into account that most income is received on a regular basis throughout the year and is monitored by the finance committee monthly. As at 31 December 2012 the general fund value was £627k (2011: £963k) and this is less than one month's expenditure. Therefore it is important that parish contribution from the parishes is paid on a monthly basis to ensure adequate funds are available to meet the current expenditure levels predominantly the cost of stipendiary ministry.

The Board's policy is that the designated property fund should be set at a level exactly equivalent to the net book value of corporate properties. Church House, Hove and various houses for use by retired clergy make

THE CHICHESTER DIOCESAN FUND AND BOARD OF FINANCE (INC)

REPORT OF THE TRUSTEES (continued)

up the value of this fund. As at 31 December 2012 the designated property fund value was £2.3m (2011: £2.4m). In the next months the Board will review the requirement of these houses possibly leading to disposal to underpin the reserve levels.

Investments

The investment strategy is to maximise income while protecting capital without taking undue risks. The company received a broad range of investment advice channelled through the investment sub group reporting to the finance committee. The company invests through common investment funds and managed by firms of stockbrokers, equity investments directly in the stock market. It takes cognisance of the Fund's ethical policies which fall within those approved by General Synod.

During 2012 the value of investments on the balance sheet increased by £1.138m. During the year part of the portfolio was transferred to JM Finn & Co this led to a number of asset additions and disposals in order to meet their mandate. The returns on holdings are regularly compared to the various charity indices and the trustees consider that all the portfolios performances were satisfactory in these circumstances

Detailed information about the holdings and movements are analysed in note 9. The company's current investments are valued at £31.12m (2011: £29.98m).

PLANS FOR FUTURE PERIODS

In the coming year, the Diocese plans to continue to develop its strategies in the particular areas of ministry, land and assets, education, safeguarding and quality assurance.

The current economic pressures mean that resources devoted to ministry will be under considerable pressure. The tasks of encouraging and developing vocations and training and deploying members of clergy and laity must be carefully managed to ensure that the most responsible and prudent use is made of the funds available. It is likely that the number of posts will decrease and current services provided by Church House may be reduced. A study currently in hand should produce an analysis of what has to be done to make these selection and deployment processes more effective.

The new Bishop of Chichester is planning a visit upon the whole Diocese during 2013 and 2014. The articles of inquiry pay particular attention to safeguarding, stewardship and church growth. After the visitation it is planned to hold a clergy conference in September 2014 to share the learning of the visitation, refresh the ministry of the clergy and discern a common vision for the future.

Above all, the financial, legal and administrative life of the diocese is orientated towards this priority and goal: the proclamation of Jesus Christ as Lord and ourselves as his servants, for the world's salvation.

The new Bishop of Chichester elected to take up the role of chairing the DBE personally in order to demonstrate his commitment to the importance of Church Schools to the Church and to society as a whole. This role had been delegated to the Revd Derek Bastide whose term of office accordingly came to a close and whose contribution was warmly appreciated by the Bishop and all who had worked with him. The new DBE has set up committees including one to develop the existing SLA for training in RE and support for good governance to other traded services to meet the changing needs of schools.

An important part of development plans for the future is the setting of appropriate standards and the overall management of risk. In 2012 financial procedures were enhanced and implemented and it is planned to recommence the work of internal audit and implement a scheme for quality assurance which will enable appropriate scrutiny of work carried out and the impact that it has. This will be linked to improved processes for monitoring and managing risks inherent in the work programmes set out in the budget.

FUNDS HELD AS CUSTODIAN TRUSTEE ON BEHALF OF OTHERS

The Board holds investments and cash as custodian trustee on behalf of various parochial church councils and church aided and controlled schools. The amounts of these holdings are set out in note 21 to the

THE CHICHESTER DIOCESAN FUND AND BOARD OF FINANCE (INC)

REPORT OF THE TRUSTEES (continued)

Financial Statements. The Board has no right of access to these holdings for its own purposes. All cash amounts are held in segregated bank and deposit accounts. Investments are principally made with the Central Board of Finance of the Church of England.

In addition the Board is required under the Parochial Church Council's (PCC) Powers Measure 1956, to act as Custodian Trustee in respect of real and personal property relating to PCCs. The current valuation of these assets is not disclosed because the cost of annual re-valuations would be disproportionate to the benefit of disclosure. However the assets are reported in the individual PCCs' accounts.

STATEMENT OF TRUSTEES RESPONSIBILITIES

The trustees (who are also directors of the Chichester Diocesan Fund and 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 which give a true and fair view of the state of affairs of the charitable company and of the incoming resources and application of resources, including the income and expenditure, of the charitable company 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 the Charities SORP;
- make judgments and 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 company will continue in business.

The trustees are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the charitable company 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 charitable company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

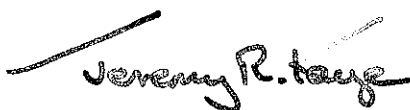
STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITOR

The directors who were in the office on the date of approval of these financial statements have confirmed, as far as they are aware, that there is no relevant audit information of which the auditor is unaware. Each of the directors has confirmed that they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that it has been communicated to the auditor.

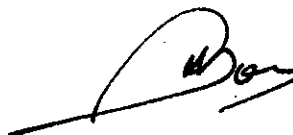
AUDITOR

A resolution to re-appoint haysmacintyre, Chartered Accountants, as auditor will be put to the members at the annual general meeting.

Approved and authorised for issue by the Board on 26 April 2013 and signed on its behalf by:



Jeremy Kaye, Chairman



Philip Jones, Director

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
THE CHICHESTER DIOCESAN FUND AND BOARD OF FINANCE (INC)**

We have audited the financial statements of The Chichester Diocesan Fund and Board of Finance Incorporated for the year ended 31 December 2012 which comprise the Statement of Financial Activities, the Balance Sheet, the Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

Respective responsibilities of trustees and auditor

As explained more fully in the Trustees' Responsibilities Statement set out on page 11, the trustees (who are also the directors of the charitable company for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view

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

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the charitable company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the trustees; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Trustees' Annual Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the charitable company's affairs as at 31 December 2012 and of its incoming resources and application of resources, including its 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.

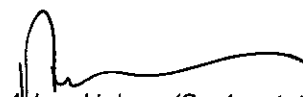
Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Trustees' Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

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

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


Adam Halsey (Senior statutory auditor)
for and on behalf of haysmacintyre, Statutory Auditor

DATE: 26 April 2013

Fairfax House
15 Fulwood Place
London
WC1V 6AY

CHICHESTER DIOCESAN FUND AND BOARD OF FINANCE (INC)

**STATEMENT OF FINANCIAL ACTIVITIES
FOR THE YEAR ENDED 31 DECEMBER 2012**

| | Note | Unrestricted funds £ | Restricted funds £ | Endowment funds £ | TOTAL FUNDS 2012 £ | TOTAL FUNDS 2011 £ |
|---|------|----------------------------|--------------------------|-------------------------|-----------------------------|-----------------------------|
| Incoming resources | 2 | | | | | |
| Incoming resources from generated funds: | | | | | | |
| Voluntary income | | | | | | |
| Parish contribution | | 13,353,995 | - | - | 13,353,995 | 12,983,339 |
| Archbishops' Council | | 107,530 | - | - | 107,530 | 103,250 |
| Other voluntary income | | 165,257 | 79,707 | - | 244,964 | 292,308 |
| Activities for generating funds | | 214,837 | 1 | - | 214,838 | 175,502 |
| Investment income | | 764,453 | 1,049,377 | - | 1,813,830 | 1,803,844 |
| Incoming resources from charitable activities | | | | | | |
| Statutory fees, chaplaincy and other income | | 509,446 | 94,491 | - | 603,937 | 657,667 |
| Education, training and other | | 117,248 | 1,065 | - | 118,313 | 132,872 |
| Other incoming resources | | - | 300,019 | - | 300,019 | 123,008 |
| Total incoming resources | 2 | 15,232,766 | 1,524,660 | - | 16,757,426 | 16,271,790 |
| Resources expended | 3 | | | | | |
| Costs of generating funds | | 1,876 | 56,682 | - | 58,558 | 52,141 |
| Charitable activities | | | | | | |
| Contributions to Archbishops' Council | | 1,162,736 | - | - | 1,162,736 | 1,080,593 |
| Resourcing ministry and mission | | | | | | |
| Parish ministry | | 11,849,345 | 917,741 | - | 12,767,086 | 12,322,279 |
| Support for ministry | | 2,164,583 | 92,548 | - | 2,257,131 | 2,183,354 |
| Education | | 395,186 | 8,138 | - | 403,324 | 524,068 |
| Diocesan projects | | 24,919 | 23,813 | - | 48,732 | 146,985 |
| Governance costs | | 40,792 | 27,959 | - | 68,751 | 47,919 |
| Total resources expended | 3 | 15,639,437 | 1,126,881 | - | 16,766,318 | 16,357,339 |
| Net (outgoing)/incoming resources before transfers | | (406,671) | 397,779 | - | (8,892) | (85,549) |
| Gross transfers between funds | 5 | (41,713) | 41,713 | - | - | - |
| Net (outgoing)/incoming resources before other recognised gains and losses | | (448,384) | 439,492 | - | (8,892) | (85,549) |
| Gains/(losses) on revaluations of fixed assets | | 11,151 | (549) | 525,102 | 535,704 | 4,464,489 |
| Gains on disposal of fixed assets | | 11,169 | - | 1,168,741 | 1,179,910 | 601,592 |
| Gains/(losses) on revaluations of investments | | 4,078 | 560,014 | 918,548 | 1,482,640 | (347,051) |
| Gains/(losses) on disposal of investments | | 526 | 95,987 | 125,764 | 222,277 | (136) |
| Net movement in funds of the year | | (421,460) | 1,094,944 | 2,738,155 | 3,411,639 | 4,633,345 |
| Total funds brought forward 1 January 2012 | | 4,022,104 | 19,968,582 | 144,812,630 | 168,803,316 | 164,169,971 |
| Total funds carried forward 31 December 2012 | 6 | 3,600,644 | 21,063,526 | 147,550,785 | 172,214,955 | 168,803,316 |

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

CHICHESTER DIOCESAN FUND AND BOARD OF FINANCE (INC)**BALANCE SHEET AT 31 DECEMBER 2012**

| | <u>Note</u> | <u>2012</u> | | <u>2011</u> | |
|---|-------------|--------------------|--------------------|--------------------|--------------------|
| | | £ | £ | £ | £ |
| <u>Fixed assets</u> | | | | | |
| Tangible fixed assets | 8 | | 129,110,133 | | 129,326,371 |
| Investments | 9 | | 31,121,612 | | 29,983,235 |
| Total fixed assets | | | 160,231,745 | | 159,309,606 |
| <u>Current assets</u> | | | | | |
| Debtors | 10 | 4,249,434 | | 3,331,681 | |
| Short term deposits | | 8,379,487 | | 7,926,855 | |
| Cash at bank and in hand | | <u>2,533,482</u> | | <u>1,503,845</u> | |
| | | 15,162,403 | | 12,762,381 | |
| Creditors: amounts falling due within one year | 11 | <u>(2,684,193)</u> | | <u>(2,729,043)</u> | |
| Net current assets | | | 12,478,210 | | 10,033,338 |
| Total assets less current liabilities | | | 172,709,955 | | 169,342,944 |
| Creditors: amounts falling due after more than one year | 12 | | (495,000) | | (495,000) |
| Provisions for liabilities and charges | 13 | | - | | (44,628) |
| NET ASSETS | | | 172,214,955 | | 168,803,316 |
| <u>Funds</u> | 6 | | | | |
| <u>Unrestricted funds</u> | | | | | |
| General | | | 626,647 | | 962,955 |
| Designated | | | <u>2,973,997</u> | | <u>3,059,149</u> |
| | | | 3,600,644 | | 4,022,104 |
| Restricted funds | | | 21,063,526 | | 19,968,582 |
| <u>Endowment funds</u> | | | | | |
| Permanent | | 12,631,289 | | 11,872,061 | |
| Expendable | | <u>134,919,496</u> | | <u>132,940,569</u> | |
| | | | 147,550,785 | | 144,812,630 |
| | | | <u>172,214,955</u> | | <u>168,803,316</u> |
| Analysis of funds: | | | | | |
| Realised | | | 55,299,907 | | 53,906,612 |
| Unrealised | 7 | | <u>116,915,048</u> | | <u>114,896,704</u> |
| | | | <u>172,214,955</u> | | <u>168,803,316</u> |

The financial statements on pages 13 to 29 were approved and authorised for issue by the Board on 26 April 2013 and signed on its behalf by


Jeremy Kaye
Chairman


Philip Jones
Director

CHICHESTER DIOCESAN FUND AND BOARD OF FINANCE (INC)

CASHFLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2012

| | <u>2012</u> | <u>2011</u> |
|---|-------------------------|-------------------------|
| | £ | £ |
| Net cash (outflow) from operating activities (note 20) | (2,546,364) | (1,368,557) |
| Returns on investment and servicing of finance | | |
| Dividends & deposit interest | 1,602,287 | 1,602,960 |
| Capital expenditure and financial investment | | |
| Payments to acquire: | | |
| tangible fixed assets | (2,131,892) | (1,687,589) |
| investments | (3,843,381) | (423,917) |
| Receipts from sale of: | | |
| tangible fixed assets | 3,991,699 | 1,741,852 |
| investments | <u>4,409,920</u> | <u>54,194</u> |
| Net cash inflow/(outflow) from capital expenditure and financial investment | 2,426,346 | (315,460) |
| Net cash inflow/(outflow) before financing | 1,482,269 | (81,057) |
| Financing | | |
| Loans received | - | (161,511) |
| Loan repayments | <u>-</u> | <u>5,000</u> |
| Net cash (inflow)/outflow from financing | - | (156,511) |
| Increase/(Decrease) in cash and cash equivalents | 1,482,269 | (237,568) |
| Cash inflow/(outflow) from debt financing | - | 156,511 |
| Change in net funds arising from cash flows | 1,482,269 | (81,057) |
| Non cash adjustments | 26,630 | (14,745) |
| Net funds brought forward | <u>7,159,337</u> | <u>7,255,139</u> |
| Net funds carried forward | <u>8,668,236</u> | <u>7,159,337</u> |

Analysis of changes in net funds/(debt)

| | <u>2012</u> | Cashflow | Non cash items | <u>2011</u> |
|--------------------------|-------------------------|------------------|----------------|-------------------------|
| | £ | £ | £ | £ |
| Short term deposits | 8,379,487 | 452,632 | - | 7,926,855 |
| Cash at bank and in hand | <u>2,533,482</u> | 1,029,637 | - | 1,503,845 |
| | 10,912,969 | 1,482,269 | - | 9,430,700 |
| Loans | <u>(2,244,733)</u> | - | 26,630 | <u>(2,271,363)</u> |
| | <u>8,668,236</u> | 1,482,269 | 26,630 | <u>7,159,337</u> |

CHICHESTER DIOCESAN FUND AND BOARD OF FINANCE (INC)

NOTES TO THE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

- (a) The financial statements have been prepared under the historical cost convention, as modified by the revaluation of fixed asset investments and certain tangible fixed assets, and in accordance with applicable accounting standards and the Companies Act 2006. They follow the recommendations in Accounting and Reporting by Charities: Statement of Recommended Practice (SORP2005), and the Diocesan Financial Statements Guide (DFSFG), as issued in December 2009.

In considering the recommendations in SORP2005 the Board examined the various funds it held as custodian trustee.

(b) Type of funds

The company's various funds consist of:

General fund - unrestricted monies available to the Board.

Designated funds - monies set aside by the Board for specific purposes.

Restricted funds - funds subject to specific conditions imposed by the donor or by the specific terms of a trust deed or other legal measure.

Permanent Endowment funds - monies which must be held indefinitely as capital. The income thereon may be used either in accordance with the donors wishes, if stipulated, or for general purposes.

Expendable Endowment funds - monies which must be held as capital but which may be utilised for specific purposes under certain conditions.

(c) Funds and assets excluded from the financial statements

The company holds various funds as custodian trustee for parishes, schools and other organisations.

These funds are not included in the principal financial statements but are disclosed by summary in note 21.

(d) Freehold properties

Freehold properties comprise:

Parsonages - the company has followed the requirements of Financial Reporting Standard (FRS) 5, in its accounting treatment of Parsonages. FRS 5 requires the accounting treatment to follow the substance of arrangements rather than their strict legal form. The company is formally responsible for the maintenance and repair of such properties and has some jurisdiction over their future use or potential sale if not required as a parsonage, but in the meantime legal title and the right to beneficial occupation is vested in the incumbent. The Trustees therefore consider the most suitable accounting policy is to capitalise such properties as expendable endowment assets and to carry them at their insurance values at the year end.

Glebe properties - these have been incorporated in the financial statements at their insurance values at the year end. Glebe properties utilised for the furtherance of the Board's charitable objectives have been included in freehold properties, whereas those held for investment purposes are included in investment properties.

Properties subject to value linked loans - these are revalued annually in line with the increases in the value of the related loans from the Church Commissioners. These are professionally revalued by the DTZ Group.

Redundant churches - the value to the Board of these churches, in their current usage, is considered uncertain and therefore has not been brought into these accounts.

Glebe land - the value of such land is considered immaterial and has not been brought into these accounts.

Other properties owned by the company - included at cost, and subject to depreciation as explained in policy (e).

CHICHESTER DIOCESAN FUND AND BOARD OF FINANCE (INC)

NOTES TO THE FINANCIAL STATEMENTS (continued)

(e) Depreciation

Depreciation is calculated to write down the cost of all fixed assets, excluding freehold land and buildings and leaseholds with over 50 years to run, over their expected useful lives.

The rates generally applicable are:

| | |
|--|----------------------------|
| Diocesan offices (freehold building) | 2% p.a. straight line |
| Leasehold buildings (lease less than 50 years) | Period of lease |
| Computer equipment | 33 1/3% p.a. straight line |
| Furniture and fittings | 25% p.a. reducing balance |

In accordance with Statement of Standard Accounting Practice No 19, no depreciation is provided on investment properties, but they are revalued annually.

No depreciation has been provided on the other company properties as these comprise residential accommodation where the residual value is expected to be maintained, as it is the company's policy to maintain these assets in a continual state of sound repair. The useful economic lives of these assets is thus so long and the residual values so high that any depreciation would not be material. These assets are subject to annual impairment reviews. Provision will be made if there has been any permanent diminution in value.

(f) Investments

Investments are included at their market value at the balance sheet date. All changes in value in the year, whether or not realised, are reported in the statement of financial activities (SOFA). The historical cost of the investments is separately disclosed in the notes to the accounts.

(g) Incoming resources

All incoming resources are included in the SOFA when the company is legally entitled to the income and the amount can be quantified with reasonable accuracy.

Parish contributions and donations, being voluntary income, are accounted for on a receipts basis.

Income from sale of redundant churches is shown net of associated legal fees incurred in the selling of the property.

(h) Resources expended

Expenditure is recognised when a liability is incurred and has been classified under headings that aggregate all costs related to the SOFA category.

Grants payable are charged in the year when the offer is conveyed to the recipient except in those cases where the offer is conditional on the recipient satisfying performance or other discretionary requirements to the satisfaction of the Board, such grants being recognised as expenditure when the conditions attaching are fulfilled. Grants offered subject to such conditions which have not been met at the year end are noted as a commitment, but not accrued as expenditure.

Where costs cannot be directly attributed to particular headings they have been allocated or apportioned to activities on a basis consistent with use of the resources.

(i) Operating leases

Rentals applicable to operating leases are charged to the SOFA over the period in which the cost is incurred.

(j) Legacies

Legacies are included in the financial statements on a receivable basis. Unless the terms of the bequest otherwise require, legacies are allocated to the company's unrestricted funds.

(k) Contributions to pension funds

Contributions are made for clergy and certain licensed laity into the Church Of England Funded Pensions Scheme, and for certain staff to the Church of England Defined Benefits/Contribution Scheme. These are administered by the Church of England Pensions Board. Contributions are charged against income to cover the cost of benefits arising from the current service of employees. Contributions are also made for certain staff to the Teachers Pension Scheme, which is an unfunded scheme, and to personal pension plans.

The company is unable to identify its share of the underlying assets and liabilities for the three defined benefit schemes. Consequently the company has taken advantage of the exemption in FRS17 and has accounted for the contributions in respect of all these schemes as if they were defined contribution schemes. Further details are provided in note 17.

CHICHESTER DIOCESAN FUND AND BOARD OF FINANCE (INC)

NOTES TO THE FINANCIAL STATEMENTS (continued)

2. Incoming resources

| | Unrestricted funds | Restricted funds | Endowment funds | TOTAL FUNDS 2012 | TOTAL FUNDS 2011 |
|--|-----------------------|---------------------|--------------------|------------------------|------------------------|
| | £ | £ | £ | £ | £ |
| Parish contributions | | | | | |
| Current year | 13,151,695 | - | - | 13,151,695 | 12,898,274 |
| Prior years | 202,300 | - | - | 202,300 | 85,065 |
| | <u>13,353,995</u> | <u>-</u> | <u>-</u> | <u>13,353,995</u> | <u>12,983,339</u> |
| Archbishops' Council voluntary income | | | | | |
| Grant for mission fund | 107,530 | - | - | 107,530 | 103,250 |
| | <u>107,530</u> | <u>-</u> | <u>-</u> | <u>107,530</u> | <u>103,250</u> |
| Other voluntary income | | | | | |
| Donations | 11,177 | 55,397 | - | 66,574 | 100,250 |
| Legacies | - | - | - | - | 400 |
| Grants from other organisations | - | - | - | - | 13,662 |
| English Heritage | - | 24,310 | - | 24,310 | 23,916 |
| Allchurches Trust (EIG) | 154,080 | - | - | 154,080 | 154,080 |
| | <u>165,257</u> | <u>79,707</u> | <u>-</u> | <u>244,964</u> | <u>292,308</u> |
| Activities for generating funds | | | | | |
| Rental income from parsonages | 214,837 | 1 | - | 214,838 | 175,502 |
| | <u>214,837</u> | <u>1</u> | <u>-</u> | <u>214,838</u> | <u>175,502</u> |
| Investment income | | | | | |
| Dividends & deposit interest | 764,453 | 837,834 | - | 1,602,287 | 1,602,960 |
| Glebe rental income | - | 211,543 | - | 211,543 | 200,884 |
| | <u>764,453</u> | <u>1,049,377</u> | <u>-</u> | <u>1,813,830</u> | <u>1,803,844</u> |
| Statutory fees, chaplaincy and other income | | | | | |
| Fees for parochial services | 509,446 | - | - | 509,446 | 524,148 |
| Guaranteed annuities | - | 45,335 | - | 45,335 | 53,315 |
| Trust income | - | 49,156 | - | 49,156 | 80,204 |
| | <u>509,446</u> | <u>94,491</u> | <u>-</u> | <u>603,937</u> | <u>657,667</u> |
| Education, training and other | <u>117,248</u> | <u>1,065</u> | <u>-</u> | <u>118,313</u> | <u>132,872</u> |
| Other incoming resources | | | | | |
| Sale of redundant churches | - | 280,000 | - | 280,000 | 101,843 |
| Other | - | 20,019 | - | 20,019 | 21,165 |
| | <u>-</u> | <u>300,019</u> | <u>-</u> | <u>300,019</u> | <u>123,008</u> |
| Total incoming resources | <u>15,232,766</u> | <u>1,524,660</u> | <u>-</u> | <u>16,757,426</u> | <u>16,271,790</u> |

3. Resources expended

Cost of generating funds

| | | | | | |
|--------------------------------|--------------|---------------|----------|---------------|---------------|
| Glebe management charges | 1,876 | 10,181 | - | 12,057 | 30,541 |
| Glebe repairs and improvements | - | 46,501 | - | 46,501 | 21,600 |
| | <u>1,876</u> | <u>56,682</u> | <u>-</u> | <u>58,558</u> | <u>52,141</u> |

CHICHESTER DIOCESAN FUND AND BOARD OF FINANCE (INC)

NOTES TO THE FINANCIAL STATEMENTS (continued)

3. Resources expended (continued)

| | Unrestricted funds | Restricted funds | Endowment funds | TOTAL FUNDS 2012 | TOTAL FUNDS 2011 |
|---|-----------------------|---------------------|--------------------|------------------------|------------------------|
| | £ | £ | £ | £ | £ |
| Contributions to Archbishops' Council | | | | | |
| National Church responsibilities | 694,984 | - | - | 694,984 | 721,512 |
| Training for ministry | 467,752 | - | - | 467,752 | 359,081 |
| | <u>1,162,736</u> | <u>-</u> | <u>-</u> | <u>1,162,736</u> | <u>1,080,593</u> |
| Resourcing ministry and mission - parish ministry | | | | | |
| Parochial stipends and national insurance | 6,249,864 | 861,317 | - | 7,111,181 | 6,969,097 |
| Pension contributions | 2,314,809 | - | - | 2,314,809 | 2,271,078 |
| Housing costs including property department | 1,714,167 | - | - | 1,714,167 | 1,462,893 |
| Mission fund grants | 90,107 | - | - | 90,107 | 87,527 |
| Resettlement and associated payments | 404,243 | - | - | 404,243 | 377,676 |
| Other payments directly associated with personal support | - | 56,424 | - | 56,424 | 95,113 |
| Church insurance | 970,780 | - | - | 970,780 | 894,559 |
| Support costs (note 4) | 105,375 | - | - | 105,375 | 164,336 |
| | <u>11,849,345</u> | <u>917,741</u> | <u>-</u> | <u>12,767,086</u> | <u>12,322,279</u> |
| Resourcing ministry and mission - support for ministry | | | | | |
| Diocesan support of ordinands in training | 484,651 | 34,902 | - | 519,553 | 458,506 |
| Adult education | 229,398 | 10,626 | - | 240,024 | 188,640 |
| Children and youth work | 147,633 | - | - | 147,633 | 146,892 |
| Mission, renewal & stewardship | 145,910 | - | - | 145,910 | 142,311 |
| Social concerns | 109,069 | - | - | 109,069 | 110,521 |
| Safeguarding - child protection | 140,325 | - | - | 140,325 | 126,629 |
| Diocesan Advisory Committee | 59,791 | - | - | 59,791 | 39,529 |
| Pastoral and Redundant Churches Uses Committees | 52,593 | 24,310 | - | 76,903 | 77,559 |
| Redundant churches | 37,932 | - | - | 37,932 | 28,253 |
| Communications | 114,215 | - | - | 114,215 | 87,332 |
| University chaplains & ecumenical groups | 48,858 | - | - | 48,858 | 56,034 |
| Chancellor & Registrar | 47,809 | - | - | 47,809 | 50,588 |
| Grants | 36,000 | 22,318 | - | 58,318 | 64,702 |
| Other sundry activities | - | 392 | - | 392 | 791 |
| Support costs (note 4) | 510,399 | - | - | 510,399 | 605,067 |
| | <u>2,164,583</u> | <u>92,548</u> | <u>-</u> | <u>2,257,131</u> | <u>2,183,354</u> |
| Education | | | | | |
| Church schools department | 356,741 | - | - | 356,741 | 328,621 |
| Training courses | 5,077 | - | - | 5,077 | 6,160 |
| Aided Schools fund | - | 8,138 | - | 8,138 | 105,200 |
| Support costs (note 4) | 33,368 | - | - | 33,368 | 84,087 |
| | <u>395,186</u> | <u>8,138</u> | <u>-</u> | <u>403,324</u> | <u>524,068</u> |
| Diocesan projects | | | | | |
| The Point (mid Sussex network church) | - | - | - | - | 77,064 |
| Christ Church (church in the pub) | - | 23,813 | - | 23,813 | 33,579 |
| Support costs (note 4) | 24,919 | - | - | 24,919 | 36,342 |
| | <u>24,919</u> | <u>23,813</u> | <u>-</u> | <u>48,732</u> | <u>146,985</u> |
| Governance costs | | | | | |
| Auditor's remuneration - audit | 17,700 | - | - | 17,700 | 21,290 |
| Auditor's remuneration - other | 678 | - | - | 678 | 1,560 |
| Investment manager fees | 22,414 | 27,959 | - | 50,373 | 25,069 |
| | <u>40,792</u> | <u>27,959</u> | <u>-</u> | <u>68,751</u> | <u>47,919</u> |
| Total resources expended | <u>15,639,437</u> | <u>1,126,881</u> | <u>-</u> | <u>16,766,318</u> | <u>16,357,339</u> |

CHICHESTER DIOCESAN FUND AND BOARD OF FINANCE (INC)

NOTES TO THE FINANCIAL STATEMENTS (continued)

4. Allocation of support costs

The company analyses its support costs as shown in the table below. These costs are then allocated to four of the charitable activities on a usage basis.

| | Resourcing ministry and mission | Education | Diocesan projects | TOTAL 2012 |
|-------------------------------|---------------------------------|---------------------------|-------------------|------------|
| | Parish ministry £ | Support for ministry £ | £ | £ |
| Unrestricted | | | | |
| Central services department | 5,691 | 88,010 | 20,116 | 113,817 |
| General office department | 56,828 | 213,104 | - | 284,138 |
| Finance department | 27,593 | 96,576 | 6,898 | 137,965 |
| IT department | 15,263 | 53,419 | 3,816 | 76,313 |
| Depreciation | - | 48,221 | 2,538 | 50,759 |
| Major repairs to Church House | - | 11,069 | - | 11,069 |
| | 105,375 | 510,399 | 33,368 | 674,061 |

5. Analysis of transfers between funds

| | Unrestricted funds General £ | Unrestricted funds Designated £ | Restricted funds £ | Total 2012 £ |
|--|------------------------------------|---------------------------------------|-----------------------|-----------------|
| Transfer on sale (2 Tanfield Court) to Clergy welfare fund | - | (126,012) | 126,012 | - |
| Transfer Property fund | 11,591 | (11,591) | - | - |
| Parish contribution from Christ Church | 42,000 | - | (42,000) | - |
| Administration charge made to Interreg IIIA | 299 | - | (299) | - |
| Administration charge made to Aided Schools fund | 42,000 | - | (42,000) | - |
| | 95,890 | (137,603) | 41,713 | - |

6. Funds - Analysis of funds movements during the year

| | Bal b/fwd 1 Jan 2012 £ | Income £ | Expenditure £ | Other gains and losses £ | Transfers £ | Bal c/fwd 31 Dec 2012 £ |
|----------------------------------|------------------------------|-------------|------------------|--------------------------------|----------------|-------------------------------|
| <u>Unrestricted funds</u> | | | | | | |
| Designated funds | | | | | | |
| - Property fund | 2,413,082 | - | (13,673) | 22,320 | (137,603) | 2,284,126 |
| - Church House reserve | 82,176 | 4,065 | (11,069) | - | - | 75,172 |
| - Bishop's Certificate | 32,838 | 5,268 | (3,014) | 51 | - | 35,143 |
| - Mission Fund | 531,053 | 138,610 | (90,107) | - | - | 579,556 |
| | 3,059,149 | 147,943 | (117,863) | 22,371 | (137,603) | 2,973,997 |
| General Fund | 962,955 | 15,084,823 | (15,521,574) | 4,553 | 95,890 | 626,647 |
| | 4,022,104 | 15,232,766 | (15,639,437) | 26,924 | (41,713) | 3,600,644 |

CHICHESTER DIOCESAN FUND AND BOARD OF FINANCE (INC)

NOTES TO THE FINANCIAL STATEMENTS (continued)

6. Funds - Analysis of funds movements during the year (continued)

| | Bal b/fwd 1 Jan 2012 | Income | Expenditure | Other gains and (losses) | Transfers | Bal c/fwd 31 Dec 2012 |
|-------------------------------------|-------------------------|------------|--------------|-----------------------------|-----------|--------------------------|
| | £ | £ | £ | £ | £ | £ |
| <u>Restricted funds</u> | | | | | | |
| Diocesan Pastoral account | 15,857,299 | 280,000 | (392) | 577,030 | - | 16,713,937 |
| Clergy & diocesan stipends fund | - | 940,567 | (940,567) | - | - | - |
| Training | - | 36,203 | (36,203) | - | - | - |
| Clergy welfare | 528,106 | 84,092 | (59,730) | (549) | 126,012 | 677,931 |
| Clergy widows | 43,008 | 5,704 | - | - | - | 48,712 |
| University chaplaincy | 30,986 | 1,239 | (616) | - | - | 31,609 |
| Jenkinson trust | 10,436 | 1,798 | (67) | - | - | 12,167 |
| Hayllar trust | 70,669 | 3,326 | (102) | - | - | 73,893 |
| Archdeacons' loan funds | 1,448,210 | 26,783 | - | 30,175 | - | 1,505,168 |
| O/seas bishoprics' fnd for Guinea | 1,239 | 1,245 | - | - | - | 2,484 |
| Christ Church | 35,709 | 55,216 | (23,813) | - | (42,000) | 25,112 |
| Interreg IIIA | 299 | - | - | - | (299) | - |
| Readers Committee | 28,607 | 15,128 | (10,626) | - | - | 33,109 |
| English heritage | - | 24,310 | (24,310) | - | - | - |
| Aided Schools fund | 1,878,457 | 25,798 | (8,138) | 46,330 | (42,000) | 1,900,447 |
| The Arnold Bequest | 35,557 | 23,251 | (22,317) | 2,466 | - | 38,957 |
| | 19,968,582 | 1,524,660 | (1,126,881) | 655,452 | 41,713 | 21,063,526 |
| <u>Endowment funds</u> | | | | | | |
| <u>Permanent endowments</u> | | | | | | |
| Clergy stipends fund | 10,398,450 | - | - | 679,077 | - | 11,077,527 |
| Jenkinson trust | 37,168 | - | - | 1,303 | - | 38,471 |
| Training | 637,694 | - | - | 44,173 | - | 681,867 |
| University chaplaincy | 293,245 | - | - | 2,719 | - | 295,964 |
| Hayllar trust | 53,329 | - | - | 4,253 | - | 57,582 |
| The Arnold Bequest | 452,175 | - | - | 27,703 | - | 479,878 |
| | 11,872,061 | - | - | 759,228 | - | 12,631,289 |
| <u>Expendable endowments</u> | | | | | | |
| Diocesan stipends fund | 24,647,593 | - | - | 848,937 | - | 25,496,530 |
| Parsonage house fund | 101,782,901 | - | - | 863,453 | - | 102,646,354 |
| Clergy welfare fund | 1,587,729 | - | - | 115,777 | - | 1,703,506 |
| Elflinsward fund | 1,504,010 | - | - | 112,200 | - | 1,616,210 |
| Terry's Cross | 3,418,336 | - | - | 38,560 | - | 3,456,896 |
| | 132,940,569 | - | - | 1,978,927 | - | 134,919,496 |
| <u>Total funds</u> | 168,803,316 | 16,757,426 | (16,766,318) | 3,420,531 | - | 172,214,955 |

Unrestricted funds

General fund - assets held by the Board for carrying out its general activities, providing the assets and liquidity for the Board to carry out its objectives including statutory compliance.

Property Fund - fund value set at the level equivalent to the net book value of corporate properties. Church House, Hove and various houses used by retired clergy make up the value of this fund.

Church House Fund - fund set aside to meet the future major repairs to Church House, Hove. Income is derived from room hire during the course of the year.

Bishop's Certificate Fund - fund generated by and used for the running of the Bishop's Certificate training scheme.

Parish Mission Fund - fund made available from the Church Commissioners' and other sources to support parish ministry throughout the Diocese.

CHICHESTER DIOCESAN FUND AND BOARD OF FINANCE (INC)

NOTES TO THE FINANCIAL STATEMENTS (continued)

6. Funds - Analysis of funds movements during the year (continued)

Restricted funds

Diocesan Pastoral account - held for the purposes laid down in Section 78 of the Pastoral Measure 1983. Income is mainly derived from the proceeds of closed church sales, gains on sales of redundant parsonages and bequests.

Clergy stipends fund - comprises funds generated from sale of glebe land and properties. The fund's function is to produce income for stipends support.

Diocesan stipends fund - fund is governed by the Diocesan Stipends Fund Measure 1953 as amended by the Endowments and Glebe Measure 1998, and the Miscellaneous Provisions Measure 1992. Income is mainly derived from the sale of glebe. The fund's function is to produce income for stipends support.

Training fund - comprises funds from various bequests. The income is used to support ordination training costs and for modest discretionary grants to assist ordinands in need.

Clergy welfare fund - fund is governed by a 1993 Charity Commission scheme with income being used for the welfare of clergy, their spouses or others licensed staff who work or have worked in the diocese.

Clergy widows fund - fund represents a legacy from Charles Peckham to provide financial grants or other benefits for widows of the clergy.

University chaplaincy fund - fund is governed by a trust deed dated 21 July 1961. The fund is to provide a house for the University of Sussex chaplain and to assist that chaplain in the fulfilment of his/her duties.

Jenkinson trust - fund represents a legacy from William Jenkinson. Income from the fund is used for necessitous Church of England gentlewomen or as the diocesan fund finds most fitting.

Hayllar trust - fund represents a legacy from Sidney Hayllar. Income from the fund is used to help clergy with personal costs such as education and personal support and general financial problems.

Archdeacons' loan funds - comprises funds from three gifts and the proceeds of a fundraising campaign. The accumulated income is used to make loans to parishes to help fund repairs to churches and church halls.

Overseas bishoprics' fund for Guinea - comprises funds transferred from Partners in Mission to support work in Guinea identified by the Bishop of Guinea and other episcopal expenses.

Christ Church - funds arising from the church without a parish operating in Brighton.

Inter Regional Partnership (interreg IIIA) - funds receivable from the European Union in respect of church building projects within the Chichester diocese. This project is now closed

Readers Committee - Funds received to support the selection and support of Readers within the Diocese

English Heritage - funds relating to a grant received from English Heritage to provide financial assistance to the work of the Pastoral (redundant churches) department.

Aided Schools fund - this represents the pooled sale proceeds of closed Church schools in the diocese in accordance with Section 287(2) of the Education Act 1993. The fund can be used for the building, extension and maintenance of Church schools.

The Arnold bequest - funds originated under a court order arising from the will of Andrew William Arnold; a Charity Commission scheme dated 2001 confirms the company's trusteeship. The first call on the income is the payment of the stipend of the parish priest responsible for Southgate St Mary.

Endowment funds

Elfinward fund - fund created by sale of a former retreat house. The income from the fund is used to support stipends, communications work and retreat grants.

Terry's Cross - this fund represents the value of a house, originally given as a gift to the diocese, to provide accommodation for retired clergy and church workers.

Parsonage house fund - this fund represents the value of parsonages at the balance sheet date. The houses are used to provide accommodation for the parochial clergy. The company is not free to dispose of the parsonages except in accordance with the appropriate measures. There is provision for the net proceeds of sale to be applied to the Diocesan Pastoral or Diocesan stipends fund once a disposal has been effected.

CHICHESTER DIOCESAN FUND AND BOARD OF FINANCE (INC)

NOTES TO THE FINANCIAL STATEMENTS (continued)

7. Analysis of net assets by fund at 31 December 2012

| | Unrestricted Funds £ | Restricted Funds £ | Endowments Funds £ | Total £ |
|--|----------------------------|--------------------------|--------------------------|--------------------|
| Fund balances at 31 December 2012 | | | | |
| are represented by: | | | | |
| Tangible fixed assets | 2,597,256 | 1,207,337 | 125,305,540 | 129,110,133 |
| Investments | 88,100 | 13,492,956 | 17,540,556 | 31,121,612 |
| Current assets | 2,212,918 | 8,244,796 | 4,704,689 | 15,162,403 |
| Current liabilities | (802,630) | (1,881,563) | - | (2,684,193) |
| Long term liabilities | (495,000) | - | - | (495,000) |
| Total net assets | 3,600,644 | 21,063,526 | 147,550,785 | 172,214,955 |

| | Unrestricted Funds £ | Restricted Funds £ | Endowments Funds £ | Total £ |
|---|----------------------------|--------------------------|--------------------------|--------------------|
| Unrealised gains attributable to the company included above: | | | | |
| On tangible fixed assets | 841,705 | 956 | 109,619,773 | 110,462,434 |
| On investments | 2,841 | 2,155,110 | 4,294,663 | 6,452,614 |
| Total unrealised gains at 31 December 2012 | 844,546 | 2,156,066 | 113,914,436 | 116,915,048 |

Reconciliation of movements in unrealised gains on assets

| | | | | |
|---|----------------|------------------|--------------------|--------------------|
| Unrealised gains at 1 January 2012 | 829,317 | 1,596,601 | 112,470,786 | 114,896,704 |
| Gains arising on revaluations in year | 15,229 | 559,465 | 1,443,650 | 2,018,344 |
| Unrealised gains at 31 December 2012 | 844,546 | 2,156,066 | 113,914,436 | 116,915,048 |

8. Tangible fixed assets

| | Freehold properties £ | Freehold investment properties £ | Long l/hold investment properties £ | Other £ | TOTAL £ |
|--------------------------|-----------------------------|---|--|------------|-------------|
| Cost or valuation | | | | | |
| At 1 January 2012 | 126,147,219 | 2,998,876 | 276,794 | 480,644 | 129,903,533 |
| Additions | 2,100,716 | - | - | 31,176 | 2,131,892 |
| Disposals | (2,482,905) | (214,040) | (114,843) | - | (2,811,788) |
| Revaluation | 497,690 | 16,727 | - | - | 514,417 |
| At 31 December 2012 | 126,262,720 | 2,801,563 | 161,951 | 511,820 | 129,738,054 |
| Depreciation | | | | | |
| At 1 January 2012 | 164,076 | - | - | 413,086 | 577,162 |
| Provided in the year | 13,673 | - | - | 37,086 | 50,759 |
| At 31 December 2012 | 177,749 | - | - | 450,172 | 627,921 |
| Net book amounts | | | | | |
| At 31 December 2012 | 126,084,971 | 2,801,563 | 161,951 | 61,648 | 129,110,133 |
| At 31 December 2011 | 125,983,143 | 2,998,876 | 276,794 | 67,558 | 129,326,371 |
| Historic cost | | | | | |
| At 31 December 2012 | 16,946,638 | 1,657,431 | 160,047 | 468,145 | 19,232,261 |

Freehold properties include the diocesan offices used for administration purposes at a cost of £683,644 and a net book value of £505,895 (2011: £519,568). Other freehold properties are Parsonages and glebe houses for clergy. The revaluation surplus includes £691,588 (in respect of equity sharing properties) of which £691,181 does not accrue to the company and is included in creditors.

CHICHESTER DIOCESAN FUND AND BOARD OF FINANCE (INC)

NOTES TO THE FINANCIAL STATEMENTS (continued)

9. Investments

| | M&G Charifund £ | Central Board of Finance £ | Other Stocks and Shares £ | TOTAL £ |
|--------------------------------------|-----------------------|----------------------------------|---------------------------------|-------------------|
| Market value | | | | |
| At 1 January 2012 | 8,999,552 | 12,811,137 | 8,172,546 | 29,983,235 |
| Additions | - | - | 3,843,381 | 3,843,381 |
| Disposals | (1,581,669) | (2,361,778) | (244,200) | (4,187,647) |
| Revaluation gains | 634,043 | 173,236 | 675,364 | 1,482,643 |
| At 31 December 2012 | 8,051,926 | 10,622,595 | 12,447,091 | 31,121,612 |
| Cost | | | | |
| At 31 December 2012 | 2,393,998 | 10,617,967 | 12,851,279 | 25,863,244 |
| At 31 December 2011 | 3,334,770 | 13,230,479 | 8,447,461 | 25,012,710 |
| Income received in the year | 440,406 | 606,885 | 363,926 | 1,411,217 |
| Total income from the above holdings | | | | 1,411,217 |
| Deposit and sundry other interest | | | | 191,070 |
| Total income from investments | | | | 1,602,287 |

10. Debtors

| | <u>2012</u> £ | <u>2011</u> £ |
|---|------------------|------------------|
| Concessionary (interest free) loans to parishes | 548,836 | 398,021 |
| Other loans to parishes & other organisations | 2,015,808 | 2,198,592 |
| Loans re school building projects | 1,087,647 | 338,310 |
| Prepayments and accrued income | 267,769 | 233,806 |
| Other debtors | 329,374 | 162,952 |
| | <u>4,249,434</u> | <u>3,331,681</u> |

Loans totalling £897,614 (2011: £1,023,967) are not repayable within one year.

11. Creditors: amounts falling due within one year

| | <u>2012</u> £ | <u>2011</u> £ |
|---------------------------------|------------------|------------------|
| Loans (note 14) | 1,749,733 | 1,776,363 |
| Social security and other taxes | 36,752 | 31,287 |
| Accruals | 105,290 | 68,721 |
| Other creditors | 792,418 | 852,672 |
| | <u>2,684,193</u> | <u>2,729,043</u> |

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

| | <u>2012</u> £ | <u>2011</u> £ |
|-----------------|------------------|------------------|
| Loans (note 14) | 495,000 | 495,000 |
| | <u>495,000</u> | <u>495,000</u> |

CHICHESTER DIOCESAN FUND AND BOARD OF FINANCE (INC)

NOTES TO THE FINANCIAL STATEMENTS (continued)

13. Provisions for liabilities and charges

| | <u>2012</u> | <u>2011</u> |
|-------------------------|--------------------|--------------------|
| | £ | £ |
| Housing electrical work | - | 44,628 |
| | - | 44,628 |

14. Loans

| | <u>2012</u> | <u>2011</u> |
|--------------------------|--------------------|--------------------|
| | £ | £ |
| Church Commissioners | 1,749,733 | 1,776,363 |
| Central Board of Finance | 495,000 | 495,000 |
| | 2,244,733 | 2,271,363 |

| | <u>2012</u> | <u>2011</u> |
|---------------------------------|--------------------|--------------------|
| | £ | £ |
| Loans are repayable as follows: | | |
| Within one year | 1,749,733 | 1,776,363 |
| After five years | 495,000 | 495,000 |
| | 2,244,733 | 2,271,363 |

Church Commissioners loans totalling £1,116,181 (2011: £1,137,468) are secured on properties held by the Board for its direct charitable purposes.

15. Taxation

The company is a registered charity and as such its income and gains fall within sections 471 to 489 of the Corporation Tax Act 2010 or sections 256 of the Taxation of Chargeable Gains Act 1992 are exempt from corporation tax to the extent that they are applied to its charitable objectives.

16. Representatives of the board, employees and clergy

Staff costs during the year

| | <u>2012</u> | <u>2011</u> |
|---|--------------------|--------------------|
| | £ | £ |
| Gross wages, salaries and temporary staff costs | 1,280,596 | 1,140,365 |
| Employer's national insurance contributions | 93,092 | 88,948 |
| Pension costs (note 17) | 182,247 | 432,136 |
| | 1,555,935 | 1,661,449 |

The average number of employees, based on full-time equivalents, for the year was:

| | | |
|---------------------|-------------|-------------|
| Diocesan activities | 37.9 | 35.5 |
|---------------------|-------------|-------------|

No remuneration has been or is payable to Board representatives in respect of services performed as a director.

Archdeacons or parochial ministers who are directors, whether ex-officio, elected, appointed or co-opted are in receipt of a stipend and housing are paid via the Board by virtue of their office.

The three diocesan archdeacons received reimbursement of their operating & office expenses of £50,095 (2011: £47,625). Retirement benefits are accruing to the above staff under the Church of England defined benefit scheme (See note 17).

The Bishop of Horsham and the Bishop of Lewes who are directors, are in receipt of housing paid via the Board by virtue of their office.

£133 was paid to two committee members in reimbursed expenses (2011: £171 to two).

One employee received remuneration in the band between £60,000 to £70,000 (2011: 1).

During the year ex gratia payments totalling £43,387 were made (2011: £30,000).

CHICHESTER DIOCESAN FUND AND BOARD OF FINANCE (INC)

NOTES TO THE FINANCIAL STATEMENTS (continued)

16. Representatives of the board, employees and clergy (continued)

| Parochial clergy, licensed clergy & licensed layworkers | 2012 | 2011 |
|--|------------------|------------------|
| | £ | £ |
| Stipends | 6,565,192 | 6,385,051 |
| Employer's National Insurance contributions | 545,989 | 584,046 |
| Pension costs (note 17) | 2,314,809 | 2,271,078 |
| | 9,425,990 | 9,240,175 |
| Average number of clergy | 307 | 311 |

17. Pension schemes

| The company contributes to the following pension schemes: | 2012 | 2011 |
|--|------------------|------------------|
| | £ | £ |
| The Church of England Defined Benefits Scheme | 100,552 | 398,777 |
| The Church of England Defined Contribution Scheme | 50,060 | - |
| Teachers' Pension Scheme | 21,303 | 23,511 |
| Personal pension schemes | 10,332 | 9,848 |
| | 182,247 | 432,136 |
| The Church of England Funded Pensions Scheme | 2,314,809 | 2,271,078 |
| Totals | 2,497,056 | 2,703,214 |

Church of England Defined Benefits Scheme (Lay Staff)

Up until 30 September 2012 the company participated in the Church of England Defined Benefits Scheme (DBS), part of the Church Workers Pension Fund. Up to 30 September 2012 the company made contributions of £100,552 and this has been taken as the pension cost shown in these accounts.

A valuation was carried out as at 31 December 2010 and the company's contribution rate increased to 26.6% from 21.1% with effect from 1 April 2012. The full deficit up to 31 December 2010 has been met by the company and was paid in 2011. For the period 1 January 2011 to 30 September 2012 the Company is unable to identify its share of the underlying assets and liabilities as each employer is exposed to actuarial risks associated with the current and former employees of other entities participating in the DBS. Any deficit for this period will be identified in the next valuation on 31 December 2013. At 31 December 2012 there were 29 deferred members.

Church of England Contributions Benefits Scheme (Lay Staff)

Since 1 October 2012 the company has operated a defined contribution scheme for lay staff. The assets of the scheme are held separately from the those of the company by the Church of England. The pension charge represents the contributions payable by the company to the scheme and amounted to £50,060.

At 31 December 2012 there were 25 active members.

Teachers' Pension Scheme (TPS)

The TPS is an unfunded defined benefit scheme. Contributions on a pay as you go basis are credited to the exchequer under arrangements governed by the Superannuation Act 1972. A notional asset value is ascribed to the scheme for the purpose of determining contribution rates. The pensions cost is assessed every five years in accordance with the advice of the government actuary. The assumptions and other data that have the most significant effect on the determination of the contribution levels are as follows:

*Latest actuarial valuation: 31 March 2004 *Actuarial method: Prospective Benefits *Investment returns per annum: 6.5%pa

*Salary scale increases per annum: 5%pa *Market value of assets at date of last valuation: £163 billion

*Proportion of members' accrued benefits covered by the actuarial value of the assets: 98.88%

Under the definitions set out in Financial Reporting Standard 17 (Retirement Benefits), the TPS is a multi-employer pension scheme. The company is unable to identify its share of the underlying assets and liabilities of the scheme. Accordingly the company has accounted for its contributions as if it were a defined contribution scheme. The company's contribution rate was 14.1% during the year.

At 31 December 2012 there were 3 active members.

NOTES TO THE FINANCIAL STATEMENTS (continued)

17. Pension schemes (continued)

Church of England Funded Pensions Scheme

The company participates in the Church of England Funded Pensions Scheme and funds 289 members of the Scheme out of a total membership of approximately 9,000 active members.

The Church of England Funded Pensions Scheme is a defined benefit scheme but the company is unable to identify its share of the underlying assets and liabilities - each employer in that scheme pays a common contribution rate. A valuation of the Scheme was carried out as at 31 December 2009. This revealed a shortfall of £262m, with assets of £605m and a funding target of £867m, assessed using the following assumptions:

- (a) An investment strategy of:
 - for investments backing liabilities for pensions in payment, an allocation to gilts, increasing linearly from nil at 31 December 2009 to ¼ by 31 December 2029, with the balance in return-seeking assets.
 - for investments backing liabilities prior to retirement, a 100% allocation to return-seeking assets.
- (b) Investment returns of 4.4% pa on gilts and 5.9% pa on equities;
- (c) RPI inflation of 3.8% pa (and pension increases consistent with this)
- (d) Increase in pensionable stipends 3.8% pa: and
- (e) Post-retirement mortality in accordance with 80% of the S1NA tables, with allowance for future improvements according to the 'medium cohort' projections, and subject to a minimum annual improvement in mortality rates of 1.5% for males and 1.0% for females.

For schemes such as the Church of England Funded Pensions Scheme, paragraph 9(b) of FRS 17 requires the company to account for pension costs on the basis of contributions actually payable to the Scheme in the year.

Following the results of the 2009 valuation changes were made to benefits being built up in the Scheme from 1 January 2011 and the company's contribution rate was set at 38.2% of pensionable stipends (of which 14.7% is in respect of the £262m shortfall in the Scheme and 23.5% is in respect of accrual of future benefits and day to day expenses of running the Scheme)

Contribution rates will be reviewed at the next valuation of the Scheme, due at 31 December 2012

18. Commitments and contingent liabilities

Annual commitment in respect of equipment operating leases which expire between two and five years total £20,411 (2011: £38,620).

There were no capital commitments at 31st December 2012 nor at 31 December 2011.

During the year the company has guaranteed a loan to Cuckfield Holy Trinity PCC. At 31st December 2012 there was £247,178 outstanding on the loan.

CHICHESTER DIOCESAN FUND AND BOARD OF FINANCE (INC)

NOTES TO THE FINANCIAL STATEMENTS (continued)

19. Related party transactions

The company deals with related charities as part of its normal activities. Further details are provided in the financial statements as follows:

- (a) Contributions and assigned fees from parishes (PCCs) (note 2).
- (b) Investments with a market value of £10,622,595 at 31 December 2012 invested with the Central Board of Finance of the Church of England (see managed funds, note 9).
- (c) Loans from the Central Board of Finance and Church Commissioners (note 14).
- (d) Loans to parishes (note 10).
- (e) Included within donations (note 2) is the sum of £10,920 (2011: £10,500) from the Dean & Chapter of Chichester Cathedral.
- (f) Mrs R Sowerby, the wife of the Bishop of Horsham was employed as a member of staff and received a normal salary totalling £37,780 for the period.
- (g) Miss B Sowerby, the daughter of the Bishop of Horsham was employed as a temporary member of staff and received a normal salary totalling £1,321 for the period.

20. Net cashflow from operating activities

| | <u>2012</u> | <u>2011</u> |
|--|--------------|--------------|
| | £ | £ |
| Total incoming resources | 16,757,426 | 16,271,790 |
| Total resources expended | (16,766,318) | (16,357,339) |
| | (8,892) | (85,549) |
| Depreciation | 50,759 | 49,000 |
| Investment income - dividends & deposit interest | (1,602,287) | (1,602,960) |
| Decrease/(increase) in debtors | (923,096) | 482,741 |
| (Decrease) in creditors | (18,220) | (256,417) |
| Increase/(decrease) in contingent liabilities | (44,628) | 44,628 |
| Net cash (out) from operating activities | (2,546,364) | (1,368,557) |

21. Amounts held by the Board as custodian trustee

| | Capital funds | Income funds | TOTAL FUNDS 2012 | TOTAL FUNDS 2011 |
|--|------------------|-----------------|------------------------|------------------------|
| | £ | £ | £ | £ |
| Parish & other trusts | 11,150,842 | 58,928 | 11,209,770 | 10,768,174 |
| Trust fund for chancel repairs | 321,191 | 202,384 | 523,575 | 488,235 |
| Funds held for church school trustees | 2,335,363 | - | 2,335,363 | 1,934,971 |
| | 13,807,396 | 261,312 | 14,068,708 | 13,191,380 |
| Represented by: | | | | |
| Investments at market value at 31 December | | | 11,937,640 | 11,154,529 |
| Debtors | | | 3,300 | 3,300 |
| Short term deposits and cash at bank | | | 2,193,379 | 2,042,478 |
| Creditors | | | (65,611) | (8,927) |
| | | | 14,068,708 | 13,191,380 |

All investments, short term deposits and cash are held in segregated funds, deposit and bank accounts. Each year the company advises the trustees of the above funds the amount it is holding on their behalf.