

ANNUAL REPORT AND FINANCIAL STATEMENTS

For the year ended 31 December 2016



THE DIOCESE
OF SHEFFIELD

SHEFFIELD DIOCESAN BOARD OF FINANCE

Company number - 196087
Registered charity number - 245861

The Diocese of Sheffield is called to grow a sustainable network of Christ-like, lively and diverse Christian communities in every place, which are effective in making disciples and in seeking to transform our society and God's world.

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SHEFFIELD DIOCESAN BOARD OF FINANCE

ANNUAL REPORT

For the year ended 31 December 2016

The Trustees, who are also Directors for the purposes of company law, present their annual report, together with the audited financial statements, for the year ended 31 December 2016. In signing as Trustees, they also sign the strategic report sections in their capacity as Directors. This combined report satisfies the legal requirements for:

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

LEGAL OBJECTS

The objects of the Diocese of Sheffield cover most of the County of South Yorkshire with a small part of the East Riding and one parish in North Yorkshire. The Sheffield Diocesan Board of Finance's ("SDBF") principal object is to promote, assist and advance the religious and other charitable work of the Church of England in the Diocese of Sheffield by acting as the financial executive of the Sheffield Diocesan Synod.

The SDBF has the following statutory responsibilities:

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

The strategic priorities are established by the Diocesan Synod in communication with and between Deanery Synods, PCCs, and the Bishop of Sheffield (in respect of his responsibility for the provision of the cure of souls), as well as with the church nationally; including consultations on specific matters relating to the priorities for the forthcoming year, and the Diocesan Budget.

STRATEGIC AIMS

The SDBF manages the financial aspects of the provision of ministry within the Diocese ensuring appropriate personnel and financial resources to assist the Diocesan Synod, Bishop's Council, deaneries and parishes to further the mission and strategic priorities.

The Diocesan Synod agreed the following strategic booklets to direct the activities of the Diocese:

- **A Strategy for Growth in the Diocese**
- **A Strategy for sustainable ministry in the Diocese**
- **A Strategy for serving and transforming our society and God's world**
- **A little letter on giving**

The first of these has been supplemented in 2016 with a further booklet entitled Forming and Equipping the People of God, a strategy for discipleship, mission and ministry in the Diocese 2015-2025.

OBJECTIVES FOR THE YEAR

In response to the above strategic priorities determined by the Diocesan Synod specific objectives are:

- to ensure a Christian presence in every parish
- to provide resources for people of all ages and at all stages of their spiritual journey to grow in understanding of the Christian faith
- to engage actively in local debate and ensure that Christian voices are heard in all areas of public life
- to manage diocesan resources effectively to meet the legal objects of the Diocese

In promoting the whole mission of the church (pastoral, evangelistic, social and ecumenical) the Trustees are confident (having had regard to Charity Commission guidance) that SDBF delivers public benefit. This is achieved through community engagement, resourcing education and supporting those in need both spiritually and physically.

ACTIVITIES AND ACHIEVEMENTS IN THE YEAR

The Christian Presence

Clergy form a central part in the life of churches in the Sheffield Diocese and carry out important roles in communities. As well as engaging in a wide variety of community and church projects, clergy carry out over 700 weddings, 3,000 funerals and 2,700 christenings in the year. While the SDBF is responsible for funding of clergy stipend costs, the national clergy payroll is administered by the Archbishops' Council, a charity which the SDBF reimburses regularly for the costs of stipendiary clergy deployed in the Diocese. Caring for the 104 trained stipendiary clergy and 13 training curates in the diocese is a priority of the SDBF and represents by far its largest financial commitment. The increasing pool of both retired and Self-Supporting Ministers in the Diocese have assisted in providing ministry across the parishes. Although the SDBF does not employ the parish clergy, it is responsible for training them, paying them, and paying into their pension fund.

Provision of Resources

The SDBF is committed to assisting parishes and individuals in their spiritual journey. The Parish Support Team enabled parishes to review their needs using a new Mission Action Planning tool and has encouraged Mission Partnership working. The Aurora training course in youth and children's ministry had 21 new students during the year.

The Department of Formation for Ministry was set up in 2015 with the appointment of a Director responsible for training for lay and ordained ministry. In 2016 there were 52 trainees at the school of Ministry courses. Seven new deacons were ordained in July 2016, including two Self-Supporting Ministers.

Significant grant funding from the Church Commissioners under its Strategic Development Funding initiative enabled the set up the Mission Partnership Development Worker project. This is designed to assist with administrative and related tasks in the Mission Partnership groupings by recruiting 6 staff to deal with these matters and thereby release ordained ministers from mission. Evaluation of its effectiveness continues to inform the Diocese and national Church of its outcomes.

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The SDBF Centenary Project continues to recruit and place workers in parishes charged with ministering to children and young people within parishes and supporting them through central resources and networking.

The Diocesan Board of Education continues to support 40 Church schools in the Diocese and encourage transition for some to Academy Trusts. Over 80% of our schools are rated Good or Outstanding by OFSTED.

Managing Diocesan Resources

The SDBF recognises the importance of a safe, secure and well maintained clergy and curate housing and completing programmed refurbishments, maintenance and improvements on a quinquennial cycle.

The SDBF continues to follow the Common Fund pledge system by parishes as the main source of income. The system is designed to give closer alignment of actual and expected receipts and, therefore, assist the planning and budgetary processes. Common Fund at year end was 0.8% behind the 2015 levels.

Other related parties include:

- The Archbishop's Council to which the Diocese pays a donation based on an apportionment system for funding national training of ordinands and the activities of the various national boards and councils, as well as General Synod.
- The Church Commissioners from which the SDBF receives grants and which acts on behalf of clergy with HM Revenue and Customs. The SDBF also pays for clergy stipends through the Church Commissioners.
- The Church of England Pensions Board, to which the SDBF pays retirement benefit contributions for stipendiary clergy and employees. It also offers schemes to provide housing for clergy in retirement.

Transactions with the main categories of related parties are identified appropriately in the financial statements. Where materiality of the transactions merit more detailed disclosure this is given in notes 25 and 26 to the financial statements.

Volunteers

The SDBF is dependent on the huge number of volunteers involved in church activities both locally and at diocesan level. The SDBF greatly values the considerable time given by all volunteers and particularly, committee members across the Diocese in pursuit of the mission of the SDBF. No attempt has been made to quantify this resource, generously given.

FUTURE PLANS

We continue to recruit within Deanery plans to work towards a priestly presence in every parish. The training and development of lay members of the church to support the work of the clergy also remain a priority. The SDBF has made good progress, assisted by the Church Commissioners, to bring all the lay and ordained training programmes under one banner, St Peter's College launched formally in October 2016. St Peter's will provide a Virtual Learning Environment which offers

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online collaborative tools and services can support the learning process through virtual interaction between and among students and academic staff.

We continue to embed the central diocesan structure as designed to support the vision and priorities of the Diocese. We appointed a new Diocesan Secretary in June 2016.

FINANCIAL REVIEW

Financial Performance

Common Fund, the money given by parishes to the Diocese to fund mission and ministry, remains the main incoming resource for the Diocese. In 2016 this income is reduced by £37,000 to £4,492,000 (2015: £4,529,000). The anticipated increase in Common Fund contributions was not achieved and this will prove a significant challenge to the Diocese. An increase in Common Fund would enable increasing numbers of stipendiary parochial clergy, but that aspiration remains dependent on actual contributions. The Trustees are grateful to all parishes which completed their pledge payments during the year.

The total income for the year is £9,144,000 (2015: £8,853,000). Total costs have increased by £91,000 to £8,028,000 (2015: £7,937,000) resulting in a net income before investment gains of £1,116,000 (2015: £916,000 surplus).

The Trustees prepared a budget for 2017, anticipating a small deficit, with transfers from the Stipend Fund capital to cover clergy housing provision. The Diocesan Stipends Capital Fund is available for providing and improving benefice and glebe property and, when invested, provides income for clergy stipends.

During the year the SDBF purchased £148,000 of investments. The value of investments continued to increase, £18,374,000 (2015: £17,255,000), after an overall increase in the value of funds of £971,000.

Significant Property Transactions

During the year the SDBF purchased one property for £501,000 sold eight properties that are surplus to requirement for £1,684,000 (repaying loans as required). Our policy continues to be:

- to replace unsuitable properties
- to accommodate the changing geographical deployment of clergy within the Diocese; and,
- to realise development potential in some properties, thereby using our resources more effectively for the ministry of the church.

Balance Sheet Position

The Trustees consider that the balance sheet, together with details in note 20, shows broadly that the restricted and endowment funds are held in an appropriate mix of investment and current assets given the purposes for which the funds are held. While the net assets at the balance sheet date totalled £53.5m (2015: £51.1m), included in this total are properties, mostly in use for ministry at £36.2m (2015: £37.1m). Much of the remaining assets shown on the balance sheet are held in restricted funds, and cannot necessarily be used for the general purposes of the SDBF.

Reserves policy

Free reserves

Having considered financial risk, liquidity requirement and the timing of cashflows throughout the year, the Trustees' policy is to hold a balance of readily realisable assets in the General Fund equivalent to 3 months budgeted unrestricted expenditure for 2017. At 31 December 2016 the amount required under this policy totalled £1.89m (2015: £1.85m). Actual free reserves as at 31 December totalled £2.09m (2015: £1.67m), with £1.81m in tangible fixed assets less related loans as part of a total net assets of £3.9m. The Trustees intend to maintain free reserves at the target level within its overall aim of balanced budget for long-term sustainability as resources allow.

Designated funds

The Trustees may, with the approval of the Board, designate additional unrestricted reserves to be retained for an agreed purpose where this is considered to be prudent. Such designated reserves are reviewed on an annual basis and returned to the General Fund in the event that the purpose of their designation is no longer considered to be adequate justification for their retention. A description of each Fund together with the intended use of the reserve is set out in note 21. At 31 December 2016 total designated reserves were £1.16m (2015: £0.76m)

Restricted and endowment funds

As set out in note 20 SDBF holds and administers a large number of restricted and endowment funds. As at 31 December 2016 restricted funds totalled £7.3m (2015: £6.2m) and endowment funds totalled £41.1m (2015: £40.3m). Neither is available for the general purposes of the SDBF.

Grant making policy

The Memorandum of Association explicitly permits the SDBF to make grants in pursuance of its objects, and the nature of grants made in 2016 is indicated in note 11. Grants of up to £5,000 are considered by the Grants Committee from income and investments set aside for specific purposes.

Investment policy

The SDBF is empowered by its Memorandum and Articles of Association to invest monies not immediately required for its purposes. In addition, the SDBF acts as Trustee of a number of Trust Funds, and these must be invested in accordance with the related trusts. The SDBF's policy is to review regularly the assets of each fund for which it is responsible, in relation to the purposes of each fund, and to identify appropriate investment vehicles. Note 20 provide details of the assets of each fund, together with the related purposes. Note 15 summarises the movements in investments during the year.

The Trustees' investment policy is to hold all restricted and endowed investments in CBF Funds. CCLA Investment Management Ltd have been instructed to apply an ethical screen to the portfolio which precludes direct investment in companies which have more than 10% of their turnover in armaments, pornography or tobacco. Most of the SDBF's investments continue to be held in the CBF Church of England Funds managed by CCLA Investment Management Limited. Investments returns during the year are set out in the following table.

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	Funds at 31 December 2016 £'000	Proportion of Portfolio	Income yield in year	Total Return in year
CCLA Managed				
CBF Investment Fund	10,172	84%	3.6%	+13.6%
CBF Property Fund	1,629	13.6%	5.4%	+2.5%
COIF Charity Investment Fund	34	0.3%	4.6%	+13.7%
CBF Deposit	153	1.3%		
Other Funds	17	0.1		
	<u>12,005</u>	100.0%		

The Finance and Property Committee regularly reviews the performance of the funds and makes decisions on investments.

PRINCIPAL RISKS AND UNCERTAINTIES

The Trustees are responsible for the identification, mitigation and/or management of risk. To achieve this, a register of all the risks identified is maintained. This is subject to review by the Trustees on a regular basis, with the responsibility for delivery of the mitigation strategies identified delegated to the Diocesan Secretary.

The risk register identifies areas where the risk of either failure to act or the impact of the events is considered significant. A new risk framework was introduced by the Diocesan Secretary in the financial year. Risk areas have been reviewed monthly: Governance/Strategic; Staff; Financial (income/expenditure); Reputational; Statutory/Legal and Operational. These risk areas and the associated mitigation strategies are summarised:

1. Staffing – risk of inadequate staff resource/capacity, or death, departure of key personnel
 - Recruited additional staff, e.g. St Peter's College
 - Staff training days
2. Financial – risk of inability to meet liabilities, under-collection of Common Fund or rent
 - Collection statistics are produced and circulated on a monthly basis
 - Pension provision in place and regular investment updates received
3. Statutory/Legal – risk of non-conformance with child protection and vulnerable adult legislation, ecclesiastical, trust, property and other law
 - Registrar and Chancellor contract in place
 - Safeguarding team recruited
 - Policies aligned with National Church guidelines
 - Safeguarding training provided
 - CCPAS contract in place for DBS checks
4. Operational – risk of controversial national decisions, e.g. Brexit, 2017 Election, HS2 impact on investments
 - Regular glebe and investment updates

5. Operational – risk of ICT data failure or cyber attack

- Up to date antivirus software
- Cloud based server in place and regular backups undertaken

STRUCTURE AND GOVERNANCE

Summary Information about the structure of the Church of England

The Church of England is the established Church and Her Majesty The Queen is the Supreme Governor. It is organised into two provinces (Canterbury and York) and 42 Dioceses. Each Diocese is a See under the care of a Bishop who is charged with the cure of souls of all the people within that geographical area. This charge is shared with priests within benefices and parishes which are subdivisions of the Diocese.

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

Each Diocese is a separate legal entity, with a clear responsibility for a specific geographical area. Being part of the Church of England requires and also enables each Diocese to seek support from and application for partnership with neighbouring Dioceses.

Organisational structure

The Sheffield Diocesan Board of Finance (SDBF) is a company limited by guarantee (No. 196087) and a registered charity (No. 245861) 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 within the Diocese of Sheffield. It was established in its present form in 1926.

Governance and policy of the Diocesan Board of Finance is the responsibility of the Trustees, who are also members of the company and Trustees for the purposes of charity law. The Bishop of Sheffield, together with other ex-officio persons are Trustees together with six people elected from and by the members of Diocesan Synod every three years, with the most recent elections held in October 2015. The details of Trustees who served during the year are set out on page 12. In 2016 the Right Revd Dr Steven Croft, Bishop of Sheffield, moved to be Bishop of Oxford. The Rt Revd Peter Burrows, Bishop of Doncaster and Suffragan Bishop of the Diocese, became Acting Bishop of Sheffield. The Bishop is recognised in our Register of Persons of Significant Control.

The Diocesan Synod, the statutory governing body of the Diocese, is an elected body drawn from across the Diocese with responsibility for setting the vision and strategy of the Diocese, guided by the Bishop's Staff Team. The Synod membership is elected every three years, the last elections were in July 2015. The Synod elects six of the fourteen Trustees of the Diocesan Board of Finance.

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The SDBF is a separate legal entity, with clear responsibilities under both company and charity law, as well as a governing Memorandum and Articles of Association. By virtue of the National Institutions Measure 2000 the SDBF is subject to the direction of the Synod in all its activities, unless such direction is not in accordance with the governing documents or statutory regulations.

Historical assets arising from unexpended accumulations of sale proceeds of redundant Church of England School properties are accounted for in the restricted Church Schools fund and are managed by the SDBF in consultation with the Diocesan Board of Education.

Decision making structure

Corporate priorities and the overall financial strategy for the Diocese, in its primary object to promote, assist and advance the work of the Church of England within the Diocese of Sheffield are set by the Diocesan Synod, and the SDBF. The responsibility for ensuring that priorities and strategies are delivered is delegated to the Diocesan Secretary. The company meets once a year in general meeting to receive and approve the annual report and financial statements and to appoint the auditors. The Diocesan Synod each year receives and agrees the annual budget, prepared and approved by the SDBF. The Trustees, meeting within the context of the Bishop's Council and Standing Committee, hold up to seven meetings during the year to formulate and coordinate policies on and delivery of mission, ministry and finance. The Trustees are assisted in their work by:

Finance and Property Committee: monitors management accounts and budget, the use of assets and investment policies and exercises the authority delegated to it by the Trustees in areas such as grants and loans. It also undertakes the SDBF's responsibilities under the Parsonages Measure; the Repair of Benefice Building Measure 1972; the PCC (Powers) Measure 1956 and the Incumbents and Churchwardens (Trusts) Measure 1964 (with respect to parochial property); the Endowment and Glebe Measure 1976 (with regard to property assets); and the Pastoral Measure 1983 (with regard to redundant churches).

Grants Committee: allocates available financial resources to suitable diocesan and parochial initiatives.

Trustee recruitment, selection, induction and training

Trustees are members of the Bishop's Council and Standing Committee and are selected as set out above. Trustees are given induction as they start their role and at other times as appropriate. Some staff hold the title of 'Director', but this relates to their function within the organisation and has no legal meaning within the terminology associated with the Companies Act. Trustees are required to make declaration that they are not barred from being a Company Director and maintain their entry in the record of declarations of interest. Trustee training has been delivered to Bishop's Council in 2016 and planned for Diocesan Synod in 2017.

Remuneration of key management personnel

Emoluments of higher-paid employees are determined by a use of a positioning scale for the grading of posts. Salary uplift decisions are made annually, paid in April (Clergy) and July (DBF officers and staff)

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Delegation of day to day delivery

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

Funds held as Custodian Trustee

The SDBF is custodian trustee of assets held on permanent trust by virtue of the Parochial Church Councils (Powers) Measure 1956 and the Incumbents and Churchwardens (Trusts) Measure 1964 where the managing trustees are Parochial Church Councils and others. These assets are not aggregated in the financial statements as the SDBF does not control them, and they are segregated from the SDBF's own assets by means of a separate bank account and accounting system. Further details of financial trust assets, whose market value amounted to £6,536,000 at 31 December 2016 (2015: £6,162,000), are available from the SDBF on request, and are summarised in note 26.

Funds held on behalf of schools

The Diocesan Board of Education (which is not separately incorporated but is within the SDBF) receives contributions from governors of church schools within the Diocese in connection with major repair and capital projects to church schools and also government grants in connection with the same. The Board of Education administers these monies as managing agent and makes appropriate payments to contractors for work carried out. The monies do not belong to the Board of Education and as such the receipts and payments are not treated as income and expenditure in the Statement of Financial Activities. Any monies held at the balance sheet date are treated as creditors on the balance sheet. The amount included in creditors as at 31 December 2016 is £nil (2015: £nil). The income and expenditure relating to school projects not reflected in the Statement of Financial Activities amounted to £1.10m and £1.57m respectively in 2016 and 2015.

TRUSTEES' RESPONSIBILITIES

The Trustees are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations. Company law requires the Trustees (as Directors) to prepare financial statements for each financial year. Under that law the Trustees have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the Trustees must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of the affairs of the SDBF and of the surplus or deficit of the SDBF for that period. In preparing these financial statements the Trustees are required to:

- Select suitable accounting policies and apply them consistently
- Observe methods and principles in the Charities Statement of Recommended Practice 2015 (FRS102)
- Make judgements and estimates that are reasonable and prudent
- State whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- Prepare the financial statements on the going concern basis unless it is inappropriate to assume that the company will continue in operation

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

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

STATEMENT OF DISCLOSURE TO THE AUDITORS

So far as the Trustees are aware:

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

APPOINTMENT OF AUDITORS

The re-appointment of Hawsons Chartered Accountants as auditors to the SDBF will be proposed at the Annual General Meeting.

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ADMINISTRATIVE DETAILS

Trustees

No Trustee had any beneficial interest in the company during 2016. The following Trustees were in post at the date of this report:

President	The Right Reverend S J L Croft MA, PhD (until 6 July 2016); The Right Reverend P Burrows BTh (from 7 July 2016)
Chair	I G Walker MSc, MA, CEng, FIET
Deputy Chair	A R Cribb FCA (until 30 November 2016), currently vacant
Other Directors	The Very Reverend P E Bradley MA, FRSA J A Butcher MA(Cantab), MSc, PhD The Venerable M L Chamberlain BA, BTh, MPhil I R Downing C Howarth BA, MCLIP The Reverend A T Isaacson BA, PGCE, MA Lay Canon E C Paver FRSA (until 1 January 2016) Lay Canon P M Rainford MA The Reverend E E M Robertshaw BA, PGCE, MTh The Reverend I Smith BA The Venerable S Wilcockson MA
Secretary	M J Fair MA, EMBA (until 30 April 2016) The Venerable M L Chamberlain BA, BTh, MPhil (Acting Secretary from 30 April 2016 to 15 June 2016) H J Adcock BA, MBA, CPFA (from 15 June 2016)
Registered Office:	Diocesan Church House, 95-99 Effingham Street, Rotherham, S65 1BL
Bankers	Yorkshire Bank Plc, 6A High Street, Mexborough, S64 9AP
Auditors	Hawsons, Pegasus House, 463A Glossop Road, Sheffield, S10 2QD
Solicitors	Wake Smith Solicitors Limited, No.1 Velocity, 2 Tenter Street, Sheffield, S1 4BY
Investment advisers	CCLA Investment Management Ltd 80 Senator House, 85 Queen Victoria Street, London, EC4V 4ET
Glebe Agents	Savills, 48 Bootham, York, YO30 7WZ
Insurers	EIG, Beaufort House, Brunswick Road, Gloucester, GL1 1JZ

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In approving this Trustees' Report, the Trustees are also approving the Strategic Report included on pages 3-8 within their capacity as company directors.

BY ORDER OF THE TRUSTEES

Ian Geoffrey Walker
Chairman
20 June 2017

Heidi Jane Adcock
Secretary
20 June 2017

We have audited the financial statements of Sheffield Diocesan Board of Finance for the year ended 31 December 2016 which comprise the Statement of Financial Activities, the Balance Sheet, 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), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

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 opinions we have formed.

Respective responsibilities of trustees and auditor

As explained more fully in the Statement of Trustees' Responsibilities 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 (APB'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 and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. 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 affairs of the charitable company as at 31 December 2016 and of its incoming resources and application of resources, including the income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

In the light of our knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report and the Trustees' Annual Report.

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.

Richard Frost
Senior Statutory Auditor
For and on behalf of Hawsons
Chartered Accountants and Statutory Auditors
20 June 2017

Pegasus House
463a Glossop Road
Sheffield
S10 2QD

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STATEMENT OF THE FINANCIAL ACTIVITIES

For the year ended 31 December 2016

	Note	Unrestricted funds		Restricted	Endowment	Total	Total
		General	Designated	Funds	Funds	2016	2015
		£'000	£'000	£'000	£'000	£'000	£'000
Income and endowments from							
Donations	2						
Parish contributions		4,698	-	-	-	4,698	4,666
Archbishops' Council		-	184	2,237	-	2,421	2,245
Other donations		185	-	517	-	702	586
Charitable activities	3	528	-	33	-	561	617
Other activities	4	208	-	-	-	208	149
Investments	5	89	-	433	32	554	590
		5,708	184	3,220	32	9,144	8,853
Expenditure on							
Raising funds	6	44	-	-	-	44	34
Charitable activities	7	5,236	34	2,993	20	8,283	7,945
Other	8	-	-	-	(299)	(299)	(42)
		5,280	34	2,993	(279)	8,028	7,937
Net income before investment gains		428	150	227	311	1,116	916
Net gains on investments		87	48	488	348	971	180
Net income for year		515	198	715	659	2,087	1,096
Transfer between funds	13	(607)	195	386	26	-	-
Other recognised gains							
Gains on fixed assets		207	-	-	140	347	207
Net movements in funds		115	393	1,101	825	2,434	1,303
Total funds brought forward		3,784	762	6,188	40,335	51,069	49,766
Total funds carried forward	19	3,899	1,155	7,289	41,160	53,503	51,069

All activities derive from continuing activities. The notes on pages 21 to 36 form part of the financial statements.

SHEFFIELD DIOCESAN BOARD OF FINANCE

INCOME AND EXPENDITURE ACCOUNT

For the year ended 31 December 2016

	Total 2016 £'000	Total 2015 £'000
Total income	9,112	8,812
Resources expended	8,307	7,962
	805	850
Net gains on investments	623	76
	1,428	926
Other comprehensive income		
Net gain on fixed assets	207	38
Net assets transferred from endowments	(26)	(136)
	1,609	828
	1,609	828

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

Reconciliation of Summary Income and Expenditure to SoFA

	Total 2016 £'000	Total 2015 £'000
Incoming resources per SoFA	9,144	8,853
less total endowment additions	(32)	(41)
	9,112	8,812
	9,112	8,812
Resources expended per SoFA	8,028	7,937
less expenditure charged to endowment capital	279	25
	8,307	7,962
Total comprehensive income	8,307	7,962

SHEFFIELD DIOCESAN BOARD OF FINANCE

BALANCE SHEET

As at 31 December 2016

Company Number - 196087

	Note	Unrestricted funds		Restricted	Endowment	Total	Total
		General	Designated	Funds	Funds	2016	2015
		£'000	£'000	£'000	£'000	£'000	£'000
FIXED ASSETS							
Tangible fixed assets	14	2,801	-	452	32,935	36,188	37,055
Investments	15	1,244	479	5,466	11,185	18,374	17,255
		<u>4,045</u>	<u>479</u>	<u>5,918</u>	<u>44,120</u>	54,562	<u>54,310</u>
CURRENT ASSETS							
Debtors	16	926	-	962	172	2,060	1,599
Cash at bank and in hand		781	676	1,025	78	2,560	1,626
		<u>1,707</u>	<u>676</u>	<u>1,987</u>	<u>250</u>	4,620	<u>3,225</u>
CREDITORS: amount falling due within one year	17	(739)	-	(486)	(479)	(1,704)	(1,655)
		<u>968</u>	<u>676</u>	<u>1,501</u>	<u>(229)</u>	2,916	<u>1,570</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>5,013</u>	<u>1,155</u>	<u>7,419</u>	<u>43,891</u>	57,478	<u>55,880</u>
CREDITORS: amount falling due after more than one year	18						
Pension scheme liabilities		-	-	-	(2,731)	(2,731)	(3,436)
Other creditors		(1,114)	-	(130)	-	(1,244)	(1,375)
NET ASSETS		<u>3,899</u>	<u>1,155</u>	<u>7,289</u>	<u>41,160</u>	53,503	<u>51,069</u>
FUNDS							
Endowment funds		-	-	-	41,160	41,160	40,335
Restricted funds		-	-	7,289	-	7,289	6,188
Unrestricted funds		3,899	1,155	-	-	5,054	4,546
		<u>3,899</u>	<u>1,155</u>	<u>7,289</u>	<u>41,160</u>	53,503	<u>51,069</u>

The Cash Flow Statement and the Notes form part of these financial statements. The financial statements were approved by the Board of Trustees and authorised for issue on **20 June 2017** and signed on behalf of the Board by:

Ian Geoffrey Walker (Chairman)

SHEFFIELD DIOCESAN BOARD OF FINANCE

CASH FLOW STATEMENT

For the year ended 31 December 2016

	2016		2015	
	£'000	£'000	£'000	£'000
Net cash inflow / (outflow) from operating activities		(250)		(163)
Cash flow from investing activities				
Dividends, interest and rent from investments	542		587	
Interest paid	(46)		(50)	
Proceeds from the sale of:				
Tangible fixed assets	1,730		980	
Fixed assets investments	-		257	
Purchase of:				
Tangible fixed assets for the use of the SDBF	(501)		(558)	
Fixed assets investments	(148)		(1,303)	
Net cash provided by / (used in) investing activities		1,577		(87)
Cash flow form financing activities				
Loans repaid by the SDBF	(413)		(176)	
Loans repaid to the SDBF	20		31	
		(393)		(145)
Change in cash and cash equivalents in the reporting period		934		(395)
Cash and cash equivalents at 1 January		1,626		2,021
Cash and cash equivalents at 31 December		<u>2,560</u>		<u>1,626</u>
Reconciliation of net movements in funds to net cash flow from operating activities				
Net movement in funds for the year ended 31 December		1,116		916
Adjustments for:				
Dividends, interest and rent from investments		(555)		(587)
Repayment of loans advanced		48		55
Advancement of loans		(50)		(11)
Decrease / (increase) in debtors		(208)		108
Increase in creditors		(601)		(644)
Net cash provided by / (used in) operating activities		<u>(250)</u>		<u>(163)</u>
Analysis of cash and cash equivalents				
Cash in hand		<u>2,560</u>		<u>1,626</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

1. ACCOUNTING POLICIES

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

a) **Income**

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

- i) **Common fund** is recognised as income of the year in respect of which it is receivable.
- ii) **Rent** receivable is recognised as income in the period with respect to which it relates.
- iii) **Interest and dividends** are recognised as income when receivable.
- iv) **Grants** received which are subject to pre-conditions for entitlement specified by the donor which have not been met at the year-end are included in creditors to be carried forward to the following year.
- v) **Parochial fees** are recognised as income of the year to which they are received.
- vi) **Donations** other than grants are recognised when receivable.
- vii) **Gains on disposal of fixed assets for the SDBF's own use** (i.e. non-investment assets) are accounted for as other incoming. Losses on disposal of such assets are accounted for as other expenditure.
- viii) **Stipends fund income.** The Stipends Fund Capital account is governed by the Diocesan Stipends' Fund Measure 1953, as amended, and the use of the income is restricted for clergy stipends. However, the income is fully expended within the year of receipt and the legal restrictions, therefore, are satisfied. It is on this basis that the income and the (normally much larger) related expenditure are both included in the unrestricted column of the Statement of Financial Activities for the sake of greater clarity and simplicity in financial reporting.

b) **Expenditure**

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

- i) **Costs of raising funds** are constrained to costs relating to the temporary renting out of parsonages and investment management costs of glebe and any other investment properties.
- ii) **Charitable expenditure** is analysed between contributions to the Archbishops' Council, expenditure on resourcing mission and ministry in the parishes of the diocese and expenditure on education and Church of England schools in the diocese.
- iii) **Grants payable** are charged in the year when the offer is conveyed to the recipient except in those cases where the offer is conditional on the recipient satisfying performance or other discretionary requirements to the satisfaction of the SDBF, such grants being recognised as expenditure when the conditions attaching are fulfilled. Grants offered subject to such conditions which have not been met at the year-end are noted as a commitment, but not accrued as expenditure.
- iv) **Support costs** consist of central management, administration and governance costs. The amount spent on raising funds and other activities is considered to be immaterial and all support costs are allocated to the purpose of charitable activities. Costs are allocated wherever possible directly to the activity to which they relate, but where such direct allocation is not possible, the remainder is allocated on an approximate staff time basis.
- v) **Pension contributions.** The SDBF's staff are members of the Church Workers Pension Fund and Clergy are members of the Church of England Funded Pensions Scheme (see note 24). The pension costs charged as resources expended represent the SDBF's contributions payable in respect of the accounting period, in accordance with FRS102. Deficit funding for the pension schemes to which SDBF participates is accrued at current value in creditors distinguished between contributions falling due within one year and after more than one year.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2016

1. ACCOUNTING POLICIES (continued)

c) Tangible fixed assets and depreciation

Freehold and leasehold properties

Depreciation is not provided on buildings as any provision (annual or cumulative) would not be material due to the very long expected remaining useful economic life in each case, and because their expected residual value is not materially less than their carrying value. The SDBF has a policy of regular structural inspection, repair and maintenance, which in the case of residential properties is in accordance with the Repair of Benefices Buildings Measure 1972 and properties are, therefore, unlikely to deteriorate or suffer from obsolescence. In addition, disposals of properties occur well before the end of their economic lives and disposal proceeds are usually not less than their carrying value. Annual impairment reviews in accordance with the requirements of FRS102 ensure that the carrying value is not more than the recoverable amount.

Properties subject to value linked loans

Properties which have been bought with the assistance of value-linked loans from the Church Commissioners are held at historical cost taken on transition to FRS102 at 1 January 2014. FRS102 requires the accounting treatment to follow the substance of arrangements rather than their strict legal form.

Investment properties

Glebe properties which are held for investment purposes and rented out have been included at their fair value.

Parsonage houses

The SDBF has followed the requirements of FRS102, in its accounting treatment for benefice houses (parsonages). FRS102 requires the accounting treatment to follow the substance of arrangements rather than their strict legal form. The SDBF is formally responsible for the maintenance and repair of such properties and has some jurisdiction over their future use or potential sale if not required as a benefice house, but in the meantime legal title and the right to beneficial occupation is vested in the incumbent.

d) Other tangible fixed assets

All capital expenditure over £5,000 is capitalised and depreciated as follows. Depreciation is provided in order to write off the cost (less any ultimate disposal proceeds at prices ruling at the time of the asset's acquisition) of other fixed assets over their currently expected useful economic lives at the following initial rates:-

Fixture and fittings 15-30% per annum straight line basis

e) Other accounting policies

i) Fixed asset investments

These are included in the balance sheet at market value and the gain or loss taken to the Statement of Financial Activities.

ii) Leases

The SDBF has entered only into operating lease arrangements for the use of certain assets, the rental for which is charged in full as expenditure in the year to which it relates. Where rent free periods are given as part of an operating lease, the impact of this rent free period is reflected in the Statement of Financial Activities over the shorter of the overall lease term or first break clause whichever is shorter in time.

f) Fund balances

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

i) Unrestricted funds are the SDBF's corporate funds and are freely available for any purpose within the charitable company's objects, at the discretion of the SDBF. There are two types of unrestricted funds:

- **General funds** which the SDBF intends to use for the general purposes of the SDBF and
- **Designated funds** set aside out of unrestricted funds by the SDBF for a purpose specified by the Trustees

ii) Restricted funds are income funds subject to conditions imposed by the donor as specific terms of trust, or else by legal measure.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2016

1. ACCOUNTING POLICIES (continued)

f) Fund balances (continued)

iii) **Endowment funds** are those held on trust to be retained for the benefit of the charitable company as a capital fund. In the case of the endowment funds administered by the SDBF (Stipends Fund Capital, Parsonage Houses and Schools), there are discretionary powers to convert capital into income and, as a result, these funds are classified as expendable endowment. Endowment funds where there is no provision for expenditure of capital are classified as permanent endowment.

“Special trusts” (as defined by the Charities Act 2011) and any other trusts where the company acts as trustee and controls the management and use of the funds, are included in the company’s own financial statements as charity branches. Trusts where the SDBF acts merely as custodian trustee with no control over the management of the funds are not included in the financial statements but are summarised in the notes to the financial statements.

2. DONATIONS

Parish contributions

Donations are collected from the parishes of the diocese through the Common Fund system from 2015 and through Parish Share before then.

	Unrestricted funds		Restricted	Endowment	Total	Total
	General	Designated	Funds	Funds	2016	2015
	£'000	£'000	£'000	£'000	£'000	£'000
Current year						
Parish contributions	4,472	-	-	-	4,472	4,464
Receipts for previous years	20	-	-	-	20	65
	4,492	-	-	-	4,492	4,529
Parish assistant staff	206	-	-	-	206	137
	4,698	-	-	-	4,698	4,666

Archbishops' Council

	Unrestricted funds		Restricted	Endowment	Total	Total
	General	Designated	Funds	Funds	2016	2015
	£'000	£'000	£'000	£'000	£'000	£'000
Parish Mission*	-	-	1,912	-	1,912	1,910
Mission Development Fund	-	184	-	-	184	184
Strategic Development Fund	-	-	245	-	245	133
Ordination Track	-	-	31	-	31	18
Capacity Funding	-	-	49	-	49	-
	-	184	2,237	-	2,421	2,245

* This is the annual grant for the parish mission fund, which may be used either for specific parish mission and development projects or for clergy stipends.

Other donations

	Unrestricted funds		Restricted	Endowment	Total	Total
	General	Designated	Funds	Funds	2016	2015
	£'000	£'000	£'000	£'000	£'000	£'000
Allchurches Trust grant	142	-	-	-	142	139
Church Burgesses	19	-	169	-	188	172
Donations	24	-	348	-	372	275
	185	-	517	-	702	586

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2016

3. CHARITABLE ACTIVITIES

	Unrestricted funds		Restricted Funds £'000	Endowment Funds £'000	Total 2016 £'000	Total 2015 £'000
	General £'000	Designated £'000				
Statutory fees	430	-	-	-	430	466
Church Commissioners'					-	
Guaranteed annuities	1	-	-	-	1	1
Chaplaincy and other	97	-	-	-	97	101
Education	-	-	33	-	33	49
	528	-	33	-	561	617

4. OTHER TRADING ACTIVITIES

	Unrestricted funds		Restricted Funds £'000	Endowment Funds £'000	Total 2016 £'000	Total 2015 £'000
	General £'000	Designated £'000				
Housing income	208	-	-	-	208	137
Diocesan conference	-	-	-	-	-	12
	208	-	-	-	208	149

5. INVESTMENT INCOME

	Unrestricted funds		Restricted Funds £'000	Endowment Funds £'000	Total 2016 £'000	Total 2015 £'000
	General £'000	Designated £'000				
Dividend receivable	84	-	298	32	414	458
Interest receivable	5	-	8	-	13	4
Rents receivable	-	-	127	-	127	128
	89	-	433	32	554	590

6. FUND RAISING COSTS

	Unrestricted funds		Restricted Funds £'000	Endowment Funds £'000	Total 2016 £'000	Total 2015 £'000
	General £'000	Designated £'000				
Glebe agent's fee	22	-	-	-	22	19
Parsonage rental costs	22	-	-	-	22	15
	44	-	-	-	44	34

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2016

7. CHARITABLE ACTIVITIES

	Unrestricted funds		Restricted Funds £'000	Endowment Funds £'000	Total 2016 £'000	Total 2015 £'000
	General £'000	Designated £'000				
Contributions to Archbishops' Council						
Training for ministry	169	-	-	-	169	165
National church responsibilities	127	-	-	-	127	125
Grants and provisions	16	-	-	-	16	16
Mission agency pension costs	10	-	-	-	10	9
Retired clergy housing costs	55	-	-	-	55	52
Pooling of ordinands maintenance grants	(10)	-	-	-	(10)	(30)
General Synod expenses	6	-	-	-	6	7
	373	-	-	-	373	344
Resourcing Ministry and Mission						
Parish Ministry						
Stipends and national insurance	903	-	2,295	-	3,198	3,236
Pension contribution	672	-	-	-	672	659
Housing costs	1,171	-	22	-	1,193	1,046
Removal, resettlement and grants	90	-	-	-	90	96
Other expenses	284	34	214	-	532	620
	3,120	34	2,531	-	5,685	5,657
Support for parish ministry	1,573	-	6	20	1,599	1,739
	4,693	34	2,537	20	7,284	7,396
Expenditure						
Support for church schools and parishes	137	-	104	-	241	205
Projects	33	-	352	-	385	-
	170	-	456	-	626	205
	5,236	34	2,993	20	8,283	7,945

8. OTHER RESOURCES EXPENDED

	Unrestricted funds		Restricted Funds £'000	Endowment Funds £'000	Total 2016 £'000	Total 2015 £'000
	General £'000	Designated £'000				
Change in pension liabilities	-	-	-	(299)	(299)	(42)

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2016

9. ANALYSIS OF EXPENDITURE INCLUDING ALLOCATION OF SUPPORT COSTS

	Activities Undertaken Directly £'000	Grant Funding of Activities £'000	Support Costs £'000	Total Costs 2016 £'000
Raising funds	44	-	-	44
Charitable activities:				-
Contributions to Archbishops' Council	-	373	-	373
Resourcing parish ministry	4,432	2,295	557	7,284
Education	-	-	241	241
Projects	-	-	385	385
Other	-	-	-	-
	<u>4,476</u>	<u>2,668</u>	<u>1,183</u>	<u>8,327</u>

10. ANALYSIS OF SUPPORT COSTS

	Unrestricted funds		Restricted	Endowment	Total
	General	Designated	Funds	Funds	2016
	£'000	£'000	£'000	£'000	£'000
Central administration	505	-	-	-	505
Support for schools	-	-	241	-	241
Projects	-	-	385	-	385
Governance:					
External audit	15	-	-	-	15
Registrar and Chancellor	36	-	-	-	36
Diocesan Synodical costs	1	-	-	-	1
	<u>557</u>	<u>-</u>	<u>626</u>	<u>-</u>	<u>1,183</u>

11. ANALYSIS OF GRANTS MADE

	Nbr	Individuals £'000	Institutions £'000	Total 2016 £'000	Total 2015 £'000
From unrestricted funds for national Church responsibilities					
Contributions to Archbishops' Council	6	-	373	373	344
From unrestricted funds:					
PCCs for faculty fees	76	-	16	16	24
Overseas mission agencies	2	-	3	3	10
Churches Together organisations	2	-	21	21	11
Clergy for training	48	13	-	13	13
Ordinands in training	16	144	-	144	109
Regional Training Partnership	1	-	1	1	1
	<u>145</u>	<u>157</u>	<u>41</u>	<u>198</u>	<u>168</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2016

12. STAFF COSTS

	2016 £'000	2015 £'000
Employee costs during the year were as follows:		
Wages and salaries	1,054	861
National Insurance contributions	96	77
Pension costs	159	141
	<u>1,309</u>	<u>1,079</u>

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

	Number	Number
Administration and financial management	17	16
Property	1	1
Discipleship & Ministry, Stewardship	9	8
Safeguarding and inclusion	1	1
Projects staff	16	4
	<u>44</u>	<u>30</u>

The average number of persons employed by the group during the year based on full-time equivalents:

	Number	Number
Administration and financial management	16.3	15.7
Property	0.4	0.7
Discipleship & Ministry, Stewardship	7.7	6.8
Safeguarding and inclusion	1.0	0.2
Projects staff	9.1	2.8
	<u>34.5</u>	<u>26.2</u>

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

	2016 Number	2015 Number
£60,001 - £70,000	<u>1</u>	<u>1</u>

Pension payments of £6,000 were made for this employee (2015: £6,000).

Remuneration of key management personnel

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

Diocesan Secretary and Company Secretary	Heidi Adcock (from 15/06/16)
Diocesan Secretary and Company Secretary	Malcolm Fair (to 30/04/16)
Director of Finance	Chun Tsang
Director of Formation for Ministry	Dr Christine Gore
Director of Parish Support	Revd M Cockayne
Director of Education	Huw Thomas

Remuneration, pensions and expenses for these 6 employees amounted to £316,000 (2015: £315,000).

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2016

12. STAFF COSTS (continued)**Trustees' emoluments**

No Trustee received any remuneration for services as Trustee. The Trustees received travelling and out of pocket expenses, totalling £10,750 (2015 - £11,393) in respect of General Synod duties, duties as archdeacon or area/rural dean, and other duties as Trustees.

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

	Stipend	Housing
The Right Revd P Burrows	No	Yes
Venerable S Wilcockson	Yes	Yes
Venerable M Chamberlain	Yes	Yes
Revd A T Isaacson	Yes	Yes
Revd I Smith	Yes	Yes
Revd E M Robertshaw	Yes	Yes

The SDBF is responsible for funding via the Church Commissioners the stipends of licensed stipendiary clergy in the Diocese, other than Bishops and Cathedral staff. The SDBF is also responsible for the provision of housing for stipendiary clergy in the Diocese including the Suffragan Bishop but excluding Diocesan Bishop and Cathedral staff.

The SDBF paid an average of 120 (2015 - 120) stipendiary clergy as office-holders holding parochial or diocesan appointments in the diocese, and the costs were as follows:

	2016 £'000	2015 £'000
Stipend	2,959	3,008
National Insurance contributions	238	227
Pension costs - current year	716	659
- deficit reduction	362	422
	<u>4,275</u>	<u>4,316</u>

The stipends of the two Bishops were paid and funded by the Church Commissioners.

The stipends of the Diocesan Bishop and Suffragan Bishops are funded by the Church Commissioners and are in the range £34,980 - £42,870 (2015 range: £34,460 - £42,240). The annual rate of stipend, funded by the SDBF, paid to Archdeacons in 2016 was in the range £33,670 - £34,176 (2015 range: £33,010 - £33,670) and other clergy who were Trustees were paid in the range £24,815 - £25,187 (2015 range: £24,251 - £24,815). The Archbishops' Council has estimated the value to the occupant, gross of income tax and national insurance, of church provided housing in 2016 at £10,108 (2015: £9,910). The value of housing provided to the Bishop is £15,000.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2016

13. ANALYSIS OF TRANSFERS BETWEEN FUNDS

	Unrestricted funds		Restricted Funds £'000	Endowment Funds £'000
	General £'000	Designated £'000		
From designated fund to general fund being allocation from Mission Development Fund	122	(122)	-	-
From general fund to designated clergy conference fund for future Diocesan conferences	(10)	10	-	-
From designated fund to general fund for release of pension provision against the pension deficit liability	43	(43)	-	-
From general fund to designated fund for deanery mission initiatives	(250)	250	-	-
From general fund to designated fund for match funding SDF application	(100)	100	-	-
From general fund to stipend fund capital for the payment in respect of the pension deficit liability	(406)	-	-	406
From parsonages fund to general fund for net properties transfer	(6)	-	-	6
From pastoral fund to stipend fund capital for payment of ingoing works	-	-	(66)	66
From parsonages fund to pastoral fund for transfer of parsonage awaiting sale	-	-	452	(452)
	<u>(607)</u>	<u>195</u>	<u>386</u>	<u>26</u>

14. TANGIBLE FIXED ASSETS

	Unrestricted Funds			Pastoral Fund Properties £'000	Parsonages Fund Properties £'000	Stipend Fund Properties £'000	Total £'000
	Freehold Properties £'000	Leasehold Properties £'000	Office Equipment £'000				
Cost of valuation							
At 1 January 2016	2,798	726	146	-	31,306	2,225	37,201
Additions	-	-	-	-	501	-	501
Disposals	(641)	(254)	(146)	-	(377)	(96)	(1,514)
Reclassified	172	-	-	452	(624)	-	-
At 31 December 2016	<u>2,329</u>	<u>472</u>	<u>-</u>	<u>452</u>	<u>30,806</u>	<u>2,129</u>	<u>36,188</u>
Depreciation							
At 1 January 2016	-	-	146	-	-	-	146
Disposals	-	-	(146)	-	-	-	(146)
Charge for the year	-	-	-	-	-	-	-
At 31 December 2016	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Book Value							
At 31 December 2016	<u>2,329</u>	<u>472</u>	<u>-</u>	<u>452</u>	<u>30,806</u>	<u>2,129</u>	<u>36,188</u>
At 31 December 2015	<u>2,798</u>	<u>726</u>	<u>-</u>	<u>-</u>	<u>31,306</u>	<u>2,225</u>	<u>37,055</u>

Freehold properties in the Balance Sheet are vested in the SDBF, except for benefice houses which are vested in the incumbent. Some properties have been purchased with the help of a value-linked loan from the Church Commissioners; when disposed of, the appropriate share of the net sale proceeds will be remitted to the Commissioners, and the related loan liability extinguished. The value of such properties included above amounts to £1,500,381 (2015: £1,656,000).

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2016

15. FIXED ASSETS INVESTMENTS

	At 1 January 2016 £'000	Additions £'000	Disposals £'000	Transfers £'000	Change in Market Value £'000	At 31 December 2016 £'000
Unrestricted funds						
Unlisted investments	1,577	11	-	-	135	1,723
Restricted funds						
Unlisted investments	4,978	-	-	-	488	5,466
Endowment funds						
Investment property	6,369	-	-	-	-	6,369
Unlisted investments	4,331	137	-	-	348	4,816
	10,700	137	-	-	348	11,185
Total	17,255	148	-	-	971	18,374

16. DEBTORS

	2016 £'000	2015 £'000
Due within one year		
Current year Common Fund	246	217
Assigned fees	38	48
Loans to parishes	82	33
Loans to schools	15	13
Other debtors and prepayments	308	122
Inter-fund debtor	693	467
	1,382	900
Due after more than one year		
Loans to parishes	546	550
Loans to schools	132	149
	678	699
Total debtors	2,060	1,599

17. CREDITORS: amounts falling due within one year

	2016 £'000	2015 £'000
Loan repayment instalments due in one year		
Church Commissioners other loans	43	324
Deferred income	12	12
Other creditors and accruals	534	430
Inter-fund creditors	693	467
Pension scheme liabilities		
Clergy Pension Scheme	422	422
Total creditors: amounts falling due within one year	1,704	1,655

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2016

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

	2016 £'000	2015 £'000
Loan repayment instalments due after more than one year		
Church Commissioners value-linked loans	925	975
Church Commissioners other loans	164	231
Other loans	155	169
Pension scheme liabilities		
Clergy Pension Scheme	2,731	3,436
	<u>3,975</u>	<u>4,811</u>

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

	2016 £'000	2015 £'000
Between one and two years	43	48
Between two and five years	128	144
In five years or more	1,073	1,183
	<u>1,244</u>	<u>1,375</u>

Church Commissioners other loans consist of permanent loans in collection which are mortgage loans for the purchase of clergy houses; of the amount falling due after more than one year £130,000 (2015 - £144,000) relates to the Schools Fund, £164,000 to the General Fund (2015 - £231,000). These loans are repayable over terms ranging from 5 to 25 years in quarterly instalments, and bear interest at varying rates, which is borne by the SDBF. In the event of sale, the loan would be settled out of the proceeds and there would be no further charge to the SDBF.

Value-linked loans (VLLs) represent amounts advanced to the DBF for the purchase of properties on an equity sharing basis and are repayable on the disposal of the related property.

19. SUMMARY OF FUND MOVEMENTS

	Balances at					Balances at
	1 January				Gains and	31
	2016	Income	Expenditure	Transfers	Losses	December
	£'000	£'000	£'000	£'000	£'000	2016
						£'000
UNRESTRICTED FUNDS						
General	3,784	5,708	(5,280)	(607)	294	3,899
Designated funds						
Mission Development	92	184	(34)	(122)	-	120
Clergy Conference	26	-	-	10	-	36
Church House Refurbishment	13	-	-	-	-	13
Pension Deficit Provision	631	-	-	(43)	48	636
Deanery Mission Initiative	-	-	-	250	-	250
Centenary Project	-	-	-	100	-	100
	<u>762</u>	<u>184</u>	<u>(34)</u>	<u>195</u>	<u>48</u>	<u>1,155</u>
RESTRICTED FUNDS						
Stipend Income	-	2,294	(2,294)	-	-	-
Pastoral	943	29	(31)	386	93	1,420
Church in Action	4,009	126	(209)	-	328	4,254
Schools	753	108	(104)	-	39	796
Projects	221	659	(352)	-	-	528
Miscellaneous Trusts	262	4	(3)	-	28	291
	<u>6,188</u>	<u>3,220</u>	<u>(2,993)</u>	<u>386</u>	<u>488</u>	<u>7,289</u>
ENDOWMENT FUNDS						
Stipend Fund Capital	6,982	-	279	472	224	7,957
Parsonages	32,556	32	-	(446)	202	32,344
Schools	797	-	-	-	62	859
	<u>40,335</u>	<u>32</u>	<u>279</u>	<u>26</u>	<u>488</u>	<u>41,160</u>
TOTAL FUNDS	<u>51,069</u>	<u>9,144</u>	<u>(8,028)</u>	<u>-</u>	<u>1,318</u>	<u>53,503</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2016

20. SUMMARY OF ASSETS BY FUND

	Fixed Assets £'000	Investments £'000	Current Assets £'000	Creditors £'000	Net Assets £'000
UNRESTRICTED FUNDS					
General	2,801	1,244	1,707	(1,853)	3,899
Designated funds					
Mission Development	-	-	120	-	120
Clergy Conference	-	-	36	-	36
Church House Refurbishment	-	-	13	-	13
Pension Deficit Provision	-	479	157	-	636
Deanery Mission Initiative	-	-	250	-	250
Centenary Project	-	-	100	-	100
	-	479	676	-	1,155
RESTRICTED FUNDS					
Stipend Income	-	-	-	-	-
Pastoral	452	934	298	(264)	1,420
Church in Action	-	3,592	746	(85)	4,253
Schools	-	667	335	(206)	796
Projects	-	-	589	(61)	528
Miscellaneous Trusts	-	273	19	-	292
	452	5,466	1,987	(616)	7,289
ENDOWMENT FUNDS					
Stipend Fund Capital	2,129	9,019	-	(3,191)	7,957
Parsonages	30,806	1,308	250	(19)	32,345
Schools	-	858	-	-	858
	32,935	11,185	250	(3,210)	41,160
TOTAL FUNDS	36,188	18,374	4,620	(5,679)	53,503

21. DESCRIPTION OF FUNDS

General Fund	The General Fund is the SDBF's unrestricted undesignated fund available for any of the SDBF's purposes without restriction.
Mission Development	The Mission Development Fund is monies received from the Archbishops' Council towards mission work in the Diocese. The scheme ended in 2016.
Clergy Conference	The Clergy Conference Fund is monies towards a programme of training events to be arranged by the Bishop of Sheffield.
Church House Refurbishment	This fund relates to legacies received in 2008 and 2009 designated as funds available to develop facilities and resources at Church House.
Pension Deficit Provision	A designated fund to meet future pension fund deficits.
Pastoral Fund	The Diocesan Pastoral account was set up under the provisions of the Pastoral Measure 1983. The restricted purposes for which the account may be used are: <ul style="list-style-type: none"> to defray costs incurred for the purposes of the Measure or any scheme or order made under the Measure except for salaries of regular Diocesan employees to make loans or grants for the provision, restoration, improvement or repair of churches and parsonage houses in the Diocese other purposes of the Diocese or any benefice or parish in the Diocese to make grants or loans to any other dioceses to transfer funds to the Diocesan Stipends Fund income or capital accounts.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2016

21. DESCRIPTION OF FUNDS (continued)

Church in Action	The Church in Action fund originates from an appeal by that name launched in 1945 to provide money for new churches in the Diocese. Compensation paid to the Diocese from the Government's War Emergencies Fund in respect of churches demolished in the blitz was added to the fund. The fund financed the building of several new churches but what remains is used to fund grants and loans to parishes for the improvement of parish buildings. It can also be used for clergy training, stipends and pensions, providing Christian social workers and improvements to church schools. The fund is regulated by a scheme of the Charity Commission dated 10 May 1974.
Projects	There are currently four projects undertaken by the SDBF: <ol style="list-style-type: none"> 1. Strategic Development Project 2. Centenary Fund 3. Ordination Track 4. St Peter's College
Miscellaneous Trusts	There are seven trust funds where the Board acts as trustee and controls the management and use of the funds. These are as follows: Queen Victoria Fund Training of Ordinands - Alice Marple Trust Training of Ordinands - E J Freeman Bequest Elizabeth Bramall Trust Sheffield Scripture Readers General Trusts Sheffield Scripture Readers Benevolent Trusts First Lord Grimthorpe Charity Fund
Stipend Fund Capital	The Diocesan Stipends Capital Fund has been created from the Diocesan Stipends Fund Capital account assets held on behalf of the Diocese by the Church Commissioners under the Endowments and Glebe Measure 1976 to provide income for clergy stipends. It represents the accumulated sale proceeds of glebe property, sale proceeds of benefice houses and surplus benefice endowments following pastoral reorganisation. Capital funds may be used for the purchase, improvement and maintenance of glebe property and benefice houses. The funds may be invested in the CBF Church of England Property, Investment or Fixed Interest Securities Funds, or simply held on deposit.
Parsonages	This fund represents the value of all the benefice houses (parsonages) in the Diocese after deducting loans outstanding in respect of such houses.
Church Schools Fund	This represents unexpended accumulations of sale proceeds of redundant Church of England School properties. Its use is restricted by law to capital and maintenance work for Church of England schools in the Diocese and education generally at Church of England schools in the Diocese. The SDBF is Trustee of these funds, which are managed on a day to day basis by and in consultation with the Board of Education.
Deanery Mission Initiative	A fund to support initiatives for furthering mission in the Deaneries.
Centenary Project	This fund is set up to grow the ministry to children and young people in the Diocese.

22. CAPITAL COMMITMENTS

At 31 December 2016 the SDBF had capital expenditure commitments authorised but not contracted for of £Nil (2015 - £Nil), and contracted for but not yet due of £Nil (2015 - £Nil).

23. EVENTS AFTER THE END OF THE REPORTING PERIOD AND CONTINGENT LIABILITIES

- i) The Crown appointment of a new Diocesan Bishop was announced on 31 January 2017; the appointee subsequently withdrew his application. A further appointment was announced on 7 April 2017.
- ii) SDBF Vice Chair resigned at the end of November. The post has been advertised and a new appointee has been identified.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2016

24. PENSIONS

Church of England Funded Pension Scheme

The SDBF participates in the Church of England Funded Pensions Scheme and at the end of the year was paying contributions for 125 (2015: 136) members of the scheme out of a total membership of approximately 8,500 active members. Each participating employer in the scheme pays contributions at a common contribution rate applied to pensionable stipends. The scheme is considered to be a multi-employer scheme as described in Section 28 of FRS 102. The pension costs charged to the Statement of Financial Activities (SoFA) in the year are contributions payable towards benefits and expenses accrued in that year, plus any impact of deficit contributions (see below).

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

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

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

	January 2015 to December 2017	January 2018 to December 2025
% of pensionable stipends		
Deficit repair contributions	14.1%	11.9%

As at December 2014 and December 2015, the deficit repair contributions payable under the recovery plan in force were 14.1% of pensionable stipends until December 2025.

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

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

	2016 £'000	2015 £'000
Balance sheet liability as at 1 January	3,858	4,322
Contributions paid	(406)	(422)
Interest costs (recognised in the SoFA)	91	95
Remaining change to the balance sheet liability* (recognised in SoFA)	(390)	(137)
Balance sheet liability as at 31 December	<u>3,153</u>	<u>3,858</u>

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

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2016

24. PENSIONS (continued)

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

	December 2016	December 2015	December 2014
Discount rate	1.5% p.a.	2.5% p.a.	2.3% p.a.
Price inflation	3.1% p.a.	2.4% p.a.	2.7% p.a.
Increase to total pensionable payroll	1.6% p.a.	0.9% p.a.	1.2% p.a.

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

Church Workers Pension Fund (CWPF)

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

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

Defined Benefits Scheme

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

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

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

It is not possible to attribute the scheme's assets and liabilities to specific employers, since each employer, through the Life Risk Pool, is exposed to actuarial risks associated with the current and former employees of other entities participating in the DBS. The scheme is considered to be a multi-employer scheme as described in Section 28 of FRS 102 and as such contributions are accounted for as if the Scheme were a defined contribution scheme. The pension costs charged to the SoFA in the year are payable towards benefits and expenses accrued in that year (2016: £46,574, 2015: £45,686). There were no deficit contributions paid in the year.

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

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

Following the valuation, the Employer has entered into an agreement with the Church Workers Pension Fund to pay a contribution rate of 34% of pensionable salary and expenses of £7,800 per year.

The legal structure of the scheme is such that if another employer fails, the employer could become responsible for paying a share of that employer's pension liabilities. The next valuation of the scheme is being carried out as at December 2016.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2016

24. PENSIONS (continued)**Pension Builder Scheme**

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

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

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

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

The scheme is considered to be multi-employer scheme as described in section 28 of FRS102. This means it is not possible to attribute the Pension Builder Scheme's assets and liabilities to specific employers and that contributions are accounted for as if the scheme were a defined contribution scheme. The pensions costs charged to the SoFA in the year are contributions payable (2016: £78,737, 2015: £58,780).

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

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

25. RELATED PARTY TRANSACTIONS

The Very Reverend P E Bradley, who is a director of the SDBF, is also a trustee of Sheffield Cathedral Chapter. At 31 December 2016 there is a loan debtor outstanding from Sheffield Cathedral Chapter of £440,000 (2015: £440,000). During 2016 the Sheffield Cathedral Chapter contributed £30,000 (2015: £30,000) to the SDBF's support for parish ministry activities.

26. FUNDS HELD AS CUSTODIAN TRUSTEE

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

	2016 £'000	2015 £'000
CBF Church of England Investment Fund Income Shares	3,926	3,265
CBF Church of England Fixed Interest Securities Fund Shares	289	274
COIF Income and Accumulation Shares	297	285
CBF Church of England Deposit Fund	1,661	1,366
Other Investments	1	540
Cash at bank	362	432
	<u>6,536</u>	<u>6,162</u>