

ANNUAL REPORT AND FINANCIAL STATEMENTS

For the year ended 31 December 2018



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

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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 2018. 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 AND OBJECTIVES

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 launched a new Diocesan strategy in October 2018, "Renewed Released Rejuvenated" (RRR). <https://www.sheffield.anglican.org/diocesan-strategy>

The Diocese of Sheffield continues:

- 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;

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- to engage actively in local debate and ensure that Christian voices are heard in all areas of public life, including schools, universities, and in local communities; and,
- 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, with licensed lay ministers, carry out numerous weddings, baptisms and funerals 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 102 trained stipendiary clergy and 15 training curates in the diocese is a priority of the SDBF and represents by far its largest financial commitment. The pool of both retired and Self-Supporting Ministers in the Diocese has 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.

National Church conducted a Peer Review Audit of Sheffield Diocese in November 2018 as part of its three yearly cycle. Helpful feedback was received.

Work to support Parish re-organisation continued. One Parish church has been closed for worship and alternative use for another Parish church has been found.

Provision of Resources

The annual report of Boards, Committees and Departments 2018 was presented to Synod in March 2019. <https://www.sheffield.anglican.org/UserFiles/File///Annual-report-of-boards-committees-and-departments-2018.pdf>

Safeguarding

Safeguarding remained a key priority for the Diocese. 1,488 church officers attended safeguarding training in 2018; in line with our training strategy. A Past Cases Review was carried out by independent reviewers who read 364 clergy files. Work continues to take place to address the recommendations from the review.

Training and St Peter's

We continued to update, digitalise and revitalise the Resource Centre. 592 people have activated their membership of St Peter's College and 17,000 visits to the St Peter's College website. The Diocesan Conference June 12-14th 'Living and Sharing the Resurrection Life' was well received.

There were 47 students at the School of Ministry, of whom: 15 started the Foundations course. In

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January, a new cohort of 10 clergy joined 'Leading Well' training.

At the Celebration of Lay Ministries service at Sheffield Cathedral on 15th September 8 readers were licenced. 14 new deacons were ordained in June and 9 curates were ordained priests.

The Parish Support Team (PST)

We continued to support the parishes, deaneries and wider diocese in implementing the Diocesan Vision, and the revised Diocesan strategy: Renewed, Released and Rejuvenated.

Additionally, we continued to deliver training requested during the second round of Parish Mission Action Planning and prepared for Round 3.

Aurora 2017-18 saw 16 new students complete training in youth and children's ministry; the PST delivered the Mission-shaped Ministry course with 14 participants and helped to co-ordinate and deliver Thy Kingdom Come communications, events and three prayer pilgrimages.

The Centenary Project/Strategic Development Funding (SDF) Projects

The project now supported by National SDF continues to drive our work deliver a step change in youth and children's ministry across the Diocese. Two Area Co-ordinators were employed to strengthen the team of 18 workers and 5 interns in the network. 34 new groups started in 2018. In the last quarter of 2018 we had over 1,760 children and young people registered in our core groups.

The Diocese was also successful in our Resourcing Churches Strategic Development Funding bid securing some £3.5m of resources to deliver the £5.5m project over the next 5-6 years.

9 Mission Partnership Development workers continue to provide support to 33 parishes to increase missional activity and improve financial stability. MPDWs have supported an increase in 'Average Weekly Attendance' (+21%) compared to other Mission Partnerships. Additionally, 65% of parishes with a MPDW increased their income levels compared with 32% in other Mission Partnerships.

Education

Church of England Schools and Academies are a vital part of the work and ministry of the Diocese and education for the children and young people of South Yorkshire and East Riding. There are currently 39 primary schools and 1 secondary school in the Diocese of Sheffield educating about 8,300 students.

Our Diocesan Schools have moved from 70% good or outstanding in January 2016 to 88% good or outstanding in the autumn of 2018, with schools that were previously graded as inadequate in OFSTED inspections of preceding years now evaluated as good. St Michaels Rossington was the 7th highest performing school in Doncaster in 2018 at Key Stage 2, with 83% of pupils attaining age-related expectations (an increase on 19% in 2016). In 2018 Diocesan schools attained 67% of results for children at expected level for Reading, Writing and Maths, combined - above the national average.

The Diocese of Sheffield Board of Education (DBE) is committed to the development of effective collaboration with, and between, our Church Schools; to the celebration of the excellent work that

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has been, and will be, carried out in our Church Schools; and to the supporting and enrichment of Church Schools' distinctive offering of teaching and learning within a Christian context.

The Diocese has five areas of mission in relation to schools:

- Cultivation of Christian distinctiveness in the ethos and practice of our schools
- Securing of excellence for all children, with schools meeting and, in time, exceeding, core expectations
- Strong leadership and capacity to improve within our service
- Networking leading to excellence through the sharing of school-to-school development across the diocese
- Offer of service beyond the diocese through schools affiliating and drawing upon our provision, in the wider community

This translates into four expectations in all schools:

- Distinctively Christian ethos
- Attaining floor targets in all three measures
- Good or outstanding teaching
- Leadership, with vision, that delivers.

The Diocese of Sheffield Academies Trust (DSAT) was established in October 2013 as an independent charitable company set up by the Sheffield Diocesan Board of Education. The purpose of the Trust is to create a mutually supportive family of Church academies, holding within it both schools that choose to become converter academies and those seeking a sponsored solution. The Diocese of Sheffield Academies Trust is growing. It incorporates 10 schools, 9 church schools and one community primary, with academy orders in place to convert an additional three and plans to grow to 20/25. In 2018, the Diocese of Sheffield Academies Trust was ranked 38th highest performing trust nationally and 13th for the performance of pupil premium pupils.

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 refurbished and carried out quinquennial inspections on 44 properties in 2018. We continued to maintain our property, Church House, and invested in roof solar panels to improve our sustainability in 2018.

The SDBF continues to follow the Common Fund pledge system by parishes as the main source of income. Focussed stewardship and fundraising campaigns were progressed in 14 parishes in 2018. 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 2017 levels. Four Bishop-led Common Fund roadshows were delivered in September 2018 to help clergy and congregations to understand our financial position and to encourage generous giving across the Diocese.

Related parties

The SDBF works closely with a range of partners and parties to deliver:

- 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 and National Church Institutions 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 in the financial statements. Where materiality of the transactions merit more detailed disclosure this is given in notes 23 and 24 to the financial statements. In November 2018 the Church Workers Defined Benefits Scheme was closed following consultation.

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, so generously given.

FUTURE PLANS

After many years of fruitful ministry in the Diocese, we are planning for the Bishop of Doncaster's retirement in September 2019.

In 2018 we continued to recruit above Deanery plans to support a priestly presence across the Diocese. The training and development of Self-Supporting clergy and lay members of the church to support our work is a growing priority.

We reviewed central services in Diocesan Church House to ensure it aligns fully to support the vision and planning priorities of the Diocesan strategy, Renewed! Released! Rejuvenated!

A Task and Finish group was set up to review ministry plans ahead of a 2019 consultation process, considering options to potentially reduce the number of Deaneries and stipendiary clergy from 2020. Financial support for transformation is likely to form part of a Strategic Development Fund bid to the national church in October 2019.

The Diocese of Sheffield was identified in January 2019 as one of four Dioceses to contribute to the Independent Inquiry into Child Sexual Abuse. We continue to support the work of the Inquiry.

New compliance reporting arrangements to the Charity Commission for serious incidents of safeguarding have been delegated to the Diocese.

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 2018 this income reduced by £35,000 to £4,287,000 (2017: £4,322,000). The Trustees are grateful to all parishes which met their pledge payments during the year.

The total income for the year is £9,255,000 (2017: £9,036,000). Total costs have increased by £1,152,000 to £9,955,000 (2016: £8,803,000) resulting in a net expenditure before investment loss of £700,000 (2017: £233,000 surplus).

During the year the SDBF purchased £606,000 of investments and sold investments with proceed of £560,000. At the end of the year the values of the capital markets suffered a significant downturn owing to economic uncertainties. Our results reflect this downturn with a reduction in total investment value of £168,000. The glebe valuation, however, has increased in value, £127,000, making a net reduction of £41,000. The value of investments at the end of the year is £19,536,000 (2017: £19,411,000).

Significant Property Transactions

SDBF purchased one property for £292,000 during the year and sold seven properties that are surplus to requirement for a total proceed of £1,608,000 (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 £53.4m (2017: £53.4m), included in this total are properties, mostly in use for ministry at £35.0m (2017: £35.6m). 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 cash flows throughout the year, the Trustees' policy is to hold a balance of readily realisable assets in the General Fund equivalent to 3 months unrestricted expenditure for 2018. At 31 December 2018 the amount required under this policy totalled £2.01m (2017: £2.01m). Actual free reserves as at 31 December totalled £0.52m (2017: £0.83m), with £2.37m in tangible fixed assets less related loans as part of a total net asset of £2.89m. The Trustees aim to build up free reserves to the target level for long-term sustainability as resources allow.

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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 2018 total designated reserves were £0.28m (2017: £0.67m)

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 2018 restricted funds totalled £7.6m (2017: £7.7m) and endowment funds totalled £42.6m (2017: £42.2m). 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 2018 is indicated in note 11. Grants of around £5,000 are considered by the Grants Committee from income and investments set aside for specific purposes. In 2018, 53 grants were made by the Grants Committee.

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.

	Funds at 31 December 2018 £'000	Proportion of Portfolio	Income yield in year	Total Return in year
CCLA Managed				
CBF Investment Fund	13,069	87.0%	3.4%	+1.8%
CBF Property Fund	1,779	11.9%	5.6%	+8.3%
COIF Charity Investment Fund	36	0.2%	3.4%	+0.7%
CBF Deposit	115	0.8%		
Other Funds	16	0.1%		
	<u>15,015</u>	100.0%		

Disappointing year-end investment results improved in the early part of 2019.

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. Risk areas have been reviewed at Heads of Department, Finance and Property Committee and Bishop's Council: Governance/Strategic; Staff; Financial (income/expenditure); Reputational; Statutory/Legal and Operational. These risk areas and the associated mitigation strategies are summarised:

1. Financial – risk of under-collection of and/or reduced Common Fund, fees or rent
 - Collection statistics are produced and circulated on a monthly basis.
 - Common Fund roadshows held.
2. Reputational – child protection and vulnerable adults:
 - Communications and PR support engaged;
 - Liaison with National Safeguarding Team;
 - Resources for safeguarding expanded; and
 - Delivered high volume of training to clergy, parish employees and volunteers.
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 in place;
 - Policies aligned with National Church guidelines;
 - Safeguarding training provided;
 - Thirty-One Eight contract in place for DBS checks;
 - Thirty-One Eight cover in place for Safeguarding Adviser and listening service provision.
4. Data Protection Legislation – risk of not meeting data protection legislation, sensitive data inadvertently shared without permission, insufficiently compliant with GDPR:
 - Staff training carried out;
 - Ability for individuals to set their own privacy settings on the Diocesan CMS database;
 - Privacy statement available;
 - Undertook Cyber Essential check.
5. Staffing – risk of prolonged staff absences through long term illness:
 - Temporary staff recruited;

- Flexible cover between teams.

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. The parish consultation in 2019 will consider the amalgamation of deaneries from twelve to six.

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, re-elections were held in 2018. The Bishop of Sheffield, the Rt Revd Dr Pete Wilcox, 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 Synod elects six of the fifteen Trustees of the Diocesan Board of Finance. 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.

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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, held five meetings during the year to formulate and coordinate policies on and delivery of mission, ministry and finance.

Delegation of day to day delivery

The Trustees and the sub-committees 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.

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.

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 and stipend uplift decisions are made annually paid in April (Clergy) and July (DBF officers and staff).

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 £6,495,000 at 31 December 2018 (2017: £6,757,000), are available from the SDBF on request, and are summarised in note 25.

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 academies 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 2018 is £nil (2017: £nil).

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.

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.

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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

Hawsons, Chartered Accountants and Statutory Auditors, were successful in their tender bid as auditors to SDBF in 2018. The office will be for a three year period.

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ADMINISTRATIVE DETAILS

Trustees

No Trustee had any beneficial interest in the company during 2018. The following Trustees were in post at the date of this report:

President	The Right Reverend Dr P J Wilcox
Chair	I G Walker MSc, MA, CEng, FIET
Deputy Chair	N Birchenall
Other Directors	The Right Reverend P Burrows BTh 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 (until 31 12 2018) The Reverend A T Isaacson BA, PGCE, MA (until 31 12 2018) 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 The Reverend C Dawson (from 22 01 2019) The Reverend F Kouble (from 22 01 2019) M MacDonald (from 22 01 2019)
Secretary	H J Adcock BA, MBA, CPFA
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, 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 3-10 within their capacity as company directors.

BY ORDER OF THE TRUSTEES

Ian Geoffrey Walker
Chairman
27 June 2019

Heidi Jane Adcock
Secretary
27 June 2019

Opinion

We have audited the financial statements of Sheffield Diocesan Board of Finance (the 'charitable company') for the year ended 31 December 2018 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, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the charitable company's affairs as at 31 December 2018, 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.

Basis for opinion

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

Conclusions relating to going concern

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

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

Other information

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

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the trustees' report incorporating the strategic report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report has / have 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 charitable company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report.

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

- adequate accounting records have not been kept, 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 directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of trustees

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

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

Auditor's responsibilities for the audit of the financial statements

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

As part of an audit in accordance with ISAs (UK), we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the charitable company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the trustees.
- Conclude on the appropriateness of the trustees' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the charitable company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the charitable company to cease to continue as a going concern.

SHEFFIELD DIOCESAN BOARD OF FINANCE

INDEPENDENT AUDITORS REPORT TO THE MEMBERS OF SHEFFIELD DIOCESAN BOARD OF FINANCE

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Use of our report

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

Richard Frost
Senior Statutory Auditor
For and on behalf of Hawsons
Chartered Accountants and Statutory Auditors
27 June 2019

Pegasus House
463a Glossop Road
Sheffield
S10 2QD

SHEFFIELD DIOCESAN BOARD OF FINANCE

STATEMENT OF THE FINANCIAL ACTIVITIES

For the year ended 31 December 2018

	Note	Unrestricted funds		Restricted	Endowment	Total	Total
		General	Designated	Funds	Funds	2018	2017
		£'000	£'000	£'000	£'000	£'000	£'000
Income and endowments from							
Donations	2						
Parish contributions		4,609	-	-	-	4,609	4,608
Archbishops' Council		-	173	2,254	-	2,427	2,261
Other donations		57	161	566	-	784	667
Charitable activities	3	457	-	11	-	468	553
Other activities	4	265	-	4	-	269	279
Investments	5	145	-	510	43	698	668
		5,533	334	3,345	43	9,255	9,036
Expenditure on							
Raising funds	6	65	-	-	-	65	57
Charitable activities	7	5,699	311	3,573	106	9,689	8,710
Other	8	201	-	-	-	201	36
		5,965	311	3,573	106	9,955	8,803
Net (expenditure)/income before investment gains		(432)	23	(228)	(63)	(700)	233
Net (loss) / gains on investments		(35)	-	(96)	90	(41)	(564)
Net (expenditure) / income for year		(467)	23	(324)	27	(741)	(331)
Transfer between funds	13	676	(420)	(59)	(197)	-	-
Other recognised gains							
Gains on fixed assets		7	-	299	486	792	192
Net movements in funds		216	(397)	(84)	316	51	(139)
Total funds brought forward		2,678	672	7,722	42,292	53,364	53,503
Total funds carried forward	19	2,894	275	7,638	42,608	53,415	53,364

All activities derive from continuing activities. The notes on pages 25 to 42 form part of the financial statements.

SHEFFIELD DIOCESAN BOARD OF FINANCE

INCOME AND EXPENDITURE ACCOUNT

For the year ended 31 December 2018

	Total 2018 £'000	Total 2017 £'000
Total income	9,212	8,995
Resources expended	9,849	8,788
	<u>(637)</u>	<u>207</u>
Net (loss) gains on investments	(131)	733
	<u>(768)</u>	<u>940</u>
Other comprehensive income		
Net gain on fixed assets	306	215
Net assets transferred from endowments	197	(2,426)
	<u>(265)</u>	<u>(1,271)</u>

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 2018 £'000	Total 2017 £'000
Incoming resources per SoFA	9,255	9,036
less total endowment additions	(43)	(41)
	<u>9,212</u>	<u>8,995</u>
Resources expended per SoFA	9,955	8,803
less expenditure charged to endowment capital	(106)	(15)
Total comprehensive income	<u>9,849</u>	<u>8,788</u>

SHEFFIELD DIOCESAN BOARD OF FINANCE

BALANCE SHEET

As at 31 December 2018

Company Number - 196087

	Note	Unrestricted funds		Restricted	Endowment	Total	Total
		General	Designated	Funds	Funds	2018	2017
		£'000	£'000	£'000	£'000	£'000	£'000
FIXED ASSETS							
Tangible fixed assets	14	3,041	-	-	32,006	35,047	35,627
Investments	15	3,418	-	6,341	9,777	19,536	19,411
		<u>6,459</u>	<u>-</u>	<u>6,341</u>	<u>41,783</u>	54,583	<u>55,038</u>
CURRENT ASSETS							
Debtors	16	452	-	1,171	817	2,440	1,967
Cash at bank and in hand		931	275	770	59	2,035	1,923
		<u>1,383</u>	<u>275</u>	<u>1,941</u>	<u>876</u>	4,475	<u>3,890</u>
CREDITORS: amount falling due within one year	17	(1,967)	-	(542)	(51)	(2,560)	(2,127)
		<u>(584)</u>	<u>275</u>	<u>1,399</u>	<u>825</u>	1,915	<u>1,763</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>5,875</u>	<u>275</u>	<u>7,740</u>	<u>42,608</u>	56,498	<u>56,801</u>
CREDITORS: amount falling due after more than one year	18						
Pension scheme liabilities		(2,247)	-	-	-	(2,247)	(2,352)
Other creditors		(734)	-	(102)	-	(836)	(1,085)
NET ASSETS		<u>2,894</u>	<u>275</u>	<u>7,638</u>	<u>42,608</u>	53,415	<u>53,364</u>
FUNDS							
Endowment funds		-	-	-	42,608	42,608	42,292
Restricted funds		-	-	7,638	-	7,638	7,722
Unrestricted funds		2,894	275	-	-	3,169	3,350
		<u>2,894</u>	<u>275</u>	<u>7,638</u>	<u>42,608</u>	53,415	<u>53,364</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 **27 June 2019** 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 2018

	2018		2017	
	£'000	£'000	£'000	£'000
Net cash (outflow) from operating activities		(1,581)		(365)
Cash flow from investing activities				
Dividends, interest and rent from investments	698		677	
Interest paid	(38)		(31)	
Proceeds from the sale of:				
Tangible fixed assets	1,608		1,935	
Fixed assets investments	560		71	
Purchase of:				
Tangible fixed assets for the use of the SDBF	(311)		(1,112)	
Fixed assets investments	(604)		(1,768)	
Net cash provided by / (used in) investing activities		1,913		(228)
Cash flow from financing activities				
Loans repaid by the SDBF	(290)		(143)	
Loans repaid to the SDBF	70		99	
		(220)		(44)
Change in cash and cash equivalents in the reporting period		112		(637)
Cash and cash equivalents at 1 January		1,923		2,560
Cash and cash equivalents at 31 December		<u>2,035</u>		<u>1,923</u>
Reconciliation of net movements in funds to net cash flow from operating activities				
Net movement in funds for the year ended 31 December		(700)		233
Adjustments for:				
Depreciation charge		7		2
Dividends, interest and rent from investments		(698)		(667)
Repayment of loans advanced		38		44
Advancement of loans		(30)		-
Decrease in debtors		129		266
(Decrease) in creditors		(327)		(243)
Net cash (used in) operating activities		<u>(1,581)</u>		<u>(365)</u>
Analysis of cash and cash equivalents				
Cash in hand		<u>2,035</u>		<u>1,923</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

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 received.
- 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 income. Losses on disposal of such assets are accounted for as other expenditure.
- viii) **Stipends fund income.** The Stipends Fund Capital account is governed by the Diocesan Stipends' Fund Measure 1953, as amended, and the use of the income is restricted for clergy stipends. However, the income is fully expended within the year of receipt and the legal restrictions, therefore, are satisfied.

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 23). 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.

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 2018

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	2018	2017
	£'000	£'000	£'000	£'000	£'000	£'000
Current year						
Parish contributions	4,269	-	-	-	4,269	4,324
Receipts for previous years	18	-	-	-	18	(2)
	4,287	-	-	-	4,287	4,322
Parish assistant staff	322	-	-	-	322	286
	4,609	-	-	-	4,609	4,608

Archbishops' Council

	Unrestricted funds		Restricted	Endowment	Total	Total
	General	Designated	Funds	Funds	2018	2017
	£'000	£'000	£'000	£'000	£'000	£'000
Parish Mission*	-	-	1,859	-	1,859	1,883
Strategic Development Fund	-	-	267	-	267	37
Capacity Funding	-	-	-	-	-	29
Resourcing Ministerial Education	-	-	128	-	128	29
Restructuring Fund	-	173	-	-	173	283
	-	173	2,254	-	2,427	2,261

* 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	2018	2017
	£'000	£'000	£'000	£'000	£'000	£'000
Allchurches Trust grant	-	143	-	-	143	142
Church Burgesses	-	-	172	-	172	172
Donations	57	18	394	-	469	353
	57	161	566	-	784	667

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2018

3. CHARITABLE ACTIVITIES

	Unrestricted funds		Restricted Funds £'000	Endowment Funds £'000	Total 2018 £'000	Total 2017 £'000
	General £'000	Designated £'000				
Statutory fees	372	-	-	-	372	428
Guaranteed annuities	1	-	-	-	1	1
Chaplaincy and other	84	-	-	-	84	100
Education	-	-	11	-	11	24
	<u>457</u>	<u>-</u>	<u>11</u>	<u>-</u>	<u>468</u>	<u>553</u>

4. OTHER ACTIVITIES

	Unrestricted funds		Restricted Funds £'000	Endowment Funds £'000	Total 2018 £'000	Total 2017 £'000
	General £'000	Designated £'000				
Housing income	265	-	4	-	269	279
	<u>265</u>	<u>-</u>	<u>4</u>	<u>-</u>	<u>269</u>	<u>279</u>

5. INVESTMENT INCOME

	Unrestricted funds		Restricted Funds £'000	Endowment Funds £'000	Total 2018 £'000	Total 2017 £'000
	General £'000	Designated £'000				
Dividend receivable	140	-	379	43	562	529
Interest receivable	5	-	7	-	12	9
Rents receivable	-	-	124	-	124	130
	<u>145</u>	<u>-</u>	<u>510</u>	<u>43</u>	<u>698</u>	<u>668</u>

6. FUND RAISING COSTS

	Unrestricted funds		Restricted Funds £'000	Endowment Funds £'000	Total 2018 £'000	Total 2017 £'000
	General £'000	Designated £'000				
Glebe agent's fee	35	-	-	-	35	28
Parsonage rental costs	30	-	-	-	30	29
	<u>65</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>65</u>	<u>57</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2018

7. CHARITABLE ACTIVITIES

	Unrestricted funds		Restricted Funds £'000	Endowment Funds £'000	Total 2018 £'000	Total 2017 £'000
	General £'000	Designated £'000				
Contributions to Archbishops' Council						
Training for ministry	181	-	-	-	181	176
National church responsibilities	144	-	-	-	144	140
Grants and provisions	16	-	-	-	16	15
Mission agency pension costs	2	-	-	-	2	2
Retired clergy housing costs	61	-	-	-	61	58
Pooling of ordinands maintenance grants	(68)	-	-	-	(68)	(92)
General Synod expenses	5	-	-	-	5	5
	<u>341</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>341</u>	<u>304</u>
Resourcing Ministry and Mission						
Parish Ministry						
Stipends and national insurance	1,124	-	2,255	-	3,379	3,249
Pension contribution	766	-	-	-	766	669
Housing costs	1,154	-	-	-	1,154	1,108
Removal, resettlement and grants	136	-	-	-	136	94
Other expenses	295	278	260	-	833	719
	<u>3,475</u>	<u>278</u>	<u>2,515</u>	<u>-</u>	<u>6,268</u>	<u>5,839</u>
Support for parish ministry	1,657	33	21	106	1,817	1,676
	<u>5,132</u>	<u>311</u>	<u>2,536</u>	<u>106</u>	<u>8,085</u>	<u>7,515</u>
Expenditure						
Support for church schools and parishes	135	-	113	-	248	236
Projects	91	-	924	-	1,015	655
	<u>226</u>	<u>-</u>	<u>1,037</u>	<u>-</u>	<u>1,263</u>	<u>891</u>
	<u>5,699</u>	<u>311</u>	<u>3,573</u>	<u>106</u>	<u>9,689</u>	<u>8,710</u>

8. OTHER RESOURCES EXPENDED

	Unrestricted funds		Restricted Funds £'000	Endowment Funds £'000	Total 2018 £'000	Total 2017 £'000
	General £'000	Designated £'000				
Change in pension liabilities	201	-	-	-	201	36

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2018

9. ANALYSIS OF EXPENDITURE INCLUDING ALLOCATION OF SUPPORT COSTS

	Activities Undertaken Directly £'000	Grant Funding of Activities £'000	Support Costs £'000	Total Costs 2018 £'000
Raising funds	65	-	-	65
Charitable activities:				
Contributions to Archbishops' Council	-	341	-	341
Resourcing parish ministry	5,376	2,255	454	8,085
Education	-	-	248	248
Projects	-	-	1,015	1,015
Other	-	-	-	-
	<u>5,441</u>	<u>2,596</u>	<u>1,717</u>	<u>9,754</u>

10. ANALYSIS OF SUPPORT COSTS

	Unrestricted funds		Restricted	Endowment	Total
	General	Designated	Funds	Funds	2018
	£'000	£'000	£'000	£'000	£'000
Central administration	417	-	-	-	417
Support for schools	-	-	248	-	248
Projects	-	-	1,015	-	1,015
Governance:					
External audit	16	-	-	-	16
Registrar and Chancellor	20	-	-	-	20
Diocesan Synodical costs	1	-	-	-	1
	<u>454</u>	<u>-</u>	<u>1,263</u>	<u>-</u>	<u>1,717</u>

11. ANALYSIS OF GRANTS MADE

	Nbr	Individuals £'000	Institutions £'000	Total 2018 £'000	Total 2017 £'000
From unrestricted funds for national Church responsibilities					
Contributions to Archbishops' Council	6	-	341	341	304
From unrestricted funds:					
PCCs for faculty fees	129	-	29	29	25
Overseas mission agencies	-	-	-	-	9
Churches Together organisations	-	-	-	-	15
Clergy for training	41	10	-	10	14
Ordinands in training	15	141	-	141	160
Regional Training Partnership	1	-	7	7	1
	<u>186</u>	<u>151</u>	<u>36</u>	<u>187</u>	<u>224</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2018

12. STAFF COSTS

	2018 £'000	2017 £'000
Employee costs during the year were as follows:		
Wages and salaries	1,618	1,345
National Insurance contributions	147	123
Pension costs	285	196
	<u>2,050</u>	<u>1,664</u>

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

	Number	Number
Administration and financial management	23	21
Property	2	1
Discipleship & Ministry, Stewardship	9	10
Safeguarding and inclusion	4	3
Projects staff funded from reserves	12	12
Projects staff externally funded	21	8
	<u>71</u>	<u>55</u>

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

	Number	Number
Administration and financial management	18.6	17.8
Property	1.0	0.4
Discipleship & Ministry, Stewardship	9.0	9.2
Safeguarding and inclusion	3.0	2.6
Projects staff funded from reserves	8.2	7.1
Projects staff externally funded	12.9	6.8
	<u>52.7</u>	<u>43.9</u>

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

	2018 Number	2017 Number
£60,001 - £70,000	<u>2</u>	<u>1</u>

Pension payments of £14,000 were made for these employees (2017: £7,000).

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 2018 they were:

Diocesan Secretary and Company Secretary	Heidi Adcock
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 national insurance for these 5 employees amounted to £339,000 (2017: £334,000).

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2018

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 £11,696 (2017 - £11,081) 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 123 (2017 - 119) stipendiary clergy as office-holders holding parochial or diocesan appointments in the diocese, and the costs were as follows:

	2018 £'000	2017 £'000
Stipend	3,123	3,007
National Insurance contributions	255	242
Pension costs - current year	766	669
- deficit reduction	362	375
	<u>4,506</u>	<u>4,293</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 £36,210 - £44,750 (2017 range: £34,980 - £43,510). The annual rate of stipend, funded by the SDBF, paid to Archdeacons in 2018 was in the range £34,700 - £35,400 (2017 range: £34,176 - £34,700) and other clergy who were Trustees were paid in the range £25,628 - £26,076 (2017 range: £25,187 - £25,628). The Bishop's Council has estimated the value to the occupant, gross of income tax and national insurance, of church provided housing in 2018 at £10,840 (2017: £11,128). The value of housing provided to the Bishop is estimated at £15,000.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2018

13. ANALYSIS OF TRANSFERS BETWEEN FUNDS

	Unrestricted funds		Restricted Funds £'000	Endowment Funds £'000
	General £'000	Designated £'000		
From designated fund to general fund for deanery mission initiatives	225	(225)	-	-
From designated fund to general fund for match funding SDF application	25	(25)	-	-
From schools income fund to schools endowment fund for sale of schools in previous years	-	-	(402)	402
From schools fund to general fund for contribution to DBE costs transferred through reserves	(46)	-	46	-
From parsonages fund to pastoral and general fund for net properties transfer on pastoral re-organisation	302	-	297	(599)
From designated fund to general fund for Doncaster Archdeaconry project funded by the Allchurches Trust	170	(170)	-	-
	<u>676</u>	<u>(420)</u>	<u>(59)</u>	<u>(197)</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 2018	2,295	472	7	404	30,322	2,129	35,629
Additions	292	-	19	-	-	-	311
Disposals	(336)	-	-	(404)	-	(144)	(884)
Reclassified	301	-	-	-	(301)	-	-
At 31 December 2018	<u>2,552</u>	<u>472</u>	<u>26</u>	<u>-</u>	<u>30,021</u>	<u>1,985</u>	<u>35,056</u>
Depreciation							
At 1 January 2018	-	-	2	-	-	-	2
Disposals	-	-	-	-	-	-	-
Charge for the year	-	-	7	-	-	-	7
At 31 December 2018	<u>-</u>	<u>-</u>	<u>9</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9</u>
Net Book Value							
At 31 December 2018	<u>2,552</u>	<u>472</u>	<u>17</u>	<u>-</u>	<u>30,021</u>	<u>1,985</u>	<u>35,047</u>
At 31 December 2017	<u>2,295</u>	<u>472</u>	<u>5</u>	<u>404</u>	<u>30,322</u>	<u>2,129</u>	<u>35,627</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. As at 31 December 2018 there were 7 (2017: 10) such properties and their value included above amounts to £1,033,754 (2017: £1,370,172).

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2018

15. FIXED ASSETS INVESTMENTS

	At 1 January 2018 £'000	Additions £'000	Disposals £'000	Transfers £'000	Change in Market Value £'000	At 31 December 2018 £'000
Unrestricted funds						
Unlisted investments	3,152	301	-	-	(35)	3,418
Restricted funds						
Unlisted investments	6,534	305	-	(402)	(96)	6,341
Endowment funds						
Investment property	4,566	-	(170)	-	127	4,523
Unlisted investments	5,159	-	(270)	402	(37)	5,254
	9,725	-	(440)	402	90	9,777
Total	19,411	606	(440)	-	(41)	19,536

16. DEBTORS

	2018 £'000	2017 £'000
Due within one year		
Current year Common Fund	-	119
Assigned fees	38	52
Loans to parishes	28	51
Loans to schools	21	15
Other debtors and prepayments	160	155
Inter-fund debtor	1,607	965
	<u>1,854</u>	<u>1,357</u>
Due after more than one year		
Loans to parishes	460	493
Loans to schools	126	117
	<u>586</u>	<u>610</u>
Total debtors	<u>2,440</u>	<u>1,967</u>

17. CREDITORS: amounts falling due within one year

	2018 £'000	2017 £'000
Loan repayment instalments due in one year		
Church Commissioners other loans	34	43
Deferred income	16	14
Other creditors and accruals	541	687
Inter-fund creditors	1,607	965
Pension scheme liabilities		
Clergy Pension Scheme	362	418
Total creditors: amounts falling due within one year	<u>2,560</u>	<u>2,127</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2018

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

	2018 £'000	2017 £'000
Loan repayment instalments due after more than one year		
Church Commissioners value-linked loans	641	809
Church Commissioners other loans	67	135
Other loans	128	141
Pension scheme liabilities		
Clergy Pension Scheme	2,247	2,352
	<u>3,083</u>	<u>3,437</u>
The maturity of the above loans may be analysed as follows:		
Between one and two years	34	43
Between two and five years	89	129
In five years or more	713	913
	<u>836</u>	<u>1,085</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 £103,000 (2017 - £116,000) relates to the Schools Fund, £67,000 to the General Fund (2017 - £135,000). 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 with the Church Commissioners and are repayable on the disposal of the related property.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2018

19. SUMMARY OF FUND MOVEMENTS

	At 1 Jan 2018 £'000	Income £'000	Expenditure £'000	Transfers £'000	Gains and Losses £'000	At 31 Dec 2018 £'000
UNRESTRICTED FUNDS						
General	2,678	5,533	(5,965)	676	(28)	2,894
Designated Funds:						
Clergy Conference	44	19	(33)	-	-	30
Church House Refurbishment	13	-	-	-	-	13
Deanery Mission Initiative	250	-	-	(225)	-	25
Centenary Project	87	-	(56)	(25)	-	6
Allchurches Trust Fund	156	142	(22)	(170)	-	106
Restructuring Fund	122	173	(200)	-	-	95
	672	334	(311)	(420)	-	275
RESTRICTED FUNDS						
Stipend Income	-	2,254	(2,254)	-	-	-
Pastoral	1,663	68	(13)	297	261	2,276
Church in Action	4,535	151	(263)	-	(52)	4,371
Schools	858	91	(114)	(356)	(2)	477
Projects	348	776	(924)	-	-	200
Miscellaneous Trusts	318	5	(5)	-	(4)	314
	7,722	3,345	(3,573)	(59)	203	7,638
ENDOWMENT FUNDS						
Stipend Fund Capital	9,604	-	(106)	-	576	10,074
Parsonages	31,759	43	-	(599)	-	31,203
Schools	929	-	-	402	-	1,331
	42,292	43	(106)	(197)	576	42,608
TOTAL FUNDS	53,364	9,255	(9,955)	-	751	53,415

	At 1 Jan 2017 £'000	Income £'000	Expenditure £'000	Transfers £'000	Gains and Losses £'000	At 31 Dec 2017 £'000
UNRESTRICTED FUNDS						
General	3,899	5,704	(5,393)	(1,921)	389	2,678
Designated Funds:						
Mission Development	120	-	(42)	(78)	-	-
Clergy Conference	37	-	(3)	10	-	44
Church House Refurbishment	13	-	-	-	-	13
Pension Deficit Provision	635	-	-	(635)	-	-
Deanery Mission Initiative	250	-	-	-	-	250
Centenary Project	100	-	(3)	(10)	-	87
Allchurches Trust Fund	-	-	-	156	-	156
Restructuring Fund	-	283	(161)	-	-	122
	1,155	283	(209)	(557)	-	672
RESTRICTED FUNDS						
Stipend Income	-	2,283	(2,283)	-	-	-
Pastoral	1,420	63	(32)	52	160	1,663
Church in Action	4,254	147	(189)	-	323	4,535
Schools	796	106	(94)	-	50	858
Projects	528	406	(586)	-	-	348
Miscellaneous Trusts	291	3	(2)	-	26	318
	7,289	3,008	(3,186)	52	559	7,722
ENDOWMENT FUNDS						
Stipend Fund Capital	7,957	-	(15)	3,153	(1,491)	9,604
Parsonages	32,344	41	-	(727)	101	31,759
Schools	859	-	-	-	70	929
	41,160	41	(15)	2,426	(1,320)	42,292
TOTAL FUNDS	53,503	9,036	(8,803)	-	(372)	53,364

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2018

20. SUMMARY OF ASSETS BY FUND

	Fixed Assets £'000	Investments £'000	Current Assets £'000	Creditors £'000	Net Assets £'000
UNRESTRICTED FUNDS					
General	3,041	3,418	1,383	(4,948)	2,894
Designated funds					
Clergy Conference	-	-	30	-	30
Church House Refurbishment	-	-	13	-	13
Deanery Mission Initiative	-	-	25	-	25
Centenary Project	-	-	6	-	6
Allchurches Trust Fund	-	-	106	-	106
Restructuring Fund	-	-	95	-	95
	-	-	275	-	275
RESTRICTED FUNDS					
Pastoral	-	1,872	420	(16)	2,276
Church in Action	-	3,865	642	(136)	4,371
Schools	-	311	464	(298)	477
Projects	-	-	394	(194)	200
Miscellaneous Trusts	-	293	21	-	314
	-	6,341	1,941	(644)	7,638
ENDOWMENT FUNDS					
Stipend Fund Capital	1,985	7,321	819	(51)	10,074
Parsonages	30,021	1,125	57	-	31,203
Schools	-	1,331	-	-	1,331
	32,006	9,777	876	(51)	42,608
TOTAL FUNDS AS AT 31 DECEMBER 2018	35,047	19,536	4,475	(5,643)	53,415

	Fixed Assets £'000	Investments £'000	Current Assets £'000	Creditors £'000	Net Assets £'000
UNRESTRICTED FUNDS					
General	2,772	3,152	1,285	(4,531)	2,678
Designated funds					
Clergy Conference	-	-	44	-	44
Church House Refurbishment	-	-	13	-	13
Deanery Mission Initiative	-	-	250	-	250
Centenary Project	-	-	87	-	87
Allchurches Trust Fund	-	-	156	-	156
Restructuring Fund	-	-	122	-	122
	-	-	672	-	672
RESTRICTED FUNDS					
Pastoral	404	1,603	316	(660)	1,663
Church in Action	-	3,915	718	(98)	4,535
Schools	-	718	307	(167)	858
Projects	-	-	456	(108)	348
Miscellaneous Trusts	-	298	20	-	318
	404	6,534	1,817	(1,033)	7,722
ENDOWMENT FUNDS					
Stipend Fund Capital	2,129	7,382	93	-	9,604
Parsonages	30,322	1,414	23	-	31,759
Schools	-	929	-	-	929
	32,451	9,725	116	-	42,292
TOTAL FUNDS AS AT 31 DECEMBER 2017	35,627	19,411	3,890	(5,564)	53,364

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2018

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.
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.
Pastoral Fund	<p>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:</p> <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.
Projects	<p>The projects undertaken by the SDBF are as follows:</p> <ol style="list-style-type: none"> 1. Mission Partnership Development Worker Project 2. Centenary Fund 3. Ordination Track 4. Children's, Youth and Families Worker Project
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.
Miscellaneous Trusts	<p>There are seven trust funds where the Board acts as trustee and controls the management and use of the funds. These are as follows:</p> <p>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</p>
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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2018

21. DESCRIPTION OF FUNDS (continued)

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.
Allchurches Trust Fund	From grants received from the Allchurches Trust, SDBF has designated this fund to help kick start a growth regeneration programme in the Doncaster area with a high level of deprivation.
Restructuring Fund	A fund from the Church Commissioners to help the Diocese to restructure for resourcing the future.

22. CAPITAL COMMITMENTS

At 31 December 2018 the SDBF had capital expenditure commitments authorised but not contracted for of £Nil (2017 - £19,000), and contracted for but not yet due of £Nil (2017 - £Nil).

23. PENSIONS

Church of England Funded Pension Scheme

The SDBF participates in the Church of England Funded Pensions Scheme for stipendiary clergy, a defined benefit pension scheme. This scheme is administered by the Church of England Pensions Board, which holds the assets of the schemes separately from those of the Responsible Bodies.

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

The scheme is considered to be a multi-employer scheme as described in Section 28 of FRS 102. This means it is not possible to attribute the Scheme's assets and liabilities to specific Responsible Body, and this means contributions are accounted for as if the Scheme were a defined contribution scheme. 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 (2018: £0.766m, 2017: £0.668m), plus the figures highlighted in the table below as being recognised in the SoFA, giving a total charge of £201,000 for 2018 (2017: £36,000).

As at 31 December 2018, the number of members at this Responsible Body was 135 (2017: 127).

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 (with the remainder in return-seeking assets); 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%.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2018

23. PENSIONS (continued)

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

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

The deficit recovery contributions under the recovery plan in force as at 31 December 2016, 31 December 2017 and 31 December 2018 were as set out in the above table.

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

Section 28.11A of FRS 102 requires agreed deficit recovery payments to be recognised as a liability. The movement in the balance sheet liability over 2017 and over 2018 is set out in the table below.

	2018 £'000	2017 £'000
Balance sheet liability as at 1 January	2,771	3,153
Contributions paid	(362)	(418)
Interest costs (recognised in the SoFA)	36	44
Remaining change to the balance sheet liability* (recognised in SoFA)	165	(8)
Balance sheet liability as at 31 December	<u>2,610</u>	<u>2,771</u>

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

This liability represents the present value of the deficit 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 2018	December 2017	December 2016
Discount rate	2.1% p.a.	1.4% p.a.	1.5% p.a.
Price inflation	3.1% p.a.	3.0% p.a.	3.1% p.a.
Increase to total pensionable payroll	1.6% p.a.	1.5% p.a.	1.6% p.a.

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2018

23. PENSIONS (continued)

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 (2018: £43,978, 2017: £43,978). There were no deficit contributions paid in the year (2017: £Nil).

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 2016. In this valuation, the Life Risk Section was shown to be in deficit by £2.6m and £2.6m was notionally transferred from the employers' sub-pools to the Life Risk Pool. This increased the Employer contributions that would otherwise have been payable. The overall deficit in the DBS was £26m. SDBF's share of the deficit was £19,100 (2013: £189,600 surplus).

Following the valuation, the Pensions Board has recommended, as from April 2018, a contribution rate of 46.7% (2017: 34.0%) of pensionable salary with expenses of £7,900 (2017: £7,900) per year and an annual deficit contributions of £4,445 per annum over seven years.

The SDBF Defined Benefits Scheme was closed on 30 November 2018.

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.

The SDBF contributes to the Pension Builder 2014 only.

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 a multi-employer scheme as described in section 28 of FRS102 as it is not possible to attribute the Pension Builder Scheme's assets and liabilities to specific employers. This means that contributions are accounted for as if the scheme were a defined contribution scheme. The pensions costs charged to the SoFA in the year are contributions payable (2018: £167,421, 2017: £103,615).

A valuation of the Pension Builder scheme is carried out once every three years. The most recent was carried out as at 31 December 2016.

For the Pension Bulider 2014 section, the valuation revealed a surplus of £1.8m on the ongoing assumptions used. There is no requirement for deficit payments at the current time.

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2018

24. 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 2018 there is a loan debtor outstanding from Sheffield Cathedral Chapter of £408,000 (2017: £440,000). During 2018 the Sheffield Cathedral Chapter contributed £nil (2017: £30,000) to the SDBF's support for parish ministry activities.

25. 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:

	2018 £'000	2017 £'000
CBF Church of England Investment Fund Income Shares	4,069	4,207
CBF Church of England Fixed Interest Securities Fund Shares	294	292
COIF Income and Accumulation Shares	202	202
CBF Church of England Deposit Fund	1,410	1,606
Other Investments	1	1
Cash at bank	519	449
	<u>6,495</u>	<u>6,757</u>