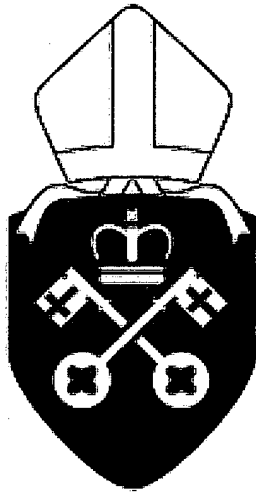


**The York Diocesan
Board of Finance Limited**

**Annual Report & Financial Statements
for the year ended 31 December 2018**



**Company Registration Number: 225234
Charity Registration Number: 244976**

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THE YORK DIOCESAN BOARD OF FINANCE LIMITED

ANNUAL REPORT

For the year ended 31 December 2018

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.

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

This combined report satisfies the legal requirements for:

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

LEGAL OBJECTS

The Diocese of York covers an area of 2,261 square miles, from the Humber to the Tees and from the A1 to the East Coast.

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

The YDBF has the following statutory responsibilities:-

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

The strategic priorities of the company are established by the Diocesan Synod in communication with Deanery Synods, PCCs, and the Archbishop of York (in respect of his responsibility for the provision of the cure of souls). To this end, significant time and effort is committed to communication between and with these bodies, as well as with the church nationally.

Generous Churches Making and Nurturing Disciples

The Diocesan Synod has defined the shared mission of the Diocese as:
**“Mutually Resourcing to build up the Body of Christ, to grow into:
Christ-likeness, Commitment, Partnership, Influence & Numbers”**

STRATEGIC AIMS

The core purpose of the YDBF is to manage the assets of the Diocese so as to provide appropriate personnel, operational and financial resources to assist the Diocesan Synod, Archbishop’s Council, deaneries and parishes to further their missional and strategic priorities. In November 2011 Diocesan Synod defined the shared mission of the Diocese as, “Mutually Resourcing to build up the Body of Christ, to grow into Christ-likeness, Commitment, Partnership, Influence and Numbers.”

In seeking to be Generous Churches Making and Nurturing Disciples the key objective is to support individual congregations to grow both numerically and spiritually, which in turn will secure their on-going mission and ministry for generations to come. During 2016, and following a consultation process involving over 1,000 people across the diocese, Diocesan Synod adopted three key areas of focus (goals) for the next five years:

- To reach those we currently don’t;
- To move to growth; and
- To achieve financial sustainability.

During 2018 work has continued across a number of strategic work streams which will support the achievement of these goals. In November 2018, a successful bid was made to the Church of England Strategic Investment Board for Strategic Development Funding to support the appointment of additional ministers to particularly focus on ministry to those between 20 and 49 years of age and their families. The funding will be phased over 6 years from January 2019. Work continued in other strategic areas and it is planned that a further bid will be submitted in 2019 to enable additional focussed investment in areas of high economic deprivation to enable the work being carried out through parishes in those areas to be more effective in making and nurturing disciples as they seek to meet the needs of their local communities.

OBJECTIVES FOR THE YEAR

Alongside the development of detailed plans to support the strategic goals that we set in 2016, there has continued to be a focus on the key areas identified as priorities when the shared vision was agreed by Diocesan Synod in 2011:

- A deepening of discipleship and the nurturing of lay and ordained vocations;
- The equipping and liberating of leadership: lay and ordained;
- Creating a sustainable base for mission and ministry;
- Embedding an approach to sharing in the cost and delivery of ministry that is based on generous offers rather than a formula.

In relation to our ongoing calling as a Church, we have additionally sought to:

- Maintain an effective Christian presence in every parish;
- Promote and support the work of our Church schools as well as providing support to clergy and others who are working in Community schools;
- Continue to embed Safeguarding into the DNA of our life as a diocese;

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For the year ended 31 December 2018

- Engage actively in local debate and ensure that Christian voices are heard in all areas of public life;
- Respond to areas of social need within our communities, working with other organisations to deliver a positive contribution to the wellbeing of the most vulnerable in our society;

The directors of the YDBF are aware of the Charity Commission's guidance on public benefit and have had regard to it in their administration of the Board. The YDBF believes that, by promoting the work of the Church of England in the Diocese of York, it helps to promote the whole mission of the Church (pastoral, evangelistic, social and ecumenical) more effectively, both in the diocese as a whole and in its individual parishes, and that in doing so it provides a benefit to the public by providing facilities for public worship, pastoral care and spiritual, moral and intellectual development, both for its members and for anyone who wishes to benefit from what the Church offers; and promoting Christian values and service by members of the Church in and to their communities, to the benefit of individuals and society as a whole.

ACTIVITIES AND ACHIEVEMENTS IN THE YEAR

Maintain an effective Christian presence in every parish.

As well as engaging in a wide variety of community and church projects, our licensed ministers carry out approximately 1,500 weddings, 4,500 funerals and 3,500 baptisms every year. While the YDBF is responsible for funding of clergy stipend costs, the national clergy payroll is administered by the Archbishops' Council, a charity which the YDBF reimburses regularly for the costs of stipendiary clergy deployed in the Diocese. Caring for the 190 stipendiary parish clergy in the diocese is a priority of the YDBF and represents by far its largest financial commitment. Although the YDBF does not employ the parish clergy, it is responsible for training them, paying and housing them, and paying into their pension fund. In addition to the stipendiary clergy, there are almost 90 self-supporting licenced clergy and a further 330, the majority of whom are retired, who hold the Archbishop's Permission to officiate and enable us to offer both Sunday worship and occasional offices across all of our 610 churches.

For many, the clergy house represents the domestic heart of the parish, serving not only as a home but also as a base for ministry. The YDBF recognises the importance of a safe, secure and well maintained house and strives to continue with this work as well as carrying out programmed refurbishments and improvements, as available money allows.

Over the year the average vacancy rate was about 10%. During all interregnums the Area Deans worked closely with the churchwardens of the relevant parishes and ensured that scheduled services continued and, with very few exceptions, other activities within the community continued uninterrupted. This was largely made possible by the retired and self-supporting ministers in the diocese together with the Readers and huge numbers of lay volunteers.

Promote and support the work of our Church schools as well as providing support to clergy and others who are working in Community schools

The Education team has operated at near full strength during 2018. There was a period of maternity leave for the Deputy Director for the majority of 2018 and this was covered by a one day a week consultant from Lupton Fawcett. This consultant provided support with regards to academy conversions and MAT discussions whilst other remits usually covered by the Deputy Director were picked up by the Director for Education and other team members. Two new School Development Advisers were also appointed to replace members of the team who left.

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For the year ended 31 December 2018

At the beginning of 2018 there were nine Multi Academy Trusts (MATs) across the diocese, all of which were mixed MATs with Church and community schools working in partnership together. 12 primary schools converted to academy status over 2018 and there are a further nine in the pipeline for conversion during 2019. Two MATs came into being in 2018 and one other has begun the process of reconstitution and should come into being in 2019. There are plans in place for one Church primary school which received an inadequate Ofsted judgement to be sponsored by one of the existing MATs.

Church schools and academies across the diocese continued to perform well over 2018. By the year end, 110 (88%) of the diocese's schools and academies were rated 'Good' or 'Outstanding' by Ofsted and under the statutory system for denominational inspection (SIAMS), 99% of our schools were rated 'Good' (49%) or 'Outstanding' (50%).

The diocese continues to be held accountable to the Department for Education and other statutory bodies, such as Ofsted, for the progress and achievement in all curriculum areas in Church schools, not only with respect to religious education, collective worship and Church school distinctiveness. In addition, the Diocesan Director of Education (DDE) plays an active role in the decision making process around school improvement across the region with input into various strategic boards. The importance of engagement with these wider partners is to ensure that the voice of the Church schools is heard within an increasingly fragmented system.

2019 will see the remit of the Diocesan Board of Education (DBE) broadening to include the integration of Children and Youth work. This will include the appointment of a strategic lead for Children and Youth who will engage consultant support for deaneries and parishes. Much of the work with Children, Youth and Schools will become more closely aligned within the strategy of the wider diocese and will link specifically with national developments as set out in the Growing Faith paper from the Church of England with regards to schools, churches and households.

Identify areas of social need within our communities, working with other organisations to deliver a positive contribution to the wellbeing of the most vulnerable in our society.

Churches across the diocese are involved in each of their communities, often joining with other denominations to resource Foodbanks and support charities working with the poorest in our society. We have continued to take an active role during 2018 in supporting a number of projects including Together Middlesbrough & Cleveland, a joint venture between the diocese and the Church Urban Fund, Westway Open Arms (Scarborough) which serves the Eastfield Estate in Scarborough, and St Margaret's Welcome Centre (Longhill Estate, Hull).

During 2018 the Bishop of Hull's Working Group has continued to develop proposals for broadening our reach in areas of greatest social and economic deprivation in the diocese. These proposals were nearing completion at the end of 2018 when the Church of England Strategic Investment Board announced that they would not be accepting further grant applications until autumn 2019. Those working on the funding bid are using the additional time to refine the application and have been encouraged by the Trustees to identify opportunities to pilot some of the initiatives in order not to lose the momentum that has been building, particularly in Hull and Middlesbrough.

Embed Safeguarding into the DNA of our life as a diocese.

During 2018 we continued to experience high levels of activity in this area, with further external scrutiny of the handling of Safeguarding issues in the Church of England and the implementation of changes in the legislation which governs the work of the dioceses in relation to Safeguarding.

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For the year ended 31 December 2018

The work in this area is overseen by the Strategic Safeguarding Group (SSG), independently chaired by Professor Sue Proctor, and including representatives of local authorities, North Yorkshire Police, the NHS and the Roman Catholic Diocese of Middlesbrough. The SSG is supported by an Operational Group that brings together key staff within the diocese and York Minster who are involved in Safeguarding, working with young people and vulnerable adults and the training of our clergy and lay leaders.

We appointed our current Diocesan Safeguarding Advisor (DSA) in June 2017 and a further 0.8 Assistant DSA appointment was made in November 2017. The individual appointed to that role went on maternity leave within six months of appointment and full time cover was put in place in her absence. The two advisers continue to receive part time support from both the DBS Administrator (based at Bishopthorpe Palace) and the Events Coordinator as well as specialist support provided from the CEO's office for the administration of Core Groups.

In addition to providing advice and support to parishes, managing a significant casework load and submitting material required by the Independent Inquiry into Child Sexual Abuse (IICSA), a significant amount of resource was committed to providing training to licensed and authorised ministers, church officers and members. In the course of 2018, 200 individuals attended the mandatory full day C3 course for licensed and authorised ministers, with a further 480 attending the half day C1 and C2 courses. In addition, almost 365 people attended the specialist Domestic Abuse and Safer Recruiting training modules.

In addition to this ongoing workload, it is anticipated that in 2019 the team will need to support a national review of past cases and respond to specific requests for information as part of the IICSA enquiry.

A nurturing of lay and ordained discipleship and vocations and the equipping and liberating of leadership;

In response to a challenge from the Archbishop around the nature of lay and ordained ministry, a number of Readers were recommended for ordination to the Distinctive Diaconate. Two individuals were ordained Deacon in early 2018 with a further 17 in January 2019. As part of our active support to those engaged in this ministry we continue to host a day and residential weekend conference supporting deacons across the Northern Province.

We continue to invest in nurturing vocations with 19 candidates due to be sent to advisory panels in the selection year 2018-9; 11 of these candidates are under 32 and there is a good gender-balance. In addition we have number of other candidates in the discernment process, several of whom will be going to Bishop's Advisory Panels in the coming months. We continue to provide 'Serving God' enquirer days alongside the Step Forward day at Bishopthorpe (for enquirers under 32) and which are over-subscribed, the in-house day for young vocations in York, and the residential weekend, breakfasts and continuing commitment to young vocations within the ministry of Jackie Doyle-Brett.

The diocese has continued to invest in training for both lay and ordained leaders. The York School of Ministry, based at Diocesan House, provides training for Readers, ordinands and curates which is validated by Durham University in addition to a number of introductory courses aimed at a wider audience. It currently has 80 students enrolled and also delivers some of its modules to ordinands enrolled at St Hild's College.

We have continued to offer the 16 week Recognised Parish Assistant training programme that over

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300 people have completed to date.. A wide variety of continuing ministerial education is offered to both Readers and clergy, and an increasing number of events are offered to a wider audience including specific training for PCC officers and the ongoing investment in Leading your Church into Growth conferences and follow up events.

“Reaching, Growing, Sustaining” – The Strategic Plan for Growth;

Further work to develop supporting areas of activity (e.g. Parish Support, Training & Vocations, Increasing All Member Ministry) have continued and have been referred to elsewhere in this report. Our aim is that the activities of the Board enable the Trustees to support the parishes in realising the shared vision to be ***Generous Churches Making and Nurturing Disciples***.

Key areas of activity that represent or will require significant revenue investment during the last year have included:

New Worshipping Communities for 20s-40s

A bid for SIB funding (to commence in January 2019) was successful and the core team of a new Director of Making & Nurturing Disciples, a Team Leader and Associate Team leader were recruited in the second half of the year. Leaders for over half of the new worshipping communities have been identified (including several current training curates) and the remaining posts will be advertised nationally in early 2019. Key partnerships have been established with Church Army and St Michael-le-Belfrey Church (York) to support delivery of the plan.

Reach and Growth amongst People in Poverty

The People in Poverty working group, under the leadership of the Bishop of Hull have continued with their substantial exercise of listening to people who are active in, and live in, the areas of deprivation within our diocese. Taking the time to hear their views and understand more about the good things that already go on in deprived parishes has been key to developing their proposals. Unfortunately a bid for SIB funding has been delayed due to the decision by SIB to delay the next funding round until autumn 2019 (see page 6).

Establishing Sustainable Finances

Appointments were made in the autumn to establish a new Generous Giving Team, funded through the Church Commissioners’ Restructuring Grant.

The focus for the team of Stewardship Advisors is on parish level financial sustainability which is seen as a priority for the diocese in order to create the capacity needed to enable parishes to increase the level of contributions that they make to the Common Fund. The new team spent the final quarter of 2018 in preparation for work in the parishes from January 2019.

Freewill Offering to the Common Fund.

The principle of Freewill Offering to the Common Fund has become embedded in the diocese as the primary means by which parishes contribute to the shared costs of the diocese. About 60% of parishes continued to contribute by Standing Order. During 2018 47% of parishes increased their contributions in comparison to the previous year. The impact of these increases was largely offset by the lower contributions from 15% of parishes who, for a variety of reasons, reduced their offer.

The Finance Sub-Committee of the YDBF monitors all the income, including Freewill Offers, on a regular basis and works with Deanery leaders to support parishes in maintaining their contributions to the Common Fund.

A specific strategic work stream is focussed on helping parishes to achieve a greater degree of financial sustainability (see above). The Archdeacon of Cleveland (who is also leading the work stream) led a more intensive and intentional communication programme during 2018 in relation to the request for offers for 2019. This included clear communication about the financial challenges at both parish and diocesan levels.

FUTURE PLANS

Coordinated by the Transformation and Strategy Programme Manager, and reporting to the Archbishop's Staff, Council and the DBF, work has continued on delivery of the areas of activity within the strategic 5-10 year plan.

In addition to addressing the challenges of falling attendance, via targeted interventions aimed to engage particularly in our most deprived communities (where church attendances are proportionately very low) and amongst 20-40 year olds, a key work stream, led by the Archdeacon of Cleveland, will continue to oversee our response to the challenge to establish sustainable models of financing for both parishes and diocese. The strategic financial priorities for the diocese include establishing a credible and robust plan to respond to the reduction in Church Commissioners' direct support for poorer dioceses from 2017 onwards. For 2018 the reduction was a further £44,000 and by 2026 the annual grant will be reduced by c.£1m per annum (at 2016 value) compared to the £2.2m received in 2016.

The Board has committed funding over the next five years in support of the specific strategic interventions to reach the 20s to 40s age group. In addition to the £3m committed by the Church of England Strategic Investment Board, the net additional costs to the DBF will be around £1m plus the cost of capital invested in properties being occupied for ministry. A further £0.5m of funding will be required to support the initiatives relating to People in Poverty for which a further bid for SIB funding will be submitted in the autumn of 2019.

The trustees anticipate that the draw down from reserves to meet these strategic investments for growth will be replenished via disposals of property that will become realisable in late 2019 and 2020.

OTHER RELATED PARTIES

These include:

- The Archbishops' Council to which the YDBF 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 Archbishop's Council allocate funding to dioceses from the Church Commissioners under legislation and regulations established by the General Synod of the Church of England.
- The Church Commissioners from which the YDBF receives grants and which acts on behalf of clergy with HM Revenue and Customs. The YDBF pays for clergy stipends through the Church Commissioners.
- The Church of England Pensions Board, to which the YDBF pays retirement benefit contributions for stipendiary clergy and employees. It also offers schemes to provide housing for clergy in retirement.
- Diocese of York Educational Trust, which acts as a member of Academy Trusts and Multi-Academy trusts on behalf of the DBF (the DBE being unincorporated). A small grant is made by the DBE to support governance costs and the Trustees work closely with members of the DBE and the education team to support the Church of England Academies in the diocese.
- DBE Services, of which the DBF is a member, provides services to Church Schools. Any profits are returned to the member dioceses via charitable donations and are designated by the trustees to support the work of the education team.

Transactions with the main categories of related parties are identified in appropriate places throughout the financial statements. Where materiality of the transactions merits more detailed disclosure this is given in notes 28 and 29 to the financial statements.

Volunteers

YDBF is dependent on the huge number of people involved in church activities both locally and at diocesan level. We believe that the number of active volunteers (or volunteer hours) given to the mission and ministry of the church is a key indicator of the health of a church. The service provided to a community through church volunteering also has a significant impact on people's relationship to the church particularly at times of crisis. Within this context, the YDBF greatly values and would want to acknowledge the considerable time given by all the committee members across the diocese in furthering the shared aim of being "Generous Churches Making and Nurturing Disciples".

FINANCIAL REVIEW

Financial Performance

The Trustees are grateful to all the parishes which gave generously into the Common Fund of the Diocese during the year, and especially to those parishes that give by monthly instalments, which is essential in supporting the cash flow of the Diocese.

Freewill Offering, the money given by Parishes to the Diocese to fund its mission and ministry, is the main incoming resource for the Diocese. This was slightly down on the previous year at **£8,236,000** (2017: £8,277,000). The overall reduction reflects current year contributions reduced by **£24,000** and a similar decrease (of £17,000) in prior year contributions. The amount contributed was 99.4% of offers. Whilst the majority of churches increased their contribution, some were unable to pledge as much this year as in previous years. It had been anticipated that receipts would be overall at a similar level to 2017 but two significant contributors were unable to fulfil their full offer due to unforeseen circumstances – these two alone account for the £40,000 reduction over the previous year.

The general fund showed an excess of income over expenditure of **£1,080,000** before investment gains in 2018 (2017: £224,000 shortfall). The budget for 2018, anticipated that the trustees would draw £685,000 from unrestricted reserves to cover a shortfall of income over expenditure. A further draw down from reserves of up to £1.2 million was approved for 2019 by Diocesan Synod at its meeting in November 2018. This is a combination of investment in the Growth Strategy and also a continuing transitional necessity resulting from the reduction in income from the Church Commissioners and the lead time necessary to reach a corresponding uplift in Freewill Offerings. The Trustees believe that the Diocese has adequate reserves to fund this in year shortfall. Safeguarding the future finances of the Diocese is a key part of the on-going strategic review and achieving sustainable parish giving will continue to be a vital factor in the Diocese's financial security in the future.

Restricted funds showed an excess of income over expenditure of **£245,000** before investment gains (2017: £589,000 surplus) and Endowed funds showed an excess of income over expenditure of **£140,000** before investment gains (2017: £358,000 surplus).

The excess of income over expenditure across all funds amounted to **£1,465,000** compared with £723,000 in 2017.

Fixed Asset investments are included on the balance sheet at year end valuation and showed an overall decrease of £563,000 over the year. Of this movement, **£778,000** was an unrealised valuation loss (spread across the various funds) at the year-end reflecting the market downturn in the final months of 2018 (2017: £2,342,000 net gain). This unrealised loss was offset by net additions arising from investing activities during the year of £215,000.

The impact of net unrealised and realised investment losses for the year of £770,000 reduced net total income for the year to **£695,000**, compared with an overall increase in funds of £3,303,000 in 2017. Out of this net income various transfers were made between funds, as detailed in note 14. Transfers into the Pastoral account from the Parsonages Houses Fund, the Benefice Building Fund and the General Fund amounted to £1,471,000, making the year end value of the fund £1,550,000, and is earmarked to purchase the property as detailed below.

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For the year ended 31 December 2018

Significant Property Transactions

Land and buildings purchased during the year totalled £518,000; this related to the purchase of a new parsonage in Bishop Wilton and some costs relating to the new Hullen House and Hinderwell Parsonage that fell into 2018.

During the year the Diocese disposed of properties with a total book value of £539,000 realising gross sales proceeds of £1,573,000; this related to the sale of the former Hinderwell Parsonage, together with the former house of the Bishop of Whitby (West Green, Stokesley), an assistant ministers' house in Tockwith and the sale of a further property in Copmanthorpe. Proceeds relating to these properties have been credited to the Pastoral Account in readiness for the acquisition of houses for 20s-40s ministers as part of the strategy for growth.

Diocesan policy continues to be:

- to replace unsuitable properties;
- to accommodate the changing geographical deployment of clergy within the Diocese;
- 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 and notes demonstrate 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 **£89,778,000** (2017: £89,083,000) it must be noted that included in this total are properties, mostly in use for the ministry, whose value amounted to **£46,022,000** (2017: £46,043,000). Much of the remainder of the assets shown in the balance sheet is held in restricted funds or as endowments, and cannot necessarily be expended for the general purposes of the YDBF.

Reserves policy

Free reserves

Having considered financial risk, liquidity requirement and the timing of cashflows throughout the year, the Trustees' policy is to hold a balance of readily realisable assets in the general fund equivalent to 4 months budgeted unrestricted expenditure. At 31 December 2018 the amount required under this policy totalled **£5m** (2017: £4.7m). Actual free reserves as at 31 December totalled **£8.1m** (2017: £8.1m), which is equivalent to just over 6 months of budgeted unrestricted operating expenditure. Whilst this level of reserves is above the minimum prudent level set by the trustees, it is considered to be currently necessary to hold them in the light of changes to the Church Commissioners' funding for the Diocese, the budgeted operating shortfall for 2019 (which includes the first of six years' match funding for the 20s-40s strategic investment) and an anticipated need to invest additional resources in relation to People in Poverty when that bid is completed. The trustees are monitoring the rate at which the reserves are reducing and have plans to support the strategic initiatives via a release of fixed assets. The option to utilise Total Return legislation to release funding for future projects is kept under review by the Trustees as is the ability of the Common Fund to support the currently agreed levels of stipendiary ministry.

Reserves held as fixed assets

The general fund comprises net assets amounting to £13,377,000 of which £5,205,000 are tangible fixed assets.

Restricted and endowment funds

As set out in notes 21 to 23, YDBF holds and administers a large number of restricted and endowment funds. As at 31 December 2018 restricted funds totalled **£7.0m** (2017: £6.0m) and endowment funds totalled **£69.4m** (2017: £69.0m). Neither is available for the general purposes of

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the YDBF, although the increase in restricted funds is largely accounted for by an increase in the Pastoral Account which will be used to purchase properties during 2019 for 20s-40s ministers.

Going Concern

The financial statements have been prepared on a going concern basis. The Trustees have taken note of the guidance issued by the Financial Reporting Council on Going Concern Assessments in determining that this is the appropriate basis of preparation of the financial statements and have considered a number of factors. The financial position of the YDBF, its net income for the year and cash flows as set out in the Statement of Financial Activities and Cash Flow Statement demonstrate the overall net cash position of the YDBF and the strength of its reserves. As a consequence the Trustees believe that the YDBF is well placed to manage the business risks successfully despite the uncertainties surrounding the current general economic outlook.

The Trustees have a reasonable expectation that the YDBF has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

Grant making policy

The Memorandum of Association of the YDBF explicitly permits the YDBF to make grants in pursuance of its objects. The nature of grants made in 2018 is indicated in note 12.

Investment policy

The YDBF is empowered by its memorandum of association to invest monies not immediately required for its purposes. In addition, the YDBF acts as trustee of a number of trust funds, and these must be invested in accordance with the related trusts. The YDBF'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 22 provides details of the assets of each fund, together with the related purposes, and note 16 summarises the movements in investments during the year.

The Trustees' investment policy is to spread the YDBF's investments between Smith & Williamson and CCLA. Both investment managers work on a discretionary basis and have been mandated to achieve a total return of RPI plus 5% over the medium term whilst adhering to the policies of the Church of England's Ethical Investment Advisory Group. The investments held, and their return during the year, are set out in the following table:

	Funds at 31 December 2018 £'000s	Proportion of Portfolio	Income yield in year	Total Return in year
CCLA Managed				
CBF Investment Fund	6,862	29.1%	3.4%	2.4%
CBF Property Fund	1,565	6.7%	5.3%	8.5%
CBF Deposit Fund	565	2.4%	0.7%	0.7%
Smith & Williamson Managed	<u>14,543</u>	61.8%	2.4%	-2.8%
	<u>23,535</u>	100.0%		

The Investment Group meets with the Investment Managers twice each year and regularly reviews the performance of the funds.

PRINCIPAL RISKS AND UNCERTAINTIES

The Trustees are responsible for the identification and management of risk. To achieve this, the Trustees have engaged with the management team to consider the principal risks to which the YDBF is exposed and to prioritise a mitigation strategy. Following completion of a revised risk register in 2017, the register is now regularly reviewed by the appropriate sub-committees and officers (under the oversight of the Audit Committee), to ensure that all risks are proportionally addressed in line with the YDBF's risk management policy and that all mitigating controls are operating effectively.

The highest risk areas, those that could have a significant impact on the organisation's ability to achieve its strategic aims, have been identified as being in the following areas:

1. Safeguarding - the risk that there is an occurrence of abuse (or allegation of historic abuse) by someone working for or on behalf of the Diocese. The mitigating controls are as follows:
 - The YDBF retains appropriately trained safeguarding professionals who are following clear policies and protocols aligned to National Church guidelines;
 - Compulsory training is provided to all relevant staff;
 - An independently chaired safeguarding advisory panel governs the effectiveness of YDBF practices; and
 - All parishes are required to adhere to nationally agreed House of Bishops policies and practices with support provided by the safeguarding team.
2. Reliance on key management staff and clergy
 - (a) - the risk that vacancies in key posts and under-resourcing of the Diocesan offices and key central functions could lead to a breakdown in the delivery of the Diocesan mission and stewardship of its assets. The mitigating controls are:
 - The Diocese fosters a culture of sharing and support ensuring that there is awareness and management of potential issues before they can escalate;
 - A process of collation of key documented processes is in progress to ensure that the YDBF is well placed to manage any significant incident; and
 - The Trustees will continue to review the staffing of central functions as part of the development of the strategic plans.
 - (b) - the risk that clergy and other key leaders will not have the capacity to deliver the strategic goals in relation to growth either due to individual capability or there being too many demands placed on limited parish resources. The mitigating controls are:
 - The Diocese fosters a culture of sharing and support ensuring that there is awareness and management of potential issues before they can escalate;
 - The Archbishop's Leadership Team, supported by the Transformation & Strategy Programme Manager, are responsible for ensuring that the demands being placed on parishes are being coordinated and accompanied by appropriate levels of support and training.
3. The risk that the YDBF is unable to meet its strategic aims due to financial constraints as a result of a decline in parish Freewill Offerings or reduction in funding from the Church Commissioners. The mitigating controls are:
 - Strong engagement of the Archbishop's Staff, especially the Archdeacons, with parishes to ensure that commitments by parishes are honoured as far as is practically possible;
 - Priority given to supporting clergy and lay leadership to grow local sustainability in terms of both attendance and giving;

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For the year ended 31 December 2018

- Strong budgetary control processes to identify adverse trends and consider the necessary medium and long term actions needed to address the underlying issues;
 - Robust reserves policy to ensure that temporary shortfalls can be financed without the need for short term cuts; and
 - Investment in strategic capacity to ensure that access to funding streams from the Church Commissioners is maximised.
4. Wydale Hall - The risk that the YDBF faces significant additional costs arising from a failure in Health & Safety procedures that leads to the operation being temporarily or permanently curtailed. The mitigating controls are:
- Appropriate training provided for Wydale staff;
 - Robust hygiene policies, record keeping and verification schedules are in place and
 - Programme of focussed interventions to significantly reduce levels of risk in this area including the recruitment of appropriately qualified staff when vacancies arise.
5. The risk that the YDBF faces significant additional costs in relation to Pension Fund liabilities or Safeguarding compliance that would place financial pressures such that a reduction in core activities becomes necessary. The mitigating controls are:
- Strong budgetary control processes to identify adverse trends and consider the necessary medium and long term actions needed to address the underlying issues;
 - Robust reserves policy to ensure that temporary shortfalls can be financed without the need for short term cuts; and
 - Close contact with the National Church Institutions and other dioceses to facilitate collaborative approaches to mitigating the impact.

STRUCTURE AND GOVERNANCE

Summary Information about the structure of the Church of England

The Church of England is the established church and HM The Queen is the Supreme Governor. It is organised into two provinces (Canterbury and York) and 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 sub-divisions of the Diocese.

The National Church has a General Synod comprising ex-officio and elected representatives 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 itself is divided into twenty one deaneries, each with its own Synod and within each parish there is a parochial church council which shares with the parish priest responsibility for the mission of the church in that place, in a similar way to that in which the Bishop shares responsibilities with the Diocesan Synod.

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

Organisational structure

The York Diocesan Board of Finance (YDBF) is a company limited by guarantee (No. 225234) and a registered charity (No. 244976) governed by its Standing Orders and its Memorandum and Articles of Association which were approved on 16 July 2009. The company's principal activity is to promote, assist and advance the work of the Church of England within the Diocese of York. It was established in its present form in 1927 and is successor in title to the York Diocesan Trustees.

Its statutory governing body is the Diocesan Synod, which is an elected body with representation from all parts of the Diocese. Membership consists of ex officio members, including the Archbishop, Suffragan Bishops and Archdeacons; clergy members elected by the houses of clergy in Deanery Synods; lay members elected by the houses of laity in Deanery Synods; up to five persons who may be co-opted by the house of clergy or the house of laity; and a maximum of 10 members nominated by the Archbishop. The Diocesan Synod normally meets three times a year. Many of Diocesan Synod's responsibilities have been delegated to the Archbishop's Council and Standing Committee.

Archbishop's Council

The members of the Archbishop's Council and Standing Committee are also appointed to the Board of Directors, with the exception of the Bishop of Beverley and any member of the Council who is an employee of the Company. Archbishop's Council consists of 13 ex officio members, including the Archbishop, the four Suffragan Bishops and the three Archdeacons, four clergy elected by the house of clergy from among their number and eight lay persons elected by the members of the house of laity representing deaneries and a maximum of six Synod members nominated by the Archbishop.

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 York are set by the Diocesan Synod, and the YDBF. The responsibility for ensuring that these priorities and strategies are delivered is delegated to the Diocesan Chief Executive. The Diocesan Synod each year receives and agrees the annual budget, prepared and approved by the YDBF. The Trustees, meeting within the context of the Archbishop's Council & Standing Committee, hold up to five meetings during the year to formulate and coordinate policies on mission, ministry and finance by:-

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

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

Finance Sub-Committee: the role of the Finance Sub-committee is to provide focussed support to the directors of the YDBF so that they might better enable the mission of the diocese through sound financial management and transparent, open reporting. The responsibilities of the Finance Sub-Committee include:

- Approving the Management Accounts;
- Monitoring the financial performance of the Diocese against budget and forecast;
- Reviewing and giving first stage approval to the budget;
- Ensuring that appropriate Financial Statements are drawn up;
- Making recommendations on and monitoring the operation of the Common Fund including the process of making Freewill Offers;
- Making recommendations for the Board's approval on levels of stipends, salaries and pension provision;
- Acting for the Board in its capacity as Custodian Trustee in relation to third party investments;
- Making recommendations to the Board on the appointment of professional advisers;
- Monitoring entries in the Risk Register that relate to finance;
- Monitoring and reflecting updates to financial regulation;
- Ensuring the appropriate provision of HR expertise and policies in order to meet the obligations of the DBF; and
- Undertaking such other work as may be referred to it by the DBF.

Property Sub-Committee: the Property Sub-Committee undertakes the YDBF's responsibilities under the Church Property Measure 2018; 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 Ecclesiastical Offices (Terms of service) Measure 2011.

Diocesan Pastoral & Mission Sub-Committee: as far as is permissible under Ecclesiastical Law the functions of the Pastoral and Mission Committee as set out in the Mission and Pastoral Measure 2011 have been delegated to the Pastoral and Mission Sub-Committee. The primary function of the Committee is pastoral reorganisation in the Diocese of York, taking account of available clergy numbers and making use of new patterns of ministry.

Trustee recruitment and induction.

Trustees are members of the Archbishop's Council & Standing Committee and are selected as set out above. Trustees are given induction at the outset of the triennium and at other times as appropriate. They are also informed before seeking membership and, at all other relevant times, of the role and function of the Committee. All Trustees are required to provide updated declarations for the registers of skills and interests on an annual basis. Some employees 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.

Governance developments.

The Archbishop's Leadership Team in reviewing the YDBF/Archbishop's Council Statement of Accountabilities has noted the 2017 Charity Governance Code (produced by the Good Governance Group) which has informed their consideration of governance. A task group worked throughout 2018 to review committee terms of reference and propose revisions where appropriate. The group also developed a Trustee Induction programme and a skills audit for members of Diocesan Synod (by and from whom the majority of trustee directors are appointed). The formation of an Audit Committee was formally approved by the Archbishop's Council and DBF and Mr Philip Ashton appointed as chair.

Remuneration of key management personnel

Emoluments of key management personnel are determined through a process of job evaluation and with reference to market rates for equivalent jobs.

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

Funds held as Custodian Trustee

The YDBF 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 YDBF does not control them, and they are segregated from the YDBF's own assets by means of separate bank accounts and accounting system. The market value of funds held as custodian amounted to **£13,443,000** at 31 December 2018 (2017: £13,921,000). Custodian investments are summarised in note 30.

ANNUAL REPORT

For the year ended 31 December 2018

Funds held on behalf of schools

The Board of Education (as incorporated within the YDBF) receives contributions from governors of church schools within the Diocese in connection with major repair and capital projects to church schools and also government grants in connection with the same. The Board of Education administers these monies as managing agent and makes appropriate payments to contractors for work carried out. The monies do not belong to the Board of Education and as such the receipts and payments are not treated as income and expenditure in the Statement of Financial Activities. Any monies held at the balance sheet date are treated as creditors on the balance sheet. The amount included in creditors as at 31 December 2018 is **£113,000** (2017: £121,000). The income and expenditure relating to school projects not reflected in the Statement of Financial Activities amounted to **£482,000** and **£551,000** respectively in 2018 (2017: £535,000 and £646,000).

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

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

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

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

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

Haysmacintyre LLP have expressed their willingness to continue in office as auditor for the next financial year and are deemed to be reappointed under Section 487 (2) of the Companies Act 2006 until otherwise resolved at a General Meeting of the Company.

ANNUAL REPORT

For the year ended 31 December 2018

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 (those who served for some or all of 2018 are shown in *italics*) :

Ex-officio:

Chair–	<i>Mrs M Loffill (to 31.12.2018)</i> Mr C R Barton (from 26.01.2019)
The Dean of York –	<i>The Very Reverend V Faull (to 25.07.2018)</i> The Right Reverend Jonathan Frost (from 02.02.2019)
The Archbishop of York	The Most Reverend & Right Honourable Dr JTM Sentamu
The Bishop of Whitby –	The Right Reverend PJ Ferguson (Vice-Chairman)
The Bishop of Selby –	The Right Reverend Dr JB Thomson
The Bishop of Hull –	The Right Reverend AM White
The Archdeacon of Cleveland –	The Venerable SJ Rushton
The Archdeacon of the East Riding –	The Venerable AC Broom
The Archdeacon of York –	The Venerable SR Bullock
The Chair of the House of Laity -	Dr N Land
The Chair of the House of Clergy -	The Reverend T Robinson

Elected by:

Synod House of Clergy	The Reverend NWR Bird (from 01.01.2019) The Reverend RC Carew (from 01.01.2019) The Revd M J Proctor (from 01.01.2019) The Reverend FR Mayer-Jones <i>The Reverend Canon Dr ND Barnes (to 31.12.2018)</i> <i>The Reverend Canon WJ Ford (to 31.12.2018)</i> <i>The Reverend MJ Porter (to 31.12.2018)</i>
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Synod House of Laity	Miss KM Banks (from 01.01.2019) Mr D Brookes Dr NA Burgess Mr AM Hagon (from 01.01.2019) Canon R Liversedge Mr MO Stallybrass <i>Mr PP Ashton (to 31.12.2018)</i> <i>Mr CR Barton (to 25.01.2019)</i> <i>Mrs RPA Brewer (to 31.12.2018)</i> <i>Miss HM Cowling (to 31.12.2018)</i>
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Co-opted by the Archbishop	Mrs RPA Brewer (from 01.01.2019) Mr B Hudson Reverend MJ Porter (from 01.01.2019)
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THE YORK DIOCESAN BOARD OF FINANCE LIMITED

ANNUAL REPORT

For the year ended 31 December 2018

Senior staff and advisers

Diocesan Chief Executive	Canon PJ Warry
Assistant Diocesan Secretary	Ms SA Davies
Interim Finance Manager	Mr RM Ismay (to 23.11.2018)
Property Portfolio Manager	Mr J Kidd (to 30.06.2018)
	Mr C Anelay (from 12.07.2018)
Director of Education	Mr AK Smith
Director of Communications & Parish Resourcing	Mr M Sheppard
Director of Training for Missional Ministry	The Reverend Dr GT Wakefield
Director of Making & Nurturing Disciples	The Reverend Richard White (from 12.11.2018)

Registered Office: Diocese of York, Amy Johnson Way, Clifton Moor, York, YO30 4XT

Bankers Barclays Bank PLC, 1-3 Parliament Street, York, YO1 8SE

Auditors haysmacintyre LLP, 10 Queen Street Place, London, EC4R 1AG

Solicitors Lupton Fawcett LLP, Stamford House, Piccadilly, York, YO1 9PP

Investment advisers CCLA Investment Management Ltd
80 Senator House, 85 Queen Victoria Street, London, EC4V 4ET
and
Smith & Williamson Investment Management LLP, 9 Colmore Row,
Birmingham, B3 2BJ

Glebe Agents Savills, River House, 17 Museum Street, York, YO1 7DJ
and
Dee, Atkinson & Harrison, The Exchange, Exchange Street, Driffield
YO25 6LD

Insurers EIO, Beaufort House, Brunswick Road, Gloucester, GL1 1JZ

In approving this Trustees' Report, the Trustees are also approving the Strategic Report included on pages 4 – 15 within their capacity as company directors.

ON BEHALF OF THE TRUSTEES



Mr CR Barton
Chairman
2nd May 2019



The Right Rev'd PJ Ferguson
Vice Chair
2nd May 2019

Opinion

We have audited the financial statements of the York Diocesan Board of Finance Limited for the year ended 31 December 2018 which comprise the Statement of Financial Activities, the Income and Expenditure Account, the Balance Sheet, the Cash Flow Statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

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 the charitable company's net movement in funds, including the income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the 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.

Responsibilities of trustees for the financial statements

As explained more fully in the trustees' responsibilities statement set out on page X, 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.

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

Conclusions relating to going concern

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

- the trustees' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the trustees have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the charitable company's ability to continue to adopt the going

concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

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

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

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

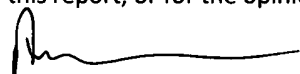
In the light of the knowledge and understanding of the charitable company and its environment obtained in the course of the audit, we have not identified material misstatements in the Trustees' Annual Report (which incorporates the strategic report and the directors' report).

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

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

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.



Adam Halsey (Senior Statutory Auditor)
For and on behalf of Haysmacintyre LLP, Statutory Auditors

10 Queen Street Place
London
EC4R 1AG

4 May 2019

THE YORK DIOCESAN BOARD OF FINANCE LIMITED

STATEMENT OF THE FINANCIAL ACTIVITIES
For the year ended 31 December 2018

		Unrestricted	Restricted	Endowment	Total funds	Total funds
	Note	Funds £'000	Funds £'000	Funds £'000	2018 £'000	2017 £'000
Income and endowments from						
Donations	2					
Parish contributions		8,236	-	-	8,236	8,277
Archbishops' Council		1,945	203	-	2,148	2,086
Other donations		283	381	-	664	348
Charitable activities	3	1,001	647	-	1,648	1,643
Other activities	4	205	-	-	205	208
Investments	5	1,098	1	-	1,099	1,072
Other	6	755	52	140	947	1,071
Total		13,523	1,284	140	14,947	14,705
Expenditure on						
Raising funds	7	173	-	-	173	193
Charitable activities	8	12,270	1,039	-	13,309	13,789
Other expenditure	9	-	-	-	-	-
Total	10	12,443	1,039	-	13,482	13,982
Net income before investment losses and gains		1,080	245	140	1,465	723
Net (losses) / gains on investments	21	(292)	(107)	(371)	(770)	2,580
Net income		788	138	(231)	695	3,303
Transfers between funds	14	(1,504)	875	629	-	-
Net movement in funds		(716)	1,013	398	695	3,303
Total funds brought forward		14,093	5,978	69,012	89,083	85,780
Total funds carried forward	21	13,377	6,991	69,410	89,778	89,083

All activities derive from continuing activities. The notes on pages 29 to 57 form part of the financial statements.

THE YORK DIOCESAN BOARD OF FINANCE LIMITED

INCOME AND EXPENDITURE ACCOUNT

For the year ended 31 December 2018

	Total 2018 £'000	Total 2017 £'000
Total income	14,808	14,347
Total expenditure	(13,482)	(13,982)
Operating surplus for the year	1,102	365
Net (losses) / gains on investments	(399)	1,056
Net income for the year	927	1,421
Other comprehensive expenditure/income:		
Net assets transferred from endowments	(629)	(1,085)
Total comprehensive income	298	336

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.

THE YORK DIOCESAN BOARD OF FINANCE LIMITED

BALANCE SHEET
At 31 December 2018

Company Number – 225234

		2018	2017
	Note	£'000	£'000
FIXED ASSETS			
Tangible assets	15	49,034	49,056
Investments	16	42,175	42,738
		<u>91,209</u>	<u>91,794</u>
CURRENT ASSETS			
Debtors	18	1,287	885
Cash on deposit		1,966	871
Cash at bank and in hand		759	1,968
		<u>4,012</u>	<u>3,724</u>
CREDITORS: amounts falling due within one year	19	<u>(1,835)</u>	<u>(2,581)</u>
NET CURRENT ASSETS		<u>2,177</u>	<u>1,143</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>93,386</u>	<u>92,937</u>
CREDITORS: amounts falling due after more than one year	20	<u>(3,608)</u>	<u>(3,854)</u>
NET ASSETS		<u><u>89,778</u></u>	<u><u>89,083</u></u>
FUNDS			
Endowment funds			
(Including investment revaluation reserve of £18,855,000 (2017: £19,799,000))		69,410	69,012
Restricted income funds			
(Including investment revaluation reserve of £246,000 (2017: £391,000))		6,991	5,978
Unrestricted income funds:			
General funds (Including revaluation reserve of £2327,000 (2017: £2,951,000))		<u>13,377</u>	<u>14,093</u>
TOTAL FUNDS	22	<u><u>89,778</u></u>	<u><u>89,083</u></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 2 May 2019 and signed on behalf of the Board by:



Mr CR Barton
Chairman

THE YORK DIOCESAN BOARD OF FINANCE LIMITED

CASH FLOW STATEMENT

For the year ended 31 December 2018

	2018		2017	
	£'000	£'000	£'000	£'000
Net cash outflow from operating activities		(1,515)		(998)
Cash flows from investing activities				
Dividends and interest from investments	664		644	
Proceeds from the sale of:				
Tangible fixed assets	1,434		1,785	
Fixed asset investments	2,242		2,635	
Closed churches	52		116	
Purchase of:				
Tangible fixed assets for the use of the YDBF	(544)		(1,992)	
Fixed asset investments	(2,447)		(1,750)	
Net cash provided by investing activities		1,401		1,438
Change in cash and cash equivalents in the reporting period		(114)		440
Cash and cash equivalents at 1 January		2,839		2,399
Cash and cash equivalents at 31 December		2,725		2,839
Reconciliation of net income to net cash flow from operating activities				
Net income for the year ended 31 December		1,465		723
Adjusted for:				
Depreciation charges		27		28
Impairment of asset held for resale		-		-
Dividends and interest from investments		(664)		(644)
Repayment of loans advanced		-		-
Profit on sale of functional assets		(897)		(955)
Profit on disposal of closed churches		(52)		(116)
Increase in debtors		(402)		(149)
(Decrease) / Increase in creditors		(992)		115
Net cash used in operating activities		(1,515)		(998)
Analysis of cash and cash equivalents				
Cash at bank and in hand		759		1,968
Notice deposits (less than 3 months)		1,966		871
		2,725		2,839

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).

The principal accounting policies and estimation techniques are as follows.

a) Income

All income is included in the Statement of Financial Activities (SOFA) when the YDBF 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) **Freewill Offering** 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 relate.
- vi) **Donations** other than grants are recognised when receivable.
- vii) **Gains on disposal of fixed assets for the YDBF's own use** (i.e. non-investment assets) are accounted for as other incoming resources. Losses on disposal of such assets are accounted for as other expenditure.
- viii) **Permanent endowment funds (Stipends Capital Fund)**. This account is governed by the Diocesan Stipends' Fund Measure 1953, as amended, and the use of the income is restricted for clergy stipends. However, the income is fully expended within the year of receipt and the legal restrictions, therefore, are satisfied. It is on this basis that the income and the (normally much larger) related expenditure are both included in the unrestricted column of the Statement of Financial Activities for the sake of greater clarity and simplicity in financial reporting.
- ix) **Permanent endowment funds (Ordination Candidates Council Fund, First Lord Grimthorpe's Trust and Local Trusts' Stipend Fund)**. The income is fully expended within the year of receipt and the terms of the funds, therefore, are satisfied. It is on this basis that the income and the (normally much larger) related expenditure are both included in the unrestricted column of the Statement of Financial Activities for the sake of greater clarity and simplicity in financial reporting.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2018

1. ACCOUNTING POLICIES (continued)

b) Expenditure

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

- i) **Costs of raising funds** are constrained to costs relating to the temporary renting out of parsonages and investment management costs of glebe and any other investment properties.
- ii) **Charitable expenditure** is analysed between contributions to the Archbishops' Council, expenditure on resourcing mission and ministry in the parishes of the diocese, expenditure relating to the running of the diocesan retreat centre, and expenditure on education and Church of England schools in the diocese.
- iii) **Grants payable** are charged in the year when the offer is conveyed to the recipient except in those cases where the offer is conditional on the recipient satisfying performance or other discretionary requirements to the satisfaction of the YDBF, 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 YDBF's staff are members of the Church Workers Pension Fund and Clergy are members of the Church of England Funded Pensions Scheme (see note 27). The pension costs charged as resources expended represent the YDBF's contributions payable in respect of the accounting period, in accordance with FRS102. Deficit funding for the pension schemes to which YDBF participates is accrued at current value in creditors distinguished between contributions falling due within one year and after more than one year.

c) Tangible fixed assets and depreciation

Freehold properties

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

Where expenditure on refurbishing a property exceeds £10,000 it is capitalised if it adds value to the property.

Properties subject to value linked loans

Properties which have been bought with the assistance of value-linked loans from the Church Commissioners are stated using the value of the related loan at the balance sheet date. Each year end the respective property and loan are carried at an index linked current valuation basis.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2018

1. ACCOUNTING POLICIES (continued)

c) Tangible fixed assets and depreciation (continued)

Investment properties

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

Parsonage houses

The YDBF 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 YDBF is formally responsible for the maintenance and repair of such properties and has some jurisdiction over their future use or potential sale if not required as a benefice house, but in the meantime legal title and the right to beneficial occupation is vested in the incumbent. The Trustees therefore consider the most suitable accounting policy is to capitalise such properties as expendable endowment assets and to carry them at their historical cost.

Valuation of fixed assets

Parsonages, team vicarages and general fund owned houses are carried at historical cost. A number of properties were first recognised at the relevant 1994 council tax band value, which is now treated as historical cost.

d) Other tangible fixed assets

All capital expenditure over £500 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:-

Computer Equipment	25% per annum	straight line basis
Furniture and equipment	25% per annum	straight line basis

e) Other accounting policies

- i) **Fixed asset investments** are included in the balance sheet at market value and the gain or loss taken to the Statement of Financial Activities.
- ii) **Leases.** The YDBF 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.

f) Fund balances

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

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

For the year ended 31 December 2018

1. ACCOUNTING POLICIES (continued)

- **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 YDBF (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 YDBF 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.

g) Key judgements

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

- Assessment of residual value of freehold property when determining whether or not depreciation is required – see above;
- Calculation of depreciation – see details set out at 1c) above; and
- Accounting for pensions – the key assumptions underpinning the pension creditor reflected in these accounts are set by the Church of England Pensions Board and then reviewed and accepted or challenged by the Trustees.

THE YORK DIOCESAN BOARD OF FINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2018

2. DONATIONS

Parish Contributions

The majority of donations are collected from parishes through the Freewill Offering system.

2018	Unrestricted Funds £'000	Restricted Funds £'000	Endowment Funds £'000	Total funds 2018 £'000
Parish Contributions to the Common Fund				
Current year contributions	8,168	-	-	8,168
Receipts for previous years	68	-	-	68
Total Income	8,236	-	-	8,236

2017 comparative	Unrestricted Funds £'000	Restricted Funds £'000	Endowment Funds £'000	Total funds 2017 £'000
Parish Contributions to the Common Fund				
Current year contributions	8,192	-	-	8,192
Receipts for previous years	85	-	-	85
Total Income	8,277	-	-	8,277

Archbishops' Council

	Unrestricted Funds £'000	Restricted Funds £'000	Endowment Funds £'000	Total funds 2018 £'000
Selective Allocation	-	-	-	-
Parish Mission	-	-	-	-
Resourcing Ministerial Education	-	203	-	203
Grant for Low Income Dioceses	1,945	-	-	1,945
Strategic Capacity Funding Grant	-	-	-	-
	1,945	203	-	2,148

2017 Comparative	Unrestricted Funds £'000	Restricted Funds £'000	Endowment Funds £'000	Total funds 2017 £'000
Selective Allocation	-	-	-	-
Parish Mission	-	-	-	-
Resourcing Ministerial Education	-	45	-	45
Grant for Low Income Dioceses	1,988	-	-	1,988
Strategic Capacity Funding Grant	-	53	-	53
	1,988	98	-	2,086

The selective allocation grant was calculated by the Archbishops' Council using the Darlow Formula which took into account the relative affluence of Dioceses and was used to fund clergy stipends. This grant ceased on 31 December 2016 and a new model of funding for low income dioceses has been deployed. The parish mission fund grant may be used either for specific parish mission and development projects or for clergy stipends.

THE YORK DIOCESAN BOARD OF FINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

2. DONATIONS (continued)

Resourcing Ministerial Education is a new funding stream to support the costs of ordinand training which was introduced for the 2017/18 academic year and replaces a previous model whereby the training was funded directly by the Church Commissioners. The strategic capacity funding grant relates to specific activities undertaken by the Diocese in response to the Renewal & Reform agenda and change in funding streams from the Archbishops' Council.

Other donations

	Unrestricted Funds £'000	Restricted Funds £'000	Endowment Funds £'000	Total funds 2018 £'000
All Churches Trust Grant	202	-	-	202
Donations	81	381	-	462
	<u>283</u>	<u>381</u>	<u>-</u>	<u>664</u>

Of the £381,000 restricted donations, £361,000 was received from the Church Commissioners toward the costs of the 20s to 40s and Restructuring programmes.

2017 Comparative	Unrestricted Funds £'000	Restricted Funds £'000	Endowment Funds £'000	Total funds 2017 £'000
All Churches Trust Grant	202	-	-	202
Donations	92	54	-	146
	<u>294</u>	<u>54</u>	<u>-</u>	<u>348</u>

3. CHARITABLE ACTIVITIES

	Unrestricted Funds £'000	Restricted Funds £'000	Endowment Funds £'000	Total funds 2018 £'000
Statutory fees	732	-	-	732
Church Commissioners' Guaranteed Annuities	2	-	-	2
Chaplaincy and other	267	22	-	289
Diocesan Board of Education	-	171	-	171
Wydale Hall	-	454	-	454
	<u>1,001</u>	<u>647</u>	<u>-</u>	<u>1,648</u>

2017 Comparative	Unrestricted Funds £'000	Restricted Funds £'000	Endowment Funds £'000	Total funds 2017 £'000
Statutory fees	758	-	-	758
Church Commissioners' Guaranteed Annuities	2	-	-	2
Chaplaincy and other	80	208	-	288
Diocesan Board of Education	-	199	-	199
Wydale Hall	-	396	-	396
	<u>840</u>	<u>803</u>	<u>-</u>	<u>1,643</u>

THE YORK DIOCESAN BOARD OF FINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2018

4. OTHER TRADING ACTIVITIES

	Unrestricted Funds £'000	Restricted Funds £'000	Endowment Funds £'000	Total funds 2018 £'000
Housing income	205	-	-	205

2017 Comparatives	Unrestricted Funds £'000	Restricted Funds £'000	Endowment Funds £'000	Total funds 2017 £'000
Housing income	208	-	-	208

5. INVESTMENT INCOME

	Unrestricted Funds £'000	Restricted Funds £'000	Endowment Funds £'000	Total funds 2018 £'000
Dividends receivable	632	-	-	632
Interest receivable	31	1	-	32
Rents receivable	435	-	-	435
	1,098	1	-	1,099

2017 Comparative	Unrestricted Funds £'000	Restricted Funds £'000	Endowment Funds £'000	Total funds 2017 £'000
Dividends receivable	628	-	-	628
Interest receivable	15	1	-	16
Rents receivable	428	-	-	428
	1,071	1	-	1,072

6. OTHER INCOME

	Unrestricted Funds £'000	Restricted Funds £'000	Endowment Funds £'000	Total funds 2018 £'000
Gain on sale of properties	755	-	140	895
Disposal of closed churches	-	52	-	52
	755	52	140	947

2017 Comparative	Unrestricted Funds £'000	Restricted Funds £'000	Endowment Funds £'000	Total funds 2017 £'000
Gain on sale of properties	-	597	358	955
Disposal of closed churches	-	116	-	116
	-	713	358	1,071

THE YORK DIOCESAN BOARD OF FINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

7. FUNDRAISING COSTS

	Unrestricted Funds £'000	Restricted Funds £'000	Endowment Funds £'000	Total funds 2018 £'000
Investment Managers' fees	26	-	-	26
Property agents' fees	84	-	-	84
Other rented property costs	63	-	-	63
	<u>173</u>	<u>-</u>	<u>-</u>	<u>173</u>

2017 Comparative	Unrestricted Funds £'000	Restricted Funds £'000	Endowment Funds £'000	Total funds 2017 £'000
Investment Managers' fees	31	-	-	31
Property agents' fees	85	-	-	85
Other rented property costs	77	-	-	77
	<u>193</u>	<u>-</u>	<u>-</u>	<u>193</u>

8. CHARITABLE ACTIVITIES

	Unrestricted Funds £'000	Restricted Funds £'000	Endowment Funds £'000	Total funds 2018 £'000
Contributions to Archbishops' Council				
Training for Ministry	339	-	-	339
National Church responsibilities	270	-	-	270
Grants & provisions	29	-	-	29
Mission agency pension costs	3	-	-	3
Retired clergy housing costs	114	-	-	114
Ordinand maintenance grants – pooling adjustment	(18)	-	-	(18)
	<u>737</u>	<u>-</u>	<u>-</u>	<u>737</u>
Resourcing Ministry and Mission				
Parish Ministry				
Stipends, national insurance and pensions	6,386	-	-	6,386
Housing costs	2,225	-	-	2,225
Removal, resettlement and grants	177	-	-	177
Specialist Ministry				
Stipends, national insurance and pensions	737	150	-	887
Resourcing Ministerial Education	-	184	-	184
Strategic capacity project spend	-	-	-	-
	<u>9,525</u>	<u>334</u>	<u>-</u>	<u>9,859</u>
Support for parish ministry	1,714	-	-	1,714
Wydale Hall	-	420	-	420
	<u>11,239</u>	<u>754</u>	<u>-</u>	<u>11,993</u>
Expenditure on Education				
Support for church schools and parishes	294	285	-	579
	<u>12,270</u>	<u>1,039</u>	<u>-</u>	<u>13,309</u>

THE YORK DIOCESAN BOARD OF FINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

8. CHARITABLE ACTIVITIES (continued)

2017 Comparative	Unrestricted Funds £'000	Restricted Funds £'000	Endowment Funds £'000	Total funds 2017 £'000
Contributions to Archbishops' Council				
Training for Ministry	331	-	-	331
National Church responsibilities	263	-	-	263
Grants & provisions	29	-	-	29
Mission agency pension costs	3	-	-	3
Retired clergy housing costs	109	-	-	109
Ordinand maintenance grants – pooling adjustment	(82)	-	-	(82)
	<u>653</u>	<u>-</u>	<u>-</u>	<u>653</u>
Resourcing Ministry and Mission				
Parish Ministry				
Stipends, national insurance and pensions	5,913	-	-	5,913
Housing costs	2,107	-	-	2,107
Removal, resettlement and grants	170	-	-	170
Specialist Ministry				
Stipends, national insurance and pensions	725	322	-	1,047
Resourcing Ministerial Education	-	43	-	43
Strategic capacity project spend	-	53	-	53
	<u>8,915</u>	<u>418</u>	<u>-</u>	<u>9,333</u>
Support for parish ministry	2,835	-	-	2,835
Wydale Hall	-	400	-	400
	<u>11,750</u>	<u>818</u>	<u>-</u>	<u>12,568</u>
Expenditure on Education				
Support for church schools and parishes	306	262	-	568
	<u>12,709</u>	<u>1,080</u>	<u>-</u>	<u>13,789</u>

9. OTHER EXPENDITURE

	Unrestricted Funds £'000	Restricted Funds £'000	Endowment Funds £'000	Total funds 2018 £'000
Impairment of asset held for resale	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
2017 Comparative	Unrestricted Funds £'000	Restricted Funds £'000	Endowment Funds £'000	Total funds 2017 £'000
Impairment of asset held for resale	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

THE YORK DIOCESAN BOARD OF FINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

10. ANALYSIS OF EXPENDITURE INCLUDING ALLOCATION OF SUPPORT COSTS

	Activities Undertaken Directly	Grant Funding of Activities	Support Costs	Total Costs 2018
	£'000	£'000	£'000	£'000
Raising funds	173	-	-	173
Charitable activities:				
Contributions to Archbishop's Council	-	737	-	737
Resourcing parish ministry	9,128	364	2,081	11,573
Education	479	-	100	579
Retreat Centre	332	-	88	420
Other expenditure	-	-	-	-
	<u>10,112</u>	<u>1,101</u>	<u>2,269</u>	<u>13,482</u>

2017 Comparatives

	Activities Undertaken Directly	Grant Funding of Activities	Support Costs	Total Costs 2017
	£'000	£'000	£'000	£'000
Raising funds	193	-	-	193
Charitable activities:				
Contributions to Archbishop's Council	-	653	-	653
Resourcing parish ministry	8,985	545	2,638	12,168
Education	471	-	97	568
Retreat Centre	321	-	79	400
Other expenditure	-	-	-	-
	<u>9,970</u>	<u>1,198</u>	<u>2,814</u>	<u>13,982</u>

THE YORK DIOCESAN BOARD OF FINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

11. ANALYSIS OF SUPPORT COSTS

	Unrestricted Funds £'000	Restricted Funds £'000	Endowment Funds £'000	Total Funds 2018 £'000
Central administration	1,953	-	-	1,953
Pension deficit church workers scheme	-	-	-	-
Support for Schools	100	-	-	100
Retreat Centre	-	88	-	88
Governance:				
External audit	25	-	-	25
Registrar and Chancellor	99	-	-	99
Synodical costs	4	-	-	4
	<u>2,181</u>	<u>88</u>	<u>-</u>	<u>2,269</u>
2017 Comparatives	Unrestricted Funds £'000	Restricted Funds £'000	Endowment Funds £'000	Total Funds 2017 £'000
Central administration	1,751	-	-	1,751
Pension deficit church workers scheme	744	-	-	744
Support for Schools	97	-	-	97
Retreat Centre	-	79	-	79
Governance:				
External audit	23	-	-	23
Registrar and Chancellor	108	-	-	108
Synodical costs	12	-	-	12
	<u>2,735</u>	<u>79</u>	<u>-</u>	<u>2,814</u>

12. ANALYSIS OF GRANTS MADE

	Number	Individuals £'000	Institutions £'000	2018 Total £'000
From unrestricted funds for national Church responsibilities:				
Contributions to Archbishop's Council	12	-	737	737
From unrestricted funds:				
PCCs for church inspection fees	32	-	16	16
PCCs for faculty fees	270	-	60	60
PCCs for Repairs to Church Buildings	19	-	17	17
Ordinands in training	16	65	-	65
Clergy for training	67	19	-	19
Resettlement Grants	48	177	-	177
Diocese of York Educational Trust	-	-	-	-
Archbishop's Mission Fund	7	-	10	10
	<u>459</u>	<u>261</u>	<u>103</u>	<u>364</u>
Total	<u>471</u>	<u>261</u>	<u>840</u>	<u>1,101</u>

THE YORK DIOCESAN BOARD OF FINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

12. ANALYSIS OF GRANTS MADE (continued)

2017 Comparatives

	Number	Individuals £'000	Institutions £'000	2017 Total £'000
From unrestricted funds for national Church responsibilities:				
Contributions to Archbishop's Council	12	-	653	653
From unrestricted funds:				
PCCs for church inspection fees	63	-	27	27
PCCs for faculty fees	311	-	69	69
PCCs for Repairs to Church Buildings	19	-	68	68
Ordinands in training	24	174	-	174
Clergy for training	72	21	-	21
Resettlement Grants	54	170	-	170
Diocese of York Educational Trust	2	-	1	1
Archbishop's Mission Fund	13	-	15	15
	558	365	180	545
Total	570	365	833	1,198

13. STAFF COSTS

	2018 £'000	2017 £'000
Employee costs during the year were as follows:		
Wages and salaries	2,064	1,854
National insurance contributions	199	170
Pension costs – current year	209	251
Pension costs – deficit	(224)	744
	2,248	3,019

The average number of persons employed during the year:

	Number	Number
Parochial posts	3.0	3.3
Archdeaconry based roles	4.8	5.0
Reach, Grow, Sustain posts	3.1	2.0
Safeguarding and Pastoral Care (excl. Admin)	3.3	3.0
Training, Vocations and School of Ministry	8.6	8.3
Education	9.7	8.4
Other Diocesan Office based posts	19.8	17.6
Longhill	3.0	3.0
Wydale Hall	13.4	8.0
Externally funded posts	5.7	8.0
	74.4	66.6

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

	Number	Number
Parochial posts	3.0	2.5
Archdeaconry based roles	3.3	3.5
Reach, Grow, Sustain posts	3.1	2.0
Safeguarding and Pastoral Care (excl. Admin)	3.3	3.0
Training, Vocations and School of Ministry	7.4	5.9
Education	8.7	8.1
Other Diocesan Office based posts	18.5	13.9
Longhill	1.3	1.3
Wydale Hall	8.1	5.0
Externally funded posts	3.5	6.0
	60.2	51.2

THE YORK DIOCESAN BOARD OF FINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

13. STAFF COSTS (continued)

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

	Number	Number
£60,001 - £70,000	1	1
£70,001 - £80,000	1	1
	<u>1</u>	<u>1</u>

Pension payments of **£23,485** (2017: £30,000) were made for these employees.

Payments on termination of employment of **£22,000** (2017:£27,000) have been made during 2017.

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 Chief Executive	Canon PJ Warry
Assistant Diocesan Secretary	Ms SA Davies
Diocesan Surveyor	Mr GJ Andrews
Finance Manager	Mr RM Ismay (to 23.11.2018)
Property Portfolio manager	Mr J Kidd (to 30.6.2018)
	Mr C Anelay (from 12.07.2018)
Diocesan Director of Education	Mr AK Smith
Director of Training for Missional Ministry	The Reverend Doctor GT Wakefield

Remuneration, pensions and expenses for these employees amounted to **£379,044** (2017: **£416,000**).

Trustees' emoluments

No Trustee received any remuneration for services as Trustee. The Trustees received travelling and out of pocket expenses, totalling **£27,000** (2017 - £26,000) 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 YDBF during the year:

	Stipend	Housing
The Most Reverend & Right Honourable Dr JTM Sentamu	No	No
The Right Reverend PJ Ferguson	No	Yes
The Right Reverend JB Thomson	No	Yes
The Right Reverend AM White	No	Yes
The Venerable AC Broom	Yes	Yes
The Venerable SR Bullock	Yes	Yes
The Venerable SJ Rushton	Yes	Yes
The Reverend Canon Dr ND Barnes	Yes	Yes
The Very Reverend V Faull	No	No
The Reverend WJ Ford	Yes	Yes
The Reverend F Mayer-Jones	Yes	Yes
The Reverend M Porter	Yes	Yes
The Reverend T Robinson	Yes	Yes

The YDBF is responsible for funding via the Church Commissioners the stipends of licensed stipendiary clergy in the diocese, other than bishops and cathedral staff. The YDBF is also responsible for the provision of housing for stipendiary clergy in the diocese including the suffragan bishops but excluding the Archbishop and cathedral staff.

THE YORK DIOCESAN BOARD OF FINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

13. STAFF COSTS (continued)

The YDBF paid an average of 192 (2016 – 195) stipendiary clergy as office-holders holding parochial or diocesan appointments in the diocese, and the costs were as follows:

	2018 £'000	2017 £'000
Stipends	4,777	4,828
National insurance contributions	400	379
Pension costs - current year	1,265	1,203
Pension costs - deficit reduction	559	667
	<u>7,001</u>	<u>7,077</u>

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

The stipends of the Archbishop and Suffragan Bishops are funded by the Church Commissioners and are in the range **£35,500 - £70,070** (2017 range £34,980 - £68,700). The annual rate of stipend, funded by the YDBF, paid to Archdeacons in 2018 was in the range **£34,700 - £35,400** (2017 range £34,180 - £34,700) and other clergy who were Trustees were paid in the range **£25,400 - £25,845** (2017 range £25,150 - £25,400). Stipend levels are set on the basis that housing is provided, and that costs relating to the provided housing (including rent, Council Tax, water charges, maintenance, and building insurance) are paid on behalf of clergy.

14. ANALYSIS OF TRANSFERS BETWEEN FUNDS

	Unrestricted Funds £'000	Restricted Funds £'000	Endowment Funds £'000
From the Parsonages Houses Fund to the Pastoral Account		351	(351)
From the Benefice Building Fund to the Parsonages Houses Fund		(421)	421
From the General Fund to the Pastoral Account	(945)	945	
To the Pastoral Account from the Benefice Building Fund		175	
From the Benefice Building Fund to the Pastoral Account		(175)	
From the General Fund to the Stipends Capital Fund for the reduction of the clergy pension deficit	(559)		559
	<u>(1,504)</u>	<u>875</u>	<u>629</u>

All of the transfers made between funds during 2018 relate to property transactions with the exception of the transfer relating to the clergy pension deficit.

2017 Comparatives	Unrestricted Funds £'000	Restricted Funds £'000	Endowment Funds £'000
From Pastoral Account to Parsonage Houses Fund	-	(285)	285
From Pastoral Account to General Fund	6	(6)	-
From General Fund to Stipends Capital Fund for the reduction of the clergy pension deficit	(800)	-	800
	<u>(794)</u>	<u>(291)</u>	<u>1,085</u>

All of the transfers made between funds during 2017 relate to property transactions with the exception of the transfer relating to the clergy pension deficit.

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15. TANGIBLE FIXED ASSETS – Land & Buildings

	Wydale Hall £'000	Education Properties £'000	Freehold Properties £'000	Diocesan Office £'000	Office Equipment £'000	Total £'000
Cost						
At 1 January 2018	1,950	81	46,043	937	133	49,144
Additions	-	-	518	-	26	544
Disposals	-	-	(539)	-	-	(539)
At 31 December 2018	1,950	81	46,022	937	159	49,149
Depreciation						
At 1 January 2018	-	-	-	-	88	88
Charge for the year	-	-	-	-	27	27
Disposals	-	-	-	-	-	-
At 31 December 2018	-	-	-	-	115	115
Net Book Value						
At 31 December 2018	1,950	81	46,022	937	44	49,034
At 31 December 2017	1,950	81	46,043	937	45	49,056

All of the properties in the balance sheet are freehold and are vested in the YDBF, except for benefice houses which are vested in the incumbent. Some properties have been purchased with the help of a value-linked loan from the Church Commissioners; when disposed of, the appropriate share of the net sale proceeds will be remitted to the Commissioners, and the related loan liability extinguished. The value of such properties included above amounts to **£148,000** (2017: £148,000).

16. FIXED ASSETS INVESTMENTS

	At 1 January 2018 £'000	Additions £'000	Disposals £'000	Change in Market Value £'000	At 31 December 2018 £'000
Investment property	18,708	-	(92)	24	18,640
Listed investments	14,714	1,931	(2,140)	(739)	13,766
Unlisted investments	9,316	516	-	(63)	9,769
Total	42,738	2,447	(2,232)	(778)	42,175

17. FINANCIAL INSTRUMENTS

	2018 £'000	2017 £'000
Financial assets measured at fair value	22,236	23,221
Financial assets measured at amortised cost	5,171	4,248
Financial liabilities measured at amortised cost	(5,379)	(7,152)

Financial assets measured at fair value comprise listed and unlisted investments and value linked loans to parishes. Financial assets measured at amortised cost comprise cash and debtors. Financial liabilities measured at amortised cost comprise loans and other creditors.

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NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

18. DEBTORS

	2018	2017
	£'000	£'000
Due within one year		
Capital Work-in-Progress	142	134
Other debtors and prepayments	1,104	583
	1,246	717
Due after more than one year		
Loans to parishes	41	168
Total debtors	1,287	885

19. CREDITORS: amounts falling due within one year

	2018	2017
	£'000	£'000
Other taxes and social security	63	86
Other creditors and accruals	559	918
Amounts held for other bodies	484	183
Pension scheme liabilities:		
Church Workers' Pension Fund	79	744
Clergy Pension Scheme	650	650
Total creditors: amounts falling due within one year	1,835	2,581

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

	2018	2017
	£'000	£'000
Loan repayment instalments due after more than one year:		
Church Commissioners value-linked loans	53	127
Pension Scheme liabilities:		
Clergy Pension Scheme	3,168	3,727
Church Workers' Pension Fund	387	-
Total creditors: amounts falling due after more than one year	3,608	3,854
The maturity of the above loans may be analysed as follows:		
In five years and more	53	127
	53	127

Value-linked loans (VLLs) represent amounts advanced to the DBF for the purchase of properties on an equity sharing basis and are repayable on the disposal of the related property. As at 31st December 2018 the Board had no intention of disposing of any of those properties funded via VLLs. During 2011 and 2012 a significant programme of mechanical and engineering work was carried out at Wydale Hall. The work was financed by a value-linked loan of £375,000 from the general reserves of the Diocese which is secured on the Hall. During 2015 the loan was increased by a further £47,000 to facilitate the refurbishment of the General Manager's living accommodation. There is no fixed term for repayment of the loan.

THE YORK DIOCESAN BOARD OF FINANCE LIMITED

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For the year ended 31 December 2018

21. SUMMARY OF FUND MOVEMENTS

	Balances at 1 January 2018 £'000	Income £'000	Expenditure £'000	Gains and Losses £'000	Transfers £'000	Balances at 31 December 2018 £'000
UNRESTRICTED FUNDS						
General	14,093	13,523	(12,443)	(293)	(1,503)	13,377
RESTRICTED FUNDS						
Diocesan Parsonages Board	1,894	-	-	-	-	1,894
Pastoral Account	54	52	(27)	-	1,471	1,550
Resourcing Ministerial	2	203	(184)	-	-	21
Education						
Strategic Capacity Funding	-	-	-	-	-	-
Benefice Building Fund	793	1	-	-	(597)	197
Faith in Education Fund	-	-	-	-	-	-
Mission Support Fund	33	-	-	-	-	33
Bishops' IT	12	-	(1)	-	-	11
First Lord Grimthorpe's Trust	17	2	-	-	-	19
Ministry Fund	35	22	(36)	-	-	21
Wydale Hall	1,290	454	(420)	-	-	1,324
Board of Education	1,848	155	(269)	(105)	-	1,629
Learning to Lead Religious	-	16	(16)	-	-	-
Education						
20s-40s	-	19	(19)	-	-	-
Restructuring	-	342	(66)	-	-	276
Longhill	-	14	(2)	-	-	12
Kingswood	-	4	-	-	-	4
	5,978	1,284	(1,040)	(105)	874	6,991
ENDOWMENT FUNDS						
Expendable						
Parsonages Houses Fund	34,283	139	-	-	70	34,492
Permanent						
Stipends Capital Fund	33,952	-	-	(316)	559	34,195
Ordination Candidates	229	-	-	(20)	-	209
Council						
First Lord Grimthorpe's Trust	45	-	-	(3)	-	42
Local Trusts' Stipend Fund	503	-	-	(31)	-	472
	69,012	139	-	(370)	629	69,410
Total funds	89,083	14,946	(13,483)	(768)	-	89,778

THE YORK DIOCESAN BOARD OF FINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

21. SUMMARY OF FUND MOVEMENTS (continued)

2017 Comparatives	Balances at 1 January 2017 £'000	Income £'000	Expenditure £'000	Gains and Losses £'000	Transfers £'000	Balances at 31 December 2017 £'000
UNRESTRICTED FUNDS						
General	14,273	12,678	(12,902)	838	(794)	14,093
RESTRICTED FUNDS						
Diocesan Parsonages Board	1,894	-	-	-	-	1,894
Pastoral Account	261	116	(32)	-	(291)	54
Resourcing Ministerial Education	-	45	(43)	-	-	2
Strategic Capacity Funding	-	53	(53)	-	-	-
Benefice Building Fund	195	598	-	-	-	793
Faith in Education Fund	13	1	(14)	-	-	-
Mission Support Fund	33	-	-	-	-	33
Bishops' IT	12	-	-	-	-	12
First Lord Grimthorpe's Trust	16	1	-	-	-	17
Ministry Fund	50	260	(275)	-	-	35
Wydale Hall	1,294	396	(400)	-	-	1,290
Board of Education	1,694	179	(243)	218	-	1,848
Learning to Lead Religious Education	-	20	(20)	-	-	-
	5,462	1,669	(1,080)	218	(291)	5,978
ENDOWMENT FUNDS						
Expendable						
Parsonages Houses Fund	33,673	325	-	-	285	34,283
Permanent						
Stipends Capital Fund	31,652	33	-	1,467	800	33,952
Ordination Candidates Council	212	-	-	17	-	229
First Lord Grimthorpe's Trust	42	-	-	3	-	45
Local Trusts' Stipend Fund	466	-	-	37	-	503
	66,045	358	-	1,524	1,085	69,012
Total funds	85,780	14,705	(13,982)	2,580	-	89,083

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22. SUMMARY OF ASSETS BY FUND

	Fixed assets Tangible £'000	Investments £'000	Current Assets £'000	Creditors £'000	Net Assets £'000
Unrestricted funds – General	5,205	7,453	1,452	(733)	13,377
Restricted					
Diocesan Parsonages Board	1,894	-	-	-	1,894
Pastoral Account	-	-	1,550	-	1,550
Resourcing Ministerial Education	-	-	21	-	21
Strategic Capacity Funding	-	-	-	-	-
Benefice Building Fund	-	-	197	-	197
Faith in Education Fund	-	-	-	-	-
Mission Support Fund	-	-	33	-	33
Bishops' IT	-	-	11	-	11
First Lord Grimthorpe's Trust	-	-	19	-	19
Ministry Fund	-	-	21	-	21
Wydale Hall	1,950	-	(110)	(516)	1,324
Board of Education	81	1,396	506	(354)	1,629
Learning to Lead Religious Education	-	-	22	(22)	-
20s – 40s	-	-	-	-	-
Restructuring	-	-	276	-	276
Longhill	-	-	12	-	12
Kingswood	-	-	4	-	4
	3,925	1,396	2,562	(892)	6,991
Endowment					
Expendable					
Parsonages Houses Fund	34,492	-	-	-	34,492
Permanent					
Stipends Capital Fund	5,412	32,603	(2)	(3,818)	34,195
Ordination Candidates Council	-	209	-	-	209
First Lord Grimthorpe's Trust	-	42	-	-	42
Local Trusts' Stipend Fund	-	472	-	-	472
	39,904	33,326	(2)	(3,818)	69,410
Total funds	49,034	42,175	4,012	(5,443)	89,778

THE YORK DIOCESAN BOARD OF FINANCE LIMITED

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22. SUMMARY OF ASSETS BY FUND (continued)

2017 Comparatives	Fixed assets Tangible £'000	Investments £'000	Current Assets £'000	Creditors £'000	Net Assets £'000
Unrestricted funds – General	5,436	7,774	2,150	(1,267)	14,093
Restricted					
Diocesan Parsonages Board	1,894	-	-	-	1,894
Pastoral Account	-	-	54	-	54
Resourcing Ministerial Education	-	-	2	-	2
Strategic Capacity Funding	-	-	-	-	-
Benefice Building Fund	-	-	793	-	793
Faith in Education Fund	-	-	-	-	-
Mission Support Fund	-	-	33	-	33
Bishops' IT	-	-	12	-	12
First Lord Grimthorpe's Trust	-	-	17	-	17
Ministry Fund	-	-	35	-	35
Wydale Hall	1,950	-	(153)	(507)	1,290
Board of Education	81	1,504	512	(249)	1,848
Learning to Lead Religious Education	-	-	35	(35)	-
	3,925	1,504	1,340	(791)	5,978
Endowment					
Expendable					
Parsonages Houses Fund	34,283	-	-	-	34,283
Permanent					
Stipends Capital Fund	5,412	32,683	234	(4,377)	33,952
Ordination Candidates Council	-	229	-	-	229
First Lord Grimthorpe's Trust	-	45	-	-	45
Local Trusts' Stipend Fund	-	503	-	-	503
	39,695	33,460	234	(4,377)	69,012
Total funds	49,056	42,738	3,724	(6,435)	89,083

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

23. DESCRIPTION OF FUNDS

General fund	The general fund is the YDBF's unrestricted undesignated fund available for any of the YDBF's purposes without restriction.
Pastoral account	<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 diocese• to transfer funds to the diocesan stipends fund income or capital accounts.
Stipends capital fund	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 are invested as part of the YDBF's portfolio and managed by CCLA or Smith & Williamson.
Parsonages houses fund	This fund represents the carrying value of all the benefice houses (parsonages) in the Diocese. These are expendable endowments in that the Board has the power to convert certain sale proceeds to income with various consents obtained locally and from the Church Commissioners by being transferred to the Diocesan Pastoral Account and then converted to an income account at a later date.
Ordination candidates' council	<p>The ordination candidates' council fund relates to invested bequests, the income from which is to provide assistance to candidates training for the Anglican priesthood.</p>
First Lord Grimthorpe's Trust	The First Lord Grimthorpe's Trust provides income for repairs to churches of the evangelical tradition within the Diocese of York.
Local Trusts' Stipend Fund	The Local Trusts' Stipend Fund relate to specific investments, the income from which is to augment stipends.
Diocesan Parsonage Board	The Diocesan Parsonages Board holds houses which are used to accommodate certain office holders who do not have incumbent status.
Benefice Building Fund	The Benefice Building Fund holds proceeds from parsonage sales. If the house and proceeds become surplus as a result of reorganisation, the surpluses are available to be transferred to the Pastoral Account subject to consents from the relevant Patron, PCC and the Church Commissioners.

THE YORK DIOCESAN BOARD OF FINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

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23. DESCRIPTION OF FUNDS (continued)

Faith in Education Fund	The Faith in Education Fund aims to pioneer links between churches and schools in Hull by contributing creatively toward addressing problems particularly at secondary level of poor attainment, low aspirations and falling rolls.
Mission Support Fund	The Mission Support Fund relates to donations for projects in Hull and Middlesbrough.
Bishops' IT	Bishop's IT is a central allocation by the Church Commissioners for Bishops' information technology needs.
Ministry Fund	The Ministry Fund represents donations from private individuals and grant awarding trusts to support specific ministry posts in the diocese.
Wydale Hall	Wydale Hall is a special restricted fund and operates as a conference and retreat house primarily for the benefit of the Church of England. In event of a sale of the property the proceeds would have to be applied either in the purchase of another property to be used for the same purposes or invested and the resultant income applied for the promotion and holding of retreats and of religion. Its sole trustee is the York Diocesan Board of Finance Limited.
Diocesan Board of Education	DBE funds are restricted in accordance with the Uniform Statutory Trust legislation. The funds are proceeds from site disposals, donations and income from educational services and can be used to support Church Schools. The income can be used by the DBE to fund the provision of services to schools. Capital and income can also be used to assist with school building projects.
Learning to Lead Religious Education	This represents donations from specific organisations to cover direct costs of supporting the development of religious education.
Resourcing Ministerial Education	Funding from Ministry Division specifically for ordinand training.
Strategic Capacity Funding	Funding from Archbishops Council for specific activities relating to the renewal and reform agenda.
20s-40s	Strategic Development Funding from the Church of England Strategic Investment Board awarded for the establishment of new worshipping communities for the 20 to 40 age range.
Restructuring	Funding from the Church of England Strategic Investment Board to be drawn down for use on projects that will support increased financial sustainability and resilience.
Longhill	Grants and donations restricted for use within the Longhill BMO.
Kingswood	Grants and donations restricted for use within the Kingswood BMO.

NOTES TO THE FINANCIAL STATEMENTS

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24. CAPITAL COMMITMENTS

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

25. POST BALANCE SHEET EVENTS AND CONTINGENT LIABILITIES

There are no post balance sheet events or contingent liabilities at the balance sheet date.

26. PENSIONS

The DBF participates in two pension schemes administered by the Church of England Pensions Board, which holds the assets of the schemes separately from those of the DBF and the other participating employers. One of these is the **Church of England Funded Pensions Scheme** for stipendiary clergy. The other is the **Church Workers Pension Fund**.

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

Church of England Funded Pension Scheme

York DBF participates in the Church of England Funded Pensions Scheme for stipendiary clergy. This scheme is administered by the Church of England Pensions Board, which holds the assets of the 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's and 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 towards benefits and expenses accrued in that year, plus any impact of deficit contributions (see below).

A valuation of the Scheme is carried out once every three years. The most recent Scheme valuation completed was carried out at 31 December 2015. A valuation at 31 December 2018 is currently underway but the results of this are yet to be determined. The 2015 valuation revealed a deficit of £236m, based on assets of £1,038m 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%.

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26. PENSIONS (continued)

Church of England Funded Pension Scheme (continued)

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

% of pensionable stipends	January 2016 to December 2017	January 2018 to December 2025
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	4,377	5,177
Deficit contribution paid	(544)	(661)
Interest cost (recognised in SOFA)	57	73
Remaining change to the balance sheet liability* (recognised in SOFA)	(72)	(212)
Balance sheet liability as at 31 December	3,818	4,377

* 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% pa	1.4% pa	1.5% pa
Price inflation	3.1% pa	3.0% pa	3.1% pa
Increase to total pensionable payroll	1.6% pa	1.5% pa	1.6% pa

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

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26. PENSIONS (continued)

Church Workers Pension Fund

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

The YDBF and Wydale Hall participate in both the Defined Benefits Scheme section and the Pension Builder Scheme section of the 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.

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.

The Church Workers Pension Fund Defined Benefit Scheme has been closed to future accrual with effect from 31 March 2018. Members of that scheme who remain in employment by the Diocese of York have joined the Pension Builder Classic scheme. The decision to close the scheme and the determination of future pension arrangements followed a consultation with members.

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.

The scheme is a multi-employer scheme as described in Section 28 of FRS 102. 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. This means that contributions are accounted for as if the Scheme were a defined contribution scheme. The pensions costs of the DBS charged to the SoFA in the year are contributions payable towards benefits and expenses accrued in that year (2018: DBF £35,000 and Wydale £1,000; 2017: DBF £159,000 and Wydale £8,000), plus any impact of deficit contributions (see below), giving a total DBS charge of £36,000 for 2018 (2017: £167,000).

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

NOTES TO THE FINANCIAL STATEMENTS
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26. PENSIONS (continued)

Church Workers Pension Fund – Defined Benefits Scheme (continued)

A valuation of the DBS is carried out once every three years, the most recent was carried out as at 31 December 2016. In this valuation, the Life Risk Section was shown to be in deficit by £2.6m and £2.6m was notionally transferred from the employers' sub-pools to the Life Risk Section. This increased the Employer contributions that would otherwise have been payable. The overall deficit in the DBS was £26.2m.

Following the valuation, the Employer has entered into an agreement with the Church Workers Pension Fund to pay expenses of £8,200 per year in respect of YDBF and £2,000 per year in respect of Wydale Hall. In addition deficit payments of £66,365 per year for YDBF and £13,001 per year for Wydale hall have been agreed for 7 years from 1 April 2018 in respect of the shortfall in the Employer sub-pool. This obligation has been recognised as a liability within the Employer's financial statements.

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

	YDBF		Wydale Hall		Total	
	2018	2017	2018	2017	2018	2017
	£'000	£'000	£'000	£'000	£'000	£'000
Balance sheet liability as at 1 January	657	-	87	-	744	-
Deficit contribution paid	(45)	-	(9)	-	(54)	-
Interest cost (recognised in SOFA)	-	-	-	-	-	-
Remaining change to the balance sheet liability* (recognised in SOFA)	(222)	657	(2)	87	(224)	744
Balance sheet liability as at 31 December	390	657	76	87	466	744

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

The balance sheet liability as at 1 January 2018 was an estimate based on known information at that time which has proved to be an overestimate resulting in the reduction in the liability as shown above. The liability at 31 December 2018 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% pa	0.0% pa	0.0% pa

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

26. PENSIONS (continued)

Pension Builder Scheme

The Pension Builder Scheme of the Church Workers Pension Fund is made up of two sections, Pension Builder Classic and Pension Builder 2014, both of which are classed as defined benefit schemes. The York Diocesan Board of Finance only offers Pension Builder Classic to its employees.

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

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 FRS 102 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: DBF £166,000 and Wydale £7,000; 2017: DBF £83,000 and Wydale £5,000).

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

For the Pension Builder Classic section, the valuation revealed a deficit of £14.2m on the ongoing assumptions used. At the most recent annual review, the Board chose not to grant a discretionary bonus, which will have acted to improve the funding position. There is no requirement for deficit payments at the current time.

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

THE YORK DIOCESAN BOARD OF FINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

27. PRIOR YEAR COMPARATIVE SOFA

	Note	Unrestricted Funds £'000	Restricted Funds £'000	Endowment Funds £'000	Total funds 2016 £'000
Income and endowments from					
Donations	2				
Parish contributions		8,277	-	-	8,277
Archbishops' Council		1,988	98	-	2,086
Other donations		294	54	-	348
Charitable activities	3	840	803	-	1,643
Other activities	4	208	-	-	208
Investments	5	1,071	1	-	1,072
Other	6	-	713	358	1,071
Total		12,678	1,669	358	14,705
Expenditure on					
Raising funds	7	193	-	-	193
Charitable activities	8	12,709	1,080	-	13,789
Other expenditure	9	-	-	-	-
Total		12,902	1,080	-	13,982
Net income/(expenditure) before investment gains		(224)	589	358	723
Net gains on investments	21	838	218	1,524	2,580
Net income		614	807	1,882	3,303
Transfers between funds	14	(794)	(291)	1,085	-
Net movement in funds		(180)	516	2,967	3,303
Total funds brought forward		14,273	5,462	66,045	85,780
Total funds carried forward	21	14,093	5,978	69,012	89,083

THE YORK DIOCESAN BOARD OF FINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 December 2018

28. RELATED PARTY TRANSACTIONS

Having made enquiries, the directors are not aware of any related party transactions in 2018 (2017: £nil) other than the grant paid to The Diocese of York Educational Trust detailed in note 30.

29. SUBSIDIARY

The Diocese of York Educational Trust (DYET) was incorporated in February 2012. The Trust has seven Trustees; three appointed by the Diocesan Board of Education, three appointed by the Archbishop and the Diocesan Director of Education on an ex officio basis. The Trust is therefore deemed to be controlled by the York Diocesan Board of Finance Limited. The financial results for the Trust have not been consolidated into these accounts on the grounds of materiality. The Objects of DYET are to advance for the public benefit education in the Diocese of York or elsewhere, in particular but not exclusively, by:

- promoting the efficiency and effectiveness of Educational Institutions and the efficient and effective application of resources for such purposes including by promoting and disseminating models of good practice and by the delivery of support services generally to such institutions;
- advancing the education of people who work or volunteer in or govern Educational Institutions in order to assist those persons to deliver a high quality education to the pupils and to communities served by those institutions;
- establishing, sponsoring and maintaining Academies (primarily but not exclusively Church of England Academies) under the direction of the Diocesan Board of Education.

The YDBF made a grant of £nil to DYET during 2018 (2017: £2,000).

30. FUNDS HELD AS CUSTODIAN TRUSTEE

The YDBF 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 YDBF does not control them. The financial assets held in this way may be summarised as follows:

	2018	2017
	£'000	£'000
CBF Church of England Investment Fund	3,251	3,337
CBF Church of England Fixed Interest Fund	213	222
CBF Church of England Property Fund shares	34	33
COIF income and accumulation shares	294	283
Other common investment fund holdings	7,318	7,962
CBF Church of England Deposit Fund	1,707	1,809
Cash at bank	626	275
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Total assets held as custodian trustee	13,443	13,921
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