Company Registration No. 00049825
Charity No. 248330

THE TRURO DIOCESAN BOARD OF FINANCE LIMITED
(LIMITED BY GUARANTEE)

CONSOLIDATED FINANCIAL STATEMENTS

31 December 2017

The Truro Diocesan Board Of Finance Limited (Limited By Guarantee)

Contents **Page**

Trustees Annual Report	1 – 16
Independent Auditors' Report	17 – 19
Consolidated Statement of Financial Activities	20
Company Statement of Financial Activities	21
Income and Expenditure Account	22
Consolidated and Company Balance Sheet	23 – 24
Consolidated Cash Flow Statement	25
Notes to the Financial Statements	26 – 52

The Truro Diocesan Board Of Finance Limited (Limited By Guarantee)

Trustees' Annual Report
For the year ended 31 December 2017

The trustees, who are also the directors for the purposes of company law, present their annual report, together with the audited financial statements, for the year ended 31 December 2017.

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 and Administrative Information

Members of the Bishop's Diocesan Council

The Members of the Bishop's Diocesan Council (who are the trustees of the Charity (for the purposes of charity law) and the directors of the Company (for the purposes of company law)) who served during the year and who were members at the date of this report were as follows:

President (ex officio)	The Rt. Revd. T M Thornton (resigned 31 August 2017) The Rt. Revd. C D Goldsmith (with delegated authority 1 September 2017)
Chairman (elected by the Members)	Mr M J Sturgess
Ex officio	The Rt. Revd. C D Goldsmith (appointed President 1 September 2017) The Very Revd. R C Bush (The Dean) The Ven. W R Stuart-White (Archdeacon of Cornwall) The Ven. A A Elkington (Archdeacon of Bodmin)
Elected by the relevant Houses of Diocesan Synod	
Chair of the House of Clergy	The Revd. A G Bashforth
Chair of the House of Laity	Lay Canon Mrs S J Sturgess
Elected by Houses and Archdeaconry	
Archdeaconry of Cornwall	The Revd. Canon K P Arthur Mr N C J Herian Mr R E Hygate
Archdeaconry of Bodmin	The Revd. D K Barnes The Revd. M E Goodland (resigned 5 April 2017) The Revd. Paul Holley (appointed 21 September 2017) Mr R C West
Bishops Appointments	Lay Canon Mr R J Perry Mrs C E Irwin Lay Canon Mr A Keast The Revd. Canon A E Brown Dr A G Thompson

Legal and Administrative Information (continued)

Company Secretary	Mrs E Pollard
Registered Office	Church House Woodlands Court Truro Business Park Threemilestone Truro TR4 9NH
Telephone	01872-274351
Email address	info@truro.anglican.org
Website	www.trurodiocese.org.uk
Company registration number	00049825 (England and Wales)
Charity registration number	248330
Diocesan registrar	Mr J Moule, Narrow Quay House, Narrow Quay, Bristol
Solicitors	Veale Wasbrough Vizards LLP, Narrow Quay House, Narrow Quay, Bristol
Auditors	Robinson Reed Layton LLP, Peat House, Newham Road, Truro
Bankers	National Westminster Bank PLC, St Nicholas Street, Truro
Insurers	Ecclesiastical Insurance Group PLC, Beaufort House, Brunswick Road, Gloucester
Investment advisers	CCLA Investment Management Limited, Senator House, 85, Queen Victoria Street, London M&G Investments, Governor's House, 5 Laurence Pountney Hill, London
Glebe estate manager	Savills, Lemon Street, Truro
Property manager	Savills, Lemon Street, Truro (with effect from 1 January 2018)

Legal Objectives

The overall objects of the Truro Diocesan Board of Finance are to promote the work of the Church of England in the Diocese of Truro and to act as a good steward of the resources entrusted to it.

The principal objects set out in the company's Memorandum of Association are:

- To promote and assist the work, objects and purposes of the Church of England for the advancement of the Christian religion in the Diocese of Truro, and in particular to organise and provide funds in aid of the work of the Church including:
    - training for ministry;
    - maintenance and financial support and assistance of ministry;
    - provision of pensions for the clergy and for lay workers;
    - overseeing the various properties used by the wider church, including churches, church halls, clergy houses and other buildings;
    - providing religious education through Church of England schools and colleges as well as elsewhere; and
    - financing the diocesan and central organisation;
- To raise, expend, invest and accumulate funds and income for the above purposes;
- To remunerate employees of the company, to make payments for insurance on their behalf, and to make provision for any person, or the dependants of any person, who is or has been in the employment of the company;

Legal Objectives (continued)

- To promote or oppose, or join in promoting or opposing legislative and other measures affecting or likely to affect any of the objects or work of the company, or any body of persons, the aid or benefit of which is within the objects of the company;
- To acquire and hold or sell and dispose of houses and land of any tenure either in the name of the company or in the name of a trustee or trustees for the company.

The Truro Diocesan Board of Finance has the following statutory responsibilities:

- the management of glebe property and investments to generate income to support the cost of stipends arising from the Endowment and Glebe Measure 1976;
- the repair of benefice houses as the Diocesan Parsonage Board under the Repair of Benefice Buildings Measure 1972;
- the management of investments and the custodian of assets relating to church schools under the Diocesan Board of Education Measure 1991;
- 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 Bishop of Truro (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.

Strategic Report

Our overarching vision in this diocese remains that of Discovering God's Kingdom, Growing the Church.

2017 was a year of farewells as the diocese saw Bishop Tim take up a new position as the Bishop at Lambeth in September 2017. The announcement was made in April and a farewell service was held in the cathedral for Bishop Tim and Sian in July. The Vacancy in See Committee was called together, and its remit was to ensure that a Statement of Needs was prepared. This is designed to help shape the process of appointing the next Bishop of Truro and outlines the characteristics which are important in our new bishop. The Vacancy in See Committee was also charged with electing from its membership six people who would become members of the Crown Nominations Commission, the committee involved with the selection and appointment of the new Bishop of Truro. It is expected that a new bishop may be in post by the end of 2018 or at the beginning of 2019.

Throughout this period of change, the diocese remains resilient and work continues on the updated strategic plan, Confidence in the Gospel, which involves a number of initiatives that continue to take place. Although the plan covers a three year period (2016-2018), it has been recognised that because there are many facets and elements to the plan, some aspects will have been completed and others will need longer than its original life span to fully bear fruit. The delivery of the plan will extend beyond its three years.

All of the following areas are underpinned by a key theological idea: the whole People of God are called to live for and witness to the Gospel. Together we want to know God and make him known. We will support churches' journeys towards this goal, focussing upon our four strands:

- Praying
- Growing
- Leading
- Supporting

For each we outline an agenda for work and state our objectives. Given our understanding of church growth as organic and dependent upon God we will continue to work purposefully towards their achievement while remaining open to God's surprises.

Praying

Our vision is that the whole Church be inspired and empowered by God: we want to be a community that knows God and converses with him in prayer, rising from our knees inspired to be prophets and priests in God's world. During 2017 we developed resources to assist churches and individuals with prayer, and the diocesan prayer events were well received. As part of our prayer life, the usefulness of pilgrimages was emphasised with the development of the Cornish Celtic Way, a 125 mile route through Cornwall from St Germans to St Michael's Mount.

Growing

Our aim is to seek growing churches. This means growth in all dimensions: in depth of faith in God, in numbers of worshippers of God, and scope of engagement with God's world.

Growing (continued)

Concerning the relationship between discipleship and growth, Way of Life will remain the focus of diocesan resourcing; and we will become increasingly strategic in our deployment of resources and measuring impact. We will refocus the work of the Church House team to support discipleship and church growth. Our main initiatives are in the areas of new ministries, student work, among families and young people, in schools, and in support of environmental awareness and creation care.

In 2017 we invested heavily in time and resources in Transforming Mission (TM) which is the most significant plan to stimulate church growth in the Diocese over the next few years, as described in our Confidence in the Gospel development plan.

"TM" is a model for the renewal of Anglican Church life across the Diocese of Truro. We have secured considerable funding from the Church Commissioners which has enabled us to start developing a version of Resource Church that seeks to learn and borrow from current practice in other dioceses but is tailored to fit the Cornish context. The initial implementation of the model has been in Falmouth where work has started to build: a thriving missional community in the churches across Falmouth; an effective ministry to students; a community in which we will identify, nurture and train future lay and ordained ministry; and a model of town resource church to use across Cornwall. As a result, we have recruited café staff, refurbished and opened a new café (Huddle) which is proving to be a great success with all age groups. A worship leader and a student minister have been appointed and are building relationships with students and with the university chaplaincy. There is now also a new student ministry, called Rekindle. The TM team has become integrated with, and works alongside, the other church leaders of all denominations in Falmouth in mission and other initiatives.

In 2017 we also saw two fixed term part-time appointments; the Environmental Officer on a consultancy basis for a period of one year and the Cornish Celtic Way facilitator for a period of two years. Both these posts were in response to our commitment to the environment and getting people of all ages, who are interested in spirituality to explore and develop their faith in a different way.

Leading

To support and encourage the discovery of God's Kingdom and the growth of His Church, we will innovate in the area of church leadership. Our aim is both to ensure that it is focused upon mission and discipleship, and to provide proper support for priests and other ministers. Our priorities for development relate to:

- parish transitions/clergy vacancies;
- oversight ministry;
- collaboration in church leadership;
- increasing the number of vocations to authorised ministry; and
- ministerial formation.

All of this is within the context of the "Never Alone" policy which was adopted by Diocesan Synod during 2016.

Supporting

The Truro Diocesan Board of Finance provides a wide range of support for churches including, particularly, the deployment of ordained ministers and the services of Church House. The strategic plan does not mention all of these essential activities, but concentrates only upon specific developments we plan during 2016-18. They are presented under the headings of:

- Responsible caring - safeguarding children and vulnerable adults;
- Buildings - Church buildings and parsonages witness to a Christian presence in every community, while being costly to maintain. Our objective is to exercise missional stewardship of these resources;
- Finance – focusing on:
    - sustainability of parishes and deaneries. Stewardship is an integral part of our Christian discipleship, so we will seek to ensure that the maximum number of parishes are financially sustainable by the end of 2018 or, where this is impracticable or undesirable, prepare and agree an explicit plan for mutual support within the deanery and/or diocese. We will also agree, with each deanery, mission and ministry plans which include sustainable patterns of ministry.
    - investments – ensuring that our investments continue to make a significant contribution to the diocesan finances; and
    - reviewing our approach to the Mission and Ministry Fund payments from parishes to the diocese. These are required to support the costs of mission and ministry, particularly the costs of stipendiary clergy. In the light of falling contributions from parishes we have been looking at a potential new approach to how this call should be determined in future, as the old approach is no longer felt to be fit for purpose.

Supporting (continued)

- Communications – implementing the communications strategy to support parishes achieve good standards of communication and publicity in their ministries and provide digital platforms to facilitate provision of relevant church-related information throughout the region;
- Because of Bishop Tim's departure, a decision was made by the Bishop's Diocesan Council to postpone the proposed Diocesan Assembly until further notice.

In 2017, within Church House, we continued to focus on delivering the 'Confidence in the Gospel' Development Plan. It has meant ensuring we have the resources, both people and financial, to grow the church. It has also meant that we need to ensure we are complying within the governance structures of the Diocese, understanding and working within acceptable levels of risk and within the boundaries of health and safety. We seek to be a good employer, providing staff at Church House with opportunities to grow and to develop and within a framework of good governance.

Activities and achievements during the year

Public benefit

The trustees believe that, by promoting the work of the Church of England in the Diocese of Truro, the Diocesan Board of Finance 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.

The trustees are aware of the Charity Commission's published guidance on the public benefit requirement in general and more particularly in the Advancement of Religion for the Public Benefit and have had regard to it in their administration of the Truro Diocesan Board of Finance.

The Christian Presence

Clergy form a central part in the life of churches in the Truro Diocese and carry out important roles in communities.

While the Truro Diocesan Board of Finance is responsible for funding of clergy stipend costs, the national clergy payroll is administered by the Archbishops' Council, a charity which the Truro Diocesan Board of Finance reimburses monthly for the costs of stipendiary clergy deployed in the Diocese. Caring for the clergy, curates, readers, local worship leaders and local pastoral ministers in the diocese is a priority of the Truro Diocesan Board of Finance and ministry costs represent by far its largest financial commitment.

Altogether the diocese has, as at 31 December 2017, the following people involved in authorised ministry:

• Stipendiary priests	75
• Self-supporting priests	32
• 'House for Duty' priests	7
• Curates	12
• Readers	116
• Priests with Permission to Officiate	162
• Retired clergy	68
• Local Worship Leaders	313
• Local Pastoral Ministers	430

An important achievement as mentioned earlier, was the Church Commissioners' confidence in our application for funding for the Transforming Mission Cornwall project. This resulted in a five-year grant of £1.2 million being awarded for investing in stimulating church growth, starting in Falmouth. The aim is to roll this out across other areas in Cornwall. The diocese's contribution towards this initiative will be around £600,000, across the same timescale.

In 2017 the diocese continued to grow its reputation and position in ministerial training with a national conference on Oversight Ministry and changes to the structure and governance of South West Ministerial Training Course (SWMTC) around ministerial formation.

We also saw clergy continue to engage in Accompanied Ministry Development (AMD) and the learning from this has been built into the next iteration of AMD, known to be AMD 2.0.

The Christian Presence (continued)

We have received positive feedback on the transitions process; a time when a clergy person retires and support is provided to the parishes.

Furthermore, Ministerial Development Teams are in place in nearly all areas and are generally found to be a positive input, supporting the results of AMD.

The restructuring of ministerial training is already enabling a more effective, streamlined and joined up programme that benefits people who are exploring their vocation and the diocese.

Work with schools

During 2017, the Education Department continued to work with partners in order to raise standards in schools in Cornwall and the Isles of Scilly. We promote the Church of England's "Vision for Education" which describes "Educating for Wisdom, Hope, Community and Dignity" and are able to offer a vision for education that is rich and compelling, not just among Christian parents and in church schools, but across a society that increasingly realises the vital place of education in human flourishing, and in shaping communities.

As well as the work undertaken by the Truro Diocesan Board of Education with the schools, the church has links at diocesan and parish level through the "Open the Book" initiative. This is an ecumenical project that takes teams into primary schools. There is a three-year programme of Bible stories that are read out and enacted by the teams of volunteers. Open the Book teams now reach over 60% of primary school children in Cornwall. Our long term aim is to take this into every primary school in the diocese and our thanks go out to the many volunteers who form the Open the Book teams across the county.

Volunteers

As can be seen from the comments above on Open the Book, the diocese is heavily dependent on the huge number of people involved in church activities at parish, at deanery 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 Truro Diocesan Board of Finance greatly values the considerable time given by all the committee members across the diocese in pursuit of the mission of the diocese.

Social Investments

The Socially Proactive Investment Policy was approved by the Bishop's Diocesan Council during 2016. This policy reflects a change in respect of the use of assets of the Truro Diocesan Board of Finance Ltd. The objective of the policy is for the Diocese to utilise its assets and investment returns to take account of Kingdom Values.

"Kingdom Values" are characteristics of the Kingdom of God, those qualities and norms that will prevail eternally in heaven, but that the Church aspires to live out now on earth. These values can on occasion stand contrary to the characteristics of human cultures. "Kingdom Values" will include individual characteristics and virtues such as faith, thankfulness, hope, selflessness, and humility as well as societal goods such as justice, peace, the integrity creation and arguably a "bias to the poor".

We reported that it was important to ensure that Charity Commission guidance and legislation are followed and we have since identified that there are areas of the legislation that are not compatible with our preferred approach. While we are not disregarding this area and the desire to explore it further, it was felt that we needed to focus our attention on the matter of Total Return, which may also enable us to invest in areas of social interest. During 2017 we have sought advice, explored how other dioceses approached Total Return and carried out research in this area to reach a good understanding of the consequences of adopting Total Return and identify any potential risks involved. The BDC approved the adoption of the Total Return approach to the Stipends Fund Capital Account on 28 March 2018.

Financial Review

The financial statements show an operating deficit, before accounting for gains from investments and revaluations. This is in part due to the MMF contributions received being lower than that received in 2016 and also due to an increased spend on repairs to the parsonages, which was approved in order to start to address the backlog in maintenance.

Accounting for pension scheme deficits on multi-employer defined benefit pension schemes

The net impact of these changes is disclosed within note 30 to the financial statements.

Revaluations and realisation of investments

It is policy that the Glebe portfolio is revalued every five years. Following the large increase in the value of the portfolio when the last revaluation was carried out at the end of 2015, professional advice was taken regarding its value as at the end of 2016 and 2017. This resulted in further increases in value of £1.7m for 2016 and £0.4m for 2017 which have been accounted for in the financial statements.

Whilst it is good to see further gains in the Glebe investments, Glebe is an endowment fund, and cannot be expended. This is also an unrealised gain, and as such does not increase the liquid assets available to the company. Nor does this revaluation result in an increase in the income generated from the assets.

During the year various Glebe parcels were sold, realising a gain of £9,000.

Finally, the company had unrealised gains on the revaluation of freehold property of £2.54 million (2016: £0.62 million).

Mission and Ministry Fund (MMF)

Our major source of income is the Mission & Ministry Fund (MMF), a contribution made by parishes. 2017 saw the majority of parishes respond positively to the 1.5% increase sought when the 2017 budget was approved at the Diocesan Synod. However, despite this, we saw an overall drop of 3.5% in the MMF contributions actually received from parishes, when compared with 2016. This equates to a reduction of £142,000 in income.

During 2017 the diocese received about 1% less from the 5 deaneries who allocate MMF between them than it did in 2016. The diocese received about 6% less from the other 7 deaneries.

The MMF collection rate fell to 78.31%, the lowest it has ever been.

Ministry in Parishes

The largest area of expense for the company is that of 'Ministry in parishes'. A detailed breakdown is given in note 8.

The average number of stipendiary clergy across the diocese during 2017 was again below the expected level, but was above the 2016 number, resulting in an increase in stipends and national insurance of approximately £96,000 when compared with 2016.

In 2016 we reported significant changes to the property department and during 2017, following an in-depth review and subsequently a tendering programme, the Bishop's Diocesan Council (BDC) approved outsourcing the work of the property management to Savills which took effect from 1 January 2018. During 2017 a significant effort went into progressing the quinquennial programme, instructing various contractors, ensuring compliance across the spectrum and building up considerable knowledge of the entire property portfolio. The aim is ultimately to be in a position to understand the level of works and investment required to bring the portfolio up to a good standard. A deliberate decision was taken to exceed the repair budget by £0.45m in order to continue to improve standards of the housing portfolio.

Lay staff costs

Lay staff costs have increased from £1,008,000 to £1,130,000. This increase is partly due to increasing the resources in the area of Transforming Mission Cornwall. These increases were budgeted for.

A cost of living increase of 1.5% was awarded in the year, which was aligned to the clergy stipend increase. The full time equivalent numbers employed have increased from 27 to 29.

Plans for the future

A new Bishop

Working with Truro Cathedral, to resource and organise the welcome and installation of the next Bishop of Truro and their introduction to the diocese using various media channels.

Discipleship

To support developments in Discipleship, including promoting the national prayer initiative "thy Kingdom Come" and to continue to work on renewing and resourcing Local Pastoral Ministers and Local Worship Leaders and to celebrate their vital part in our diocesan life.

Safeguarding

Our commitment to Safeguarding continues to be a high priority. We will aim to:

- Invest in training and provide good practice and best guidance.
- Focus on recommended developments as highlighted by the Social Care Institute for Excellence (SCIE) audit which is to improve areas around governance, policies, processes and ensuring compliance and quality assurance.
- Engage with all stakeholders and the wider diocese on safeguarding matters with one of the key objectives of developing a real commitment from people in parishes across the diocese to make safeguarding part of our DNA.
- Develop safeguarding training in line with national requirements and to develop and put in place a safeguarding training plan.

Support to clergy and parishes

To provide funding, housing and Continuing Ministerial Development (CMD) for the clergy of the diocese.

To ensure parsonages are in the right location and are fit for purpose; there will be a review the property portfolio as a whole with the aim of looking to rationalise the portfolio in line with our future aspirations and needs.

To continue to build on the various developments in the area of Ministry and further enhance and develop the Accompanied Ministry Development (AMD) programme into its second phase of activity, encourage Oversight Ministers and enhance our Initial Ministerial Education.

To develop further the Vocation strategy with a focus on increasing the number and range of vocations, developing the financial and policy structures to support the training of ordinands, accompanied by continuing work on initial and ongoing training and resourcing for clergy and other authorised ministers.

To support parishes and benefices during a time when a priest has decided to retire or take up another post elsewhere.

To provide parish training days to enhance learning and understanding in key areas of governance, and of the legal and financial requirements within the operational structure of the diocese. Part of the training days will also focus on areas of Discipleship, Mission and Stewardship.

To work on developing the next stage of Transforming Mission to build a strategy and develop plans to create a network of TM resource churches to reach right across the diocese. The aim is to resource those areas in generating vocations (lay and ordained), mission, social transformation, and starting new worshipping communities (across traditions).

Mission and Ministry Fund (MMF)

The Mission and Ministry Fund (MMF) is essential to the mission of the church in our diocese, to providing ministerial resources in our communities. Raising such funds locally will continue to be a challenge as we seek to balance our budgets, as we seek to provide leadership in our churches and a missional presence in our communities, but this is the only way this ministry will continue.

During 2017, work continued to review the MMF system and as a result a proposal based on 13 principles were brought to the Bishop's Diocesan Council and to Synod in November, 2017. A timetable was approved to start the consultation process which started in January 2018. The main principles of the new MMF proposal are that it be based on costs of authorised ministry at the deanery level, and that today's church should pay for the costs of today's church. Another key difference is that each deanery will have a significant role to play in ensuring that it ultimately covers its authorised ministry costs.

We will aim to:

- Manage the Board of Finance's assets, generate income and control costs with the aim of achieving a sustainably balanced budget with the application of a new Mission and Ministry Fund (MMF) approach, and to provide additional training, support and resources for those involved in parish and deanery finances.
- Implement the Board of Finance's Total Return policy and procedures to the Stipends Fund, in line with the legislation that allows charity trustees to adopt such an approach to a permanent endowment fund.
- Undertake a project to significantly improve the level and quality of data submission and use within the diocese, developing a missional information management system to inform the development of mission and ministry in the diocese.

Principal risks and uncertainties

The Bishop's Diocesan Council is responsible for the identification, mitigation and or management of risk. To achieve this, a register of all the risks identified is maintained and, alongside it, a management and mitigation strategy formed. This is subject to review by the Bishop's Diocesan Council on an annual basis, with the responsibility for delivery of the mitigation strategies identified being delegated to the Executive committee and the Diocesan Secretary.

The risk register identifies 3 areas where the risk of either failure to act or the impact of the events is considered 'high'. These areas and the associated mitigation strategies are:

- Mission and Ministry Fund (MMF): Collection during 2017 was below 80% for the first time. Whilst it is clear that some parishes are using reserves to meet their MMF call, overall the Returns of Parish Finance from 2014 through to 2016 show that the total unrestricted cash and investments held by parishes actually increased by nearly £1.2 million between those three years. It is clear that in many cases parishes are choosing to build up reserves at the expense of MMF payments. When looking forward to 2018, a continued fall in the MMF collection would have serious consequences on the liquidity of the company.
    - Collection statistics are produced and circulated on a monthly basis.
    - Rural deans and deanery treasurers are provided with full information about the payment status of all parishes.
    - The accounts of parishes for 2017 will be analysed to determine the extent that reserves have been used to top up MMF payments, or are being retained or built up at the expense of MMF payments.
    - Diocesan personnel will be discussing MMF concerns with affected parishes.

- Education: A high profile and catastrophic failure of the safeguarding responsibility which sits with schools.
    - Supporting governance and leadership in schools.

- Safeguarding and Local Pastoral Ministers (LPMs): A high profile and catastrophic failure of the safeguarding responsibility around Local Pastoral Ministers.
    - Evaluation of the work of LPMs and understanding if it represents good safeguarding practice and what we need to do to make this area of work safer.

Summary Information about the Structure of the Church of England

The Diocese of Truro is part of the wider Church of England, and any description of the governance structure of the Truro Diocese and the Truro Diocesan Board of Finance must be set within the context of the structure of the Church of England itself.

The Church of England is organised as two provinces; each led by an archbishop (Canterbury for the Southern Province and York for the Northern). Each province comprises dioceses of which there are 42 in England.

Each diocese in England is divided into parishes. Each parish is overseen by a parish priest (usually called a vicar, rector or priest in charge). From ancient times through to today, they and their bishop are responsible for the 'cure of souls' in their parish.

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

The Church of England is episcopally-led (there are around 110 bishops, including Diocesan Bishops and Assistant and Suffragan Bishops). It is governed by General Synod as its legislative and deliberative body at national level, making decisions on matters of doctrine, the holding of church services and relations with other churches. General Synod passes measures which, if accepted by Parliament, have the effect of Acts of Parliament. It is made up of three groups or houses of members: the Houses of Bishops, of Clergy and of Laity, and meets in London or York at least twice a year to consider legislation for the broader good of the Church.

The National Church Institutions

The Archbishops' Council, the Church Commissioners and the Church of England Pensions Board are sometimes referred to as the three National Church Institutions.

The Archbishops' Council was established in 1999 to co-ordinate, promote, aid and further the mission of the Church of England. Its task is to give a clear sense of direction to the Church nationally and support the Church locally by acting as a policy discussion forum.

The Church Commissioners manage the historic assets of the Church of England, spending most of their income on pensions for the clergy. The costs of episcopal administration through the diocesan and suffragan bishops are met by the Church Commissioners.

The Church of England Pensions Board was established by the Church Assembly in 1926 as the Church of England's pensions authority and to administer the pension scheme for the clergy. Subsequently it has been given wider powers, in respect of discretionary

The National Church Institutions (continued)

benefits and accommodation both for those retired from stipendiary ministry and for widow(er)s of those who have served in that ministry, and to administer pension schemes for lay employees of Church organisations.

The Church of England Pensions Board (the Board), which reports to the General Synod, is trustee of a number of pension funds and charitable funds. Whilst the Church has drawn together under the Board its central responsibilities for retirement welfare, the Board works in close co-operation both with the Archbishops' Council and with the Church Commissioners.

The Diocese of Truro

The statutory governing body of the diocese is the Diocesan Synod. It consists of the House of Bishops, the House of Clergy and the House of Laity, with broadly equal numbers of clergy and lay people providing representation across the diocese. Its role is to:

- consider matters affecting the Church of England in the diocese;
- act as a forum for debate of Christian opinion on matters of religious or public interest;
- advise the bishop when requested;
- deal with matters referred by General Synod; and
- provide for the financing of the diocese.

The Diocese of Truro was created in 1877. It covers the whole of the county of Cornwall and the Isles of Scilly, plus two churches in Devon. The overall population is approximately 550,000 and gradually increasing – but changing demographically towards the older age groups. This reflects Cornwall's popularity as a destination for retirement and as an area for those from other parts of the UK searching for a better quality of life.

In terms of gross domestic product per head and average household incomes, Cornwall and the Isles of Scilly is one of the poorest areas in the UK – indeed in Europe. Furthermore, parts of the region, especially on the coast, have high house prices, driven up by demand from relatively wealthy retired people and second home owners. Consequently, during the period 2007-13, Cornwall was eligible for structural funding from the EU under the Convergence Programme. The purpose of this Programme was to speed up the economic development of Cornwall and the Isles of Scilly particularly through investing in: skills and helping people into work; the development of a more knowledge based economy; business productivity and innovation; and in infrastructure for a more modern economy.

Archdeaconries, Deaneries, Benefices and Parishes

The whole of the diocese is divided into parishes which for administrative and governance purposes is generally the smallest pastoral area in the Church of England. Typically, each parish has one parish church. In total there are 216 parishes in the diocese.

The ecclesiastical parish is governed by a Parochial Church Council or PCC, which is made up of the incumbent as chair, the churchwardens and a number of elected and ex officio members. Each PCC is a charity, and all are currently 'excepted' from registration with the Charity Commission, apart from those PCCs with annual gross incomes exceeding £100,000 which are required to register under the provisions of the Charities Act 2011. Except where shown, the transactions of PCCs do not form part of these financial statements. Financial statements of an individual PCC can be obtained from the relevant PCC treasurer.

A benefice is a parish or group of parishes served by an incumbent who typically receives a stipend and the benefit of free occupation and use of a parsonage house from the diocese for carrying out spiritual duties.

A deanery is a group of parishes over which a rural dean has oversight and an archdeaconry is a group of deaneries for which an archdeacon is responsible. The Diocese of Truro has two archdeaconries, namely those of Cornwall, covering the west of the diocese and comprising seven deaneries, and Bodmin, covering the east of the diocese, and comprising five deaneries.

The diocese is then the principal pastoral and in turn financial and administrative resource of the Church of England, encompassing the two archdeaconries under the spiritual leadership of the Diocesan Bishop.

Deanery Synods

There are 12 deaneries in the diocese, each with its own Deanery Synod. Each Deanery Synod has two houses, laity and clergy, and the role of the synods is to:

- respond to requests from General Synod;
- give effect to the decisions made by the Diocesan Synod;
- consider matters affecting the Church of England by drawing together the views of the parishes within the deanery;
- act as a channel of communication to express the views of parishes to Diocesan Synod and thence to General Synod and, conversely, to pass matters from General Synod and Diocesan Synod to the parishes;

Deanery Synods (continued)

- raise with Diocesan Synod such matters as it considers appropriate; and
- elect members of the deanery to the Diocesan Synod and of the diocese to General Synod.

During 2017, five of the 12 deaneries continued to take on an additional role of agreeing the allocation of the Mission and Ministry Fund call from the diocese between the parishes in their deaneries.

Diocesan Governance

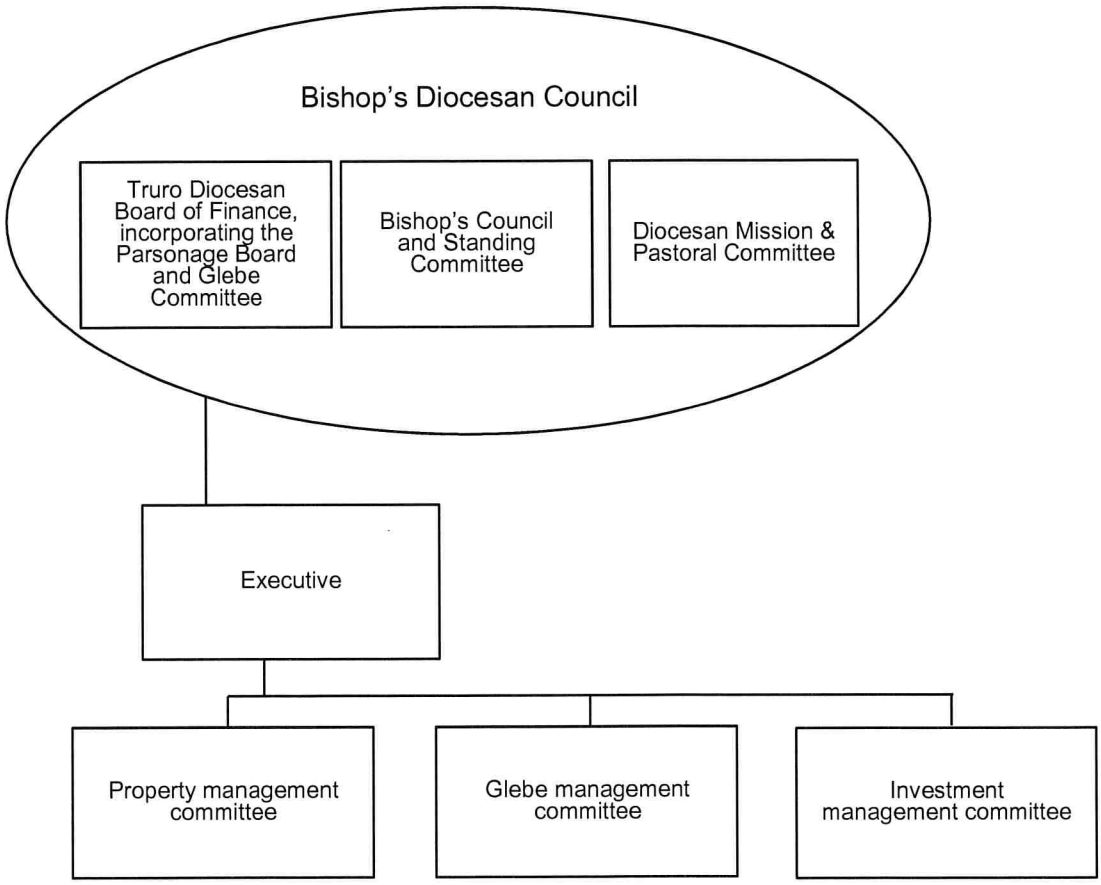
The Diocese is governed by Act of Parliament and Order in Council made in 1876. Its statutory governing body is the Diocesan Synod, which is an elected body with representation from all parts of the Diocese. Membership consists of 13 ex officio members, including the Bishops and Archdeacons, 52 clergy members elected by the houses of clergy in Deanery Synods, 68 lay persons elected by the houses of laity in Deanery Synods, up to five persons who may be co-opted by each of the House of Clergy and the House of Laity and up to five ordained and five lay persons who may be nominated by the Diocesan Bishop. The Diocesan Synod normally meets two or three times a year.

The Truro Diocesan Board of Finance Limited, was formed to manage the financial affairs and hold the assets of the Diocese. It was incorporated on 23 October 1896 as a charitable company limited by guarantee (No. 00049825) and its governing documents are the Memorandum and Articles of Association. The company is registered with the Charity Commission (No. 248330).

Every member of Diocesan Synod is a member of the company, for company law purposes, and has a personal liability limited to £10 under their guarantee as company members in the event of its being wound up. The Bishop's Diocesan Council consists of the members of the Bishop's Council and Standing Committee who are also the directors of the company under law.

Bishop's Diocesan Council and the Executive Committee

During 2015 a new governance structure was introduced. This revised structure took many of the statutory bodies and committees and combined them into a new oversight body called the Bishop's Diocesan Council or BDC. When the BDC sits it encompasses these statutory bodies and committees. The diagram below illustrates the new structure.



Bishop's Diocesan Council and the Executive Committee (continued)

Diocesan Synod has delegated the following functions to the Bishop's Council and Standing Committee, via the Bishop's Diocesan Council:

- planning the business of Synod including the preparation of agendas and papers;
- initiation of proposals for action by the Diocesan Synod and provision of policy advice;
- transacting the business of the Diocesan Synod when not in session;
- management of the funds and property of the Diocese;
- preparation of annual estimates of expenditure;
- advising on action needed to raise the income necessary to finance expenditure;
- oversight of expenditure by bodies in receipt of Diocesan Synod's funds against estimates of expenditure approved by Diocesan Synod;
- advising Diocesan Synod of the financial aspects of its policy and on any other matters referred to it;
- appointing members of committees or nominating members for election to committees, subject to the directions of Diocesan Synod; and
- carrying out any other functions delegated by Diocesan Synod.

The company has responsibility for the day-to-day financial management of the Diocese.

Also within the responsibility of the Bishop's Diocesan Council are the following statutory committees:

- Parsonages Board, which is responsible for determining policy and making major decisions concerning the management of parsonage houses in each benefice, including setting the policy for buying, repairing, maintaining and disposing of all parsonage houses, team vicarages and houses owned by the company.

- Glebe Committee, which is responsible for determining policy and making major decisions concerning the management of glebe property and investments for the benefit of the Diocesan Stipends fund of the Diocese.

- Diocesan Mission and Pastoral Committee, which is responsible for reviewing the arrangements for pastoral supervision and care in the diocese, including the deployment of clergy, and having regard for the worship, mission and community as central to the life and work of the Church of England.

The members of the Bishop's Diocesan Council and the basis of their membership is shown in the Legal and Administrative section on page 1. Some senior officers have job titles incorporating the title 'Director', and attend the Bishop's Diocesan Council, but they are not directors of the company for the purposes of company law.

All elected members of the Bishop's Diocesan Council may serve for a maximum of six years before standing down for at least one year, but may stand for re-election thereafter.

The Bishop's Diocesan Council's responsibilities

The Bishop's Diocesan Council, as the body of trustees / directors, is responsible for preparing the Trustees' Annual Report (including the Strategic Report) and the financial statements, in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Company law requires the Bishop's Diocesan Council to prepare financial statements for each financial year, which give a true and fair view of the state of affairs of the charitable company and of the incoming resources and application of resources, including the income and expenditure, of the charitable company for that period. In preparing these financial statements, the Bishop's Diocesan Council is required to:

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles in the Charities SORP 2015 (FRS 102);
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the company and group will continue in operation.

The Bishop's Diocesan Council is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and group and to enable it to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and group and hence for taking reasonable steps to prevent and detect fraud and other irregularities.

The Bishop's Diocesan Council's responsibilities (continued)

The Bishop's Diocesan Council is responsible for the maintenance and integrity of the corporate and financial information included in the Diocese of Truro's website. Legislation in England/Wales governing the preparation and dissemination of financial statements and other information included in Annual Reports may differ from legislation in other jurisdictions.

Statement of disclosure to auditor

So far as the Bishop's Diocesan Council is aware, there is no relevant audit information of which the company's auditor is unaware, and the Bishop's Diocesan Council has taken all the steps that it ought to have taken as directors in order to make itself aware of any relevant audit information and to establish that the auditor is aware of that information.

The Executive

The Board of Directors of the Truro Diocesan Board of Finance has formed a committee consisting of the Chair of the Truro Diocesan Board of Finance and up to six Governors appointed by the Board of Directors on the nomination of the Bishop and has delegated to it such of its powers and responsibilities at it thinks necessary from time to time.

Delegation of day to day delivery

The Bishop's Diocesan Council and the Executive rely upon the Diocesan Secretary and her colleagues for the delivery of the day to day activities of the company. The Diocesan Secretary is given specific and general delegated authority to deliver the business of the Truro Diocesan Board of Finance in accordance with the policies framed by the Trustees.

Remuneration of key management personnel

Emoluments of higher-paid employees are determined by the Conditions of Service Group, under delegated authority from the Bishop's Diocesan Council.

Funds held as Custodian Trustee

The Truro Diocesan Board of Finance 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 Truro Diocesan Board of Finance does not control them, and they are segregated from the Truro Diocesan Board of Finance's own assets by means of a separate bank account and accounting system. Further details of financial trust assets, whose market value amounted to £4.1m at 31 December 2017 (2016: £3.8m), are available from the Truro Diocesan Board of Finance on request, and are summarised in note 32. Where properties are held as custodian trustee, the deeds are identified as such and held in safe custody by the Truro Diocesan Board of Finance's solicitors, Veale Wasbrough Vizards LLP.

Funds held on behalf of schools

The Board of Education is a statutory board within the Truro Diocesan Board of Finance. Under the Diocesan Board of Education Measure 1991, it is required:

- To promote or assist in promotion of education in the diocese, being education which is consistent with the faith and practice of the Church of England.
    - The Board therefore has a vision of education that derives from the Christian faith;
    - Its responsibilities extend to the whole of the diocese, and not just within church schools;
    - Indeed, its responsibilities apply to more than just schools and includes adult education;
- To promote or assist in the promotion of religious education and religious worship in schools in the diocese;
    - Again, this applies to the whole of the diocese, and not just to church schools;
- To promote or assist in the promotion of church schools in the diocese and in particular to advise the governors of such schools and trustees of church educational endowments on any matter affecting church schools in the diocese;
- To promote cooperation between the Board and those concerned on any matter affecting church schools in the diocese.

The company administers Devolved Formula Capital (DFC) grants for the Diocese's church schools. At 31 December 2017, the Company held £280,745 (2016: £383,796) in designated bank accounts separate from those of the Company.

In November 2017 the Diocesan Synod approved the proposal by the temporary Chair of the Diocesan Board of Education to re-constitute the Diocesan Board of Education, which would see its membership reduced to 11, namely: 1 diocesan bishop; 1 archdeacon or suffragan bishop; 1 bishop's nominee; 5 elected by Synod (skills based); and 3 co-opted members. This decision to reduce membership is based on national experience where it has been found that DBEs work better when they are smaller and focussed on skills. Work is underway to make this happen.

Reserves Policy

During the year the Bishop's Diocesan Council reviewed its Reserves Policy, taking into account the current level of change in housing, Mission and Ministry Fund contribution levels, projected operating results and our commitment to the diocesan strategy.

As a result, we now seek to maintain a minimum reserve of £18.49 million, built up from the following possible needs:

	General Fund £m	Designated Funds £m	Pastoral Account £m	Total £m
Working capital	0.70			0.70
Bridging loans for replacing parsonages			1.00	1.00
Provision for covering any unexpected deficit	0.50			0.50
Additional working capital for regular housing maintenance and repairs			0.25	0.25
Funding any future developments arising from decisions taken at the BDC	0.10			0.10
Loans to PCCs	0.50			0.50
Board Houses Fund		6.92		6.92
Church House Fund		0.65		0.65
Confidence in the Gospel		0.97		0.97
Intern Programme		0.26		0.26
Kingdom Value Fund		0.05		0.05
Diocesan Pastoral Account Benefice Accounts			6.59	6.59
Total	**1.80**	**8.85**	**7.84**	**18.49**

At 31 December 2017 the General Fund reserves amounted to £678,407 (2016: £2,462,374) and the Pastoral Account Fund stood at £10,137,000 (2016: £9,041,325). At the end of the year, the amount of the Pastoral Account that must be ringfenced pending proposed pastoral reorganisations amounted to £7.9m (2016: £6.6m).

It is intended that the General Fund will return to being within the Reserves Policy level during 2018.

Investment policies

Under the Memorandum and Articles of Association, the company has the power to make any investment which the directors see fit. The Investment Committee oversees the management of the company's investment assets (apart from Glebe land and buildings which are the specific responsibility of the Glebe Committee). The company's Investment Policy and Principles Statement sets out a practical framework of guidelines and conditions within which the company's investments shall be administered and was updated in 2016.

In the annual report to the Bishop's Diocesan Council the Investment Committee reported that it is expected that an ethical approach is adopted at all times. The directors require that regard shall be had to the ethical investment policy published by The Church of England's Ethical Investment Advisory Group. The maintenance of capital in real terms together with the level and predictability of income is a priority. The Truro Diocesan Board of Finance is able to take a very long term view in investment terms, accepting volatility of capital in the short term. The resulting tolerance of risk and the ability to take the long view imply an acceptance of exposure to equities, the belief being that this asset class is likely to provide the best overall returns over the envisaged timescale. It is expected that other asset classes are included to moderate risk and to help ensure that income is maintained.

Historically, the Committee has felt it prudent to rely on external fund managers' (CCLA & M&G) Common Investment Funds and Common Deposit Funds in order to obtain the appropriate degree of diversification and to ensure adherence to our ethical criteria. The Committee is very sensitive to the effect of charges on investment performance, as well as being aware that it lacks the resources to manage the investments itself. Use of specialist charity funds ensures that the appropriate level of expertise is employed at a reasonable cost. The Investment Committee has the authority to consider other managers and types of fund in order to gain exposure to different asset classes and to diversify further, subject to appropriate due diligence, but after consideration it chose not to do so in 2017.

The glebe investments are held for the purpose of raising income to achieve the maximum contribution possible to clergy stipends on an ongoing basis.

The company holds investments across the range of The CBF Church of England Funds (representing 76% of the total value of the company's investments of £24.6 million (excluding Glebe) at 31 December 2017). The remaining 24% of this £24.6 million are held in M&G's Charifund (see note 20).

Investment policies (continued)

The total capital and income return for the year for each of these Funds were as follows:

	Fund	Benchmark
The CBF Church of England Investment Fund	+13.40%	+10.64%
The CBF Church of England Global Equity Income Fund	+10.79%	+11.80%
The CBF Church of England UK Equity Fund	+13.50%	+12.99%
The CBF Church of England Property Fund	+9.69%	+10.28%
M&G	+7.60%	+9.80%

The Bishop's Diocesan Council consider these investment returns to be satisfactory and is hopeful that the company's current bias towards equity-based funds will continue to provide attractive returns in 2018 and beyond.

Glebe investments

Glebe investments are held in agricultural land, development land, commercial and residential property, amenity land and woodland.

Unrestricted fund investments

Funds which may be needed for short term working capital purposes are held primarily in The CBF Church of England Deposit Fund.

Grant making policy

Grants are made to the National Church to cover a proportion of its central costs and also to cover the cost of training for ministry (see note 12 to the financial statements). Grants are paid to other charitable projects which appear to the Bishop's Diocesan Council to support the furtherance of the company's objects.

Related parties

General Synod, Church Commissioners and Archbishops' Council

The company has to comply with Measures passed by the General Synod of the Church of England and is required to make certain annual payments to the Archbishops' Council towards the running costs of the National Church. The stipends of the Diocesan and Suffragan Bishops are borne by the Church Commissioners and are therefore not reflected in these financial statements.

Parochial Church Councils (PCCs)

The company is required by Measure to be custodian trustee in relation to PCC property, but the company has no control over PCCs, which are independent charities. The accounts of PCCs and deaneries do not form part of these financial statements.

PCCs are able to influence the decision-making within the company and at Diocesan Synod level through representations to those bodies and through the input of their Deanery Synods.

The Cathedral

Truro Cathedral is the mother church of the diocese and legally is constituted as a separate charity, currently exempt from Charity Commission registration and supervision. Copies of its trustees' report and financial statements may be obtained from the Cathedral Office, 14, St Mary's Street, Truro TR1 2AF.

Subsidiary company

The company had one subsidiary undertaking, namely Diocese of Truro Enterprises Limited (DOTE), company number 05602794. The company held the whole of the issued share capital of 100 ordinary shares of £1 each. Its principal activity was the provision of building project management services primarily, but not exclusively, to Church of England schools in the Diocese.

During the previous year the Bishop's Diocesan Council took the decision to cease the trading activities of DOTE. The company was struck off at the Registrar of Companies in August 2017.

Trustees' Annual Report
For the year ended 31 December 2017

Connected charities

The trustees consider the following to be a connected charity:

The Cornwall Retired Clergy, Widows of the Clergy and their Dependants Fund – a registered charity which provides financial support to clergy or their dependents in particular financial need. Specifically, support may be provided to the spouse or the dependants of deceased clergy; to retired clergy or their dependants; or to the spouse or dependants of clergy from whom the spouse is separated or divorced.

Pensions

Stipendiary clergy, and the company's lay staff who joined the company before 1 February 2010, are members of the Church of England Funded Pensions Scheme and the Defined Benefits Scheme (DBS) part of the Church Workers Pension Fund respectively. Both schemes provide defined retirement benefits and both are non-contributory except for lay staff who have joined the company since 1 April 2004 who contribute 6% of their pensionable salaries.

On 1 February 2010, the company closed its Defined Benefits Scheme to new lay staff who are instead eligible to join the Pension Builder Scheme (previously known as the Defined Contributions Scheme (DCS)), part of the Church Workers Pension Fund. This scheme is contributory and provides limited pension guarantees.

Further details about these schemes are contained in note 30 to the financial statements.

Appointment of solicitors

A resolution to reappoint Veale Wasbrough Wizards LLP as solicitors to the company will be proposed at the Annual General Meeting.

Appointment of auditors

A resolution to reappoint Robinson Reed Layton LLP as auditors to the company will be proposed at the Annual General Meeting.

Approval of this combined report

In approving this Trustees' Report, the Trustees are also approving the Strategic Report included on pages 3 and 4 within their capacity as company directors.

This report, which incorporates the Strategic Report, was approved by the Bishop's Diocesan Council on 18 April 2018 and was signed on its behalf by:

E Pollard
Company Secretary

M Sturgess
Chairman

Church House
Woodlands Court
Truro Business Park
Threemilestone
Truro
TR4 9NH

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF THE TRURO DIOCESAN BOARD OF FINANCE LIMITED (LIMITED BY GUARANTEE)

Opinion

We have audited the financial statements of The Truro Diocesan Board of Finance Limited (the 'charitable company') for the year ended 31 December 2017 which comprise the Group and Parent Company Statement of Financial Activities and Income and Expenditure Account, the Group and Parent Company Balance Sheet, the Group 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).

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.

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the parent charitable company's affairs as at 31 December 2017, and of the group's incoming resources and application of resources, including its income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

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

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

Other information

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

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

We have nothing to report in this regard.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF THE TRURO DIOCESAN BOARD OF FINANCE LIMITED (LIMITED BY GUARANTEE)

Opinion 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 (including the Strategic Report) for the financial year for which the financial statements are prepared is consistent with the financial statements and
- the Strategic Report and the Trustees' Annual Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

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

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

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

Responsibilities of trustees

As explained more fully in the Statement of Directors' Responsibilities on page 12, 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 the financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF THE TRURO DIOCESAN BOARD OF FINANCE LIMITED (LIMITED BY GUARANTEE)

modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the charitable company to cease to continue as a going concern.

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

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

Robinson Reed Layton LLP

Mark Williams FCA DChA (Senior Statutory Auditor)
For and on behalf of Robinson Reed Layton LLP, Statutory Auditor

Peat House
Newham Road
TRURO
Cornwall
TR1 2DP

18/4/2018

The Truro Diocesan Board Of Finance Limited (Limited By Guarantee)

Consolidated Statement of Financial Activities

For the year ended 31 December 2017

	Notes	Unrestricted funds £	Restricted funds £	Endowments £	2017 £	2016 £
Income and endowments from:						
Donations:	3					
Parish contributions		3,904,082	-	-	**3,904,082**	4,046,209
Archbishops' Council		893,214	-	-	**893,214**	957,309
Other		175,084	155,067	-	**330,151**	216,451
Charitable activities – statutory fees etc		324,828	-	-	**324,828**	293,302
Other activities	4	2,669	180,210	-	**182,879**	267,343
Investments	5	1,236,930	163,783	-	**1,400,713**	1,317,975
Other	6	(100)	-	7,829	**7,729**	581,545
Total		6,536,707	499,060	7,829	**7,043,596**	7,680,134
Expenditure on:						
Raising funds	7	377,173	45,185	31,000	**453,358**	459,244
Charitable activities	8	6,892,647	335,963	(71,000)	**7,157,610**	6,009,779
Other resources expended	9	-	-	-	**-**	131
Total		7,269,820	381,148	(40,000)	**7,610,968**	6,469,154
Net (outgoing)/incoming resources before realised gains		(733,113)	117,912	47,829	**(567,372)**	1,210,980
Net gains on investment assets		443,081	262,308	1,411,228	**2,116,617**	3,672,254
Net (outgoing)/incoming resources before transfers		(290,032)	380,220	1,459,057	**1,549,245**	4,883,234
Transfer between funds	13	1,018,019	658,195	(1,676,214)	**-**	-
Net income/(expenditure) for the year		727,987	1,038,415	(217,157)	**1,549,245**	4,883,234
Unrealised gains on revaluation	14	348,000	-	2,193,000	**2,541,000**	620,754
Net movement in funds	15	1,075,987	1,038,415	1,975,843	**4,090,245**	5,503,988
Fund balances at 1 January 2017		10,803,929	10,245,960	67,064,748	**88,114,637**	82,610,649
Fund balances at 31 December 2017		11,879,916	11,284,375	69,040,591	**92,204,882**	88,114,637

The Group's results are derived from continuing activities.

The Truro Diocesan Board Of Finance Limited (Limited By Guarantee)

Company Statement of Financial Activities

For the year ended 31 December 2017

	Notes	Unrestricted funds £	Restricted funds £	Endowments £	2017 £	2016 £
Income and endowments from:	3					
Donations:						
Parish contributions		3,904,082	-	-	**3,904,082**	4,046,209
Archbishops' Council		893,214	-	-	**893,214**	957,309
Other		175,084	155,067	-	**330,151**	216,451
Charitable activities – statutory fees		324,828	-	-	**324,828**	293,302
Other activities	4	2,669	180,210	-	**182,879**	229,510
Investments	5	1,236,930	163,783	-	**1,400,713**	1,322,246
Other	6	(100)	-	7,829	**7,729**	581,545
Total		6,536,707	499,060	7,829	**7,043,596**	7,646,572
Expenditure on:						
Raising funds	7	375,294	45,185	31,000	**451,479**	387,156
Charitable activities	8	6,892,303	335,963	(71,000)	**7,157,266**	6,013,265
Other resources expended	9	-	-	-	**-**	-
Total		7,267,597	381,148	(40,000)	**7,608,745**	6,400,421
Net (outgoing)/incoming resources before realised gains		(730,890)	117,912	47,829	**(565,149)**	1,246,151
Net gains on investment assets		443,081	262,308	1,411,228	**2,116,617**	3,672,254
Net (outgoing)/incoming resources before transfers		(287,809)	380,220	1,459,057	**1,551,468**	4,918,405
Transfer between funds	13	1,018,019	658,195	(1,676,214)	**-**	-
Net income/(expenditure) for the year		730,210	1,038,415	(217,157)	**1,551,468**	4,918,405
Unrealised gains on revaluation	14	348,000	-	2,193,000	**2,541,000**	620,754
Net movement in funds	15	1,078,210	1,038,415	1,975,843	**4,092,468**	5,539,159
Fund balances at 1 January 2017		10,801,706	10,245,960	67,064,748	**88,112,414**	82,573,255
Fund balances at 31 December 2017		11,879,916	11,284,375	69,040,591	**92,204,882**	88,112,414

The Truro Diocesan Board Of Finance Limited (Limited By Guarantee)

Income and Expenditure Account

For the year ended 31 December 2017

	Group		Company	
	2017	2016	**2017**	2016
	£	£	**£**	£
Total incoming resources	**7,035,767**	7,123,883	**7,035,767**	7,090,321
Resources expended	**(7,650,968)**	(6,526,154)	**(7,648,745)**	(6,457,421)
Operating (deficit)/surplus for the year	**(615,201)**	597,729	**(612,978)**	632,900
Net gains on investments	**705,389**	703,318	**705,389**	703,318
Net income for the year	**90,188**	1,301,047	**92,411**	1,336,218
Other comprehensive income				
Revaluation of fixed assets	**348,000**	82,644	**348,000**	82,644
Net assets transferred from endowments	**1,676,214**	2,680,151	**1,676,214**	2,680,151
Total comprehensive income	**2,114,402**	4,063,842	**2,116,625**	4,099,013

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 Truro Diocesan Board Of Finance Limited (Limited By Guarantee)

Consolidated and Company Balance Sheets

at 31 December 2017

	Notes	Group 2017 £	Group 2016 £	Company 2017 £	Company 2016 £
Fixed assets					
Tangible assets	19	**48,461,099**	45,266,772	**48,461,099**	45,266,772
Investments	20	**41,733,294**	40,297,182	**41,733,294**	40,297,282
		90,194,393	85,563,954	**90,194,393**	85,564,054
Current assets					
Debtors	22	**1,058,067**	1,292,348	**1,058,067**	1,292,348
Cash at bank and in hand	23	**3,549,503**	4,519,790	**3,549,503**	4,514,888
		4,607,570	5,812,138	**4,607,570**	5,807,236
Creditors: amounts falling due within one year					
Loans	24	**-**	418,460	**-**	418,460
Other creditors	25	**983,161**	881,995	**983,161**	879,416
		983,161	1,300,455	**983,161**	1,297,876
Net current assets		**3,624,409**	4,511,683	**3,624,409**	4,509,360
Total assets less current liabilities		**93,818,802**	90,075,637	**93,818,802**	90,073,414
Creditors: amounts falling due after more than one year					
Pension scheme liabilities	30	**1,613,920**	1,961,000	**1,613,920**	1,961,000
Net assets		**92,204,882**	88,114,637	**92,204,882**	88,112,414

The Truro Diocesan Board Of Finance Limited (Limited By Guarantee)

Consolidated and Company Balance Sheets (continued)

at 31 December 2017

	Notes	Group 2017 £	Group 2016 £	Company 2017 £	Company 2016 £
Funds employed	26				
Unrestricted funds					
General fund - company		**678,407**	2,462,374	**678,407**	2,462,374
- subsidiary		**-**	2,223	**-**	-
Board Houses Fund		**9,249,394**	6,143,001	**9,249,394**	6,143,001
Church House Fund		**651,631**	694,831	**651,631**	694,831
Confidence in the Gospel		**977,623**	1,150,000	**977,623**	1,150,000
Intern Programme		**271,361**	300,000	**271,361**	300,000
Kingdom Value Fund		**50,000**	50,000	**50,000**	50,000
Densham Loan Fund		**1,500**	1,500	**1,500**	1,500
		11,879,916	10,803,929	**11,879,916**	10,801,706
Restricted funds					
Pastoral Account		**10,137,000**	9,041,325	**10,137,000**	9,041,325
Diocesan Council for Mission & Unity		**60,147**	64,122	**60,147**	64,122
Education Trusts		**989,984**	993,489	**989,984**	993,489
Mission Fund		**83,966**	138,699	**83,966**	138,699
RME		**-**	-	**-**	-
Strategic Capacity Fund		**-**	-	**-**	-
CEMES Grant		**6,667**	2,000	**6,667**	2,000
Strategic Development Fund		**229**	-	**229**	-
Bishop Phillpotts Prize Fund		**6,382**	6,325	**6,382**	6,325
		11,284,375	10,245,960	**11,284,375**	10,245,960
Expendable endowment					
Parsonage Houses Fund		**39,191,813**	38,667,198	**39,191,813**	38,667,198
Permanent endowment					
Stipends Fund Capital Account		**29,848,778**	28,397,550	**29,848,778**	28,397,550
Total endowments		**69,040,591**	67,064,748	**69,040,591**	67,064,748
Total funds employed		**92,204,882**	88,114,637	**92,204,882**	88,112,414
The **revaluation reserve** included in the above fund is:	27	**49,461,074**	46,650,994	**49,461,074**	46,650,994

The cash flow statement and the notes form part of these financial statements. These financial statements were approved by the Bishop's Diocesan Council and authorised for issue on 18 April 2018 and signed on its behalf by:

M Sturgess
Chairman

Company Registration No. 00049825

The Truro Diocesan Board Of Finance Limited (Limited By Guarantee)

Consolidated Cash Flow Statement

For the year ended 31 December 2017

	£	2017 £	£	2016 £
Net cash outflow from operating activities		**(1,500,878)**		(1,189,448)
Cash flows from investing activities				
Dividends, interest and rent from investments	**940,618**		839,815	
Interest paid	**(8,793)**		(8,578)	
Proceeds from the sale of:				
Tangible fixed assets	**2,511,729**		4,326,753	
Fixed asset investments	**2,326,025**		563,810	
Purchase of:				
Tangible fixed assets for the use of the Board of Finance	**(3,175,008)**		(2,036,295)	
Fixed asset investments	**(1,645,520)**		(3,013,351)	
Net cash provided by investing activities		**949,051**		672,154
Cash flows from financing activities				
Loans repaid by the Board of Finance	**(418,460)**		-	
Net cash used in financing activities		**(418,460)**		-
Change in cash and cash equivalents in the reporting period		**(970,287)**		(517,294)
Cash and cash equivalents at 1 January 2017		**4,519,790**		5,037,084
Cash and cash equivalents at 31 December 2017		**3,549,503**		4,519,790
Reconciliation of net movements in funds to net cash flow from operating activities				
Net movement in funds for the year ended 31 December 2017		**(567,372)**		1,210,980
Adjustments for:				
Depreciation charges		**17,681**		22,048
Dividends, interest and rent from investments		**(940,618)**		(839,815)
Interest paid		**8,793**		8,578
Loss/(profit) on sale of functional assets		**(7,729)**		(581,414)
Decrease in work in progress		**-**		2,800
Increase in loans to parishes		**(125,098)**		(1,807)
Decrease/(increase) in debtors		**359,379**		(798,936)
Increase in creditors		**101,166**		133,118
Defined benefit pension costs less contributions payable		**(378,080)**		(406,000)
Defined benefit pension finance costs		**31,000**		61,000
Net cash (used in) operating activities		**(1,500,878)**		(1,189,448)
Analysis of cash and cash equivalents				
Cash in hand		**3,549,503**		4,519,790

Notes

(forming part of the financial statements)

1. **Constitution**

The company is incorporated as limited by guarantee under the Companies Act 1948. In the event of winding up, up to the permitted maximum 133 members of the Company are liable to contribute a sum not exceeding £10 per member towards the debts and liabilities of the Company and the costs, charges and expenses of winding up. At year end there were 102 members.

2. **Principal accounting policies**

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements.

Basis of preparation

The financial statements have been prepared under the historical cost convention, with the exception of freehold properties and investments (held as fixed assets), 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), applicable accounting standards (FRS 102) and the Companies Act 2006.

The financial statements consolidate the results of the Company and its wholly owned subsidiary, Diocese of Truro Enterprises Limited on a line by line basis.

The principle accounting policies and estimation techniques are as follows:

(a) Income

All income is included in the Statement of Financial Activities (SoFA) when the Company 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.

Parish contributions are recognised as income in the year in respect of which it is received.

Rents receivable is recognised as income in the period with respect to which it relates.

Interest and dividends are recognised as income when receivable.

Grants received which are subject to pre-conditions for entitlement specified by the donor which have not yet been met at the year-end are included in creditors to be carried forward to the following year.

Parochial fees are recognised as income when receivable.

Donations other than grants are recognised when receivable.

Gains on disposal of fixed assets for the Company's own use (i.e. non-investment assets) are accounted for as other income. Losses on disposal of such assets are accounted for as other expenditure.

Stipends fund income. The Stipends Capital account is governed by the Diocesan Stipends' Fund Measure 1953, as amended, and the use of the income is restricted for clergy stipends. However, the income is fully expended within the year of receipt and the legal restrictions, therefore, are satisfied. It is on this basis that the income and the (normally much larger) related expenditure are both included in the unrestricted column of the SoFA for the sake of greater clarity and simplicity in financial reporting.

(b) Expenditure

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

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.

Charitable expenditure is analysed between contributions to the Archbishops' Council and expenditure on resourcing mission and ministry in the parishes of the diocese.

Grants payable are charged to the SoFA in the year when the offer is conveyed to the recipient except those in cases where the offer is conditional on the recipient satisfying performance or other discretionary requirements to the satisfaction of the Company, such grants being recognised as expenditure when the conditions attaching are fulfilled.

Notes
(forming part of the financial statements)

(b) Expenditure (continued)

Grants offered subject to such conditions which have not yet been met at the year-end are noted as a commitment, but not accrued as expenditure.

Support costs consist of management, administration and governance costs. 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 based on estimated usage of resources at Church House. The apportionment of central support costs can be summarised as follows:

	£
Costs of generating funds (note 10)	119,416
Ministry in parishes (note 10)	171,970
Support for ministry in parishes (note 10)	396,496

The Company is not VAT registered and therefore resources expended include attributable VAT which cannot be recovered. The Company's subsidiary was VAT registered until it ceased trading.

Pension contributions. The cost of providing pension and related benefits to the clergy and Board's lay staff is advised by The Church of England Pensions Board and is charged to the General Fund in the period in which the contributions become due for payment (for further details of the schemes in place see note 30).

Deficit funding for the pension schemes to which the Company participates is accrued at current value in creditors, separated between contributions falling due within one year and 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 in the financial statements. The Company has a policy of regular structural inspection, repair and maintenance, which in the case of residential properties is in accordance with the Repairs of Benefices Buildings Measure 1972 and properties are therefore unlikely to deteriorate or suffer from obsolescence. In addition, disposals of properties occur well before the end of their economic lives and disposal proceeds are usually not less than their carrying value. Annual impairment reviews are carried out to ensure that the carrying value is not less than the recoverable amount in accordance with FRS 102.

Properties subject to equity sharing loans

Properties purchased 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 index linked current valuation basis. These loans were repaid in the year.

Investment properties

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

Parsonage houses

The Company has followed the requirements of FRS 102, in its accounting treatment for benefice houses (parsonages). FRS 102 requires the accounting treatment to follow the substance of arrangements rather than their strict legal form. The Company is formally responsible for the maintenance and repair of such properties and has some jurisdiction over their future use or potential sale if not required as a benefice house, but in the meantime legal title and the right to beneficial occupation is vested in the incumbent. The Bishop's Diocesan Council therefore consider the most suitable accounting policy is to capitalise such properties as expendable endowment assets and to carry them at their estimated current market value. Parsonage houses are revalued on a five year cycle.

School properties

Aided schools are the subject either of Trusts for which the Company acts merely as trustee, or of the Secretary of State's Orders specifying the application of any sale proceeds to support other Church of England schools within the Dioceses. Accordingly, school properties are not included in these financial statements.

The distribution of the proceeds from the sale of a redundant school may depend on an order of the Department for Education or on a scheme approved by the Charity Commission. Until approval for distribution has been granted, the sale proceeds are invested and held by the Company in trust. When approval for distribution is eventually granted, the Company's share of the proceeds is transferred to The Diocese of Truro Education Trusts which is accounted for as a restricted fund in these financial statements.

Notes
(forming part of the financial statements)

(c) Tangible fixed assets and depreciation (continued)

Closed churches

Churches closed for public worship are not included in these financial statements because, in the opinion of Bishop's Diocesan Council, they are of negligible value. If a situation arises whereby a church is likely to be an asset rather than a liability, then it will be brought into the financial statements at the appropriate time.

Other tangible fixed assets are capitalised at cost and depreciated at rates of between 20% and $33^1/_3$% on a straight line basis.

Leasehold improvements are depreciated over the term of the lease.

Fixed asset investments

Fixed asset investments are included in the balance sheet at market value and the gain or loss taken to the SoFA.

Listed investments are UK listed company shares and are valued at their quoted bid price.

Glebe comprises a portfolio of mainly agricultural property and is professionally revalued on an open market existing use basis every 5 years to establish market value. The last revaluation took place as at 31 December 2015. In the intervening years, the Bishops' Diocesan Council adjust the market value for additions and disposals and such professional advice that may be received if this is material.

Other accounting policies

Leasing

Rentals payable under operating leases are charged against income on a straight line basis over the lease term.

Fund balances

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

Unrestricted funds are freely available for any purpose within the Company's objects. They include funds which have been set aside by the Bishops' Diocesan Council out of the General Fund for designated purposes.

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

Endowment funds are those held on trust as capital. In the case of the endowment funds administered by the Company, where 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.

Details of the major funds are given in note 26.

'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 Company 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.

Notes

(forming part of the financial statements)

3. **Donations**

Parish contributions

	Unrestricted funds £	Restricted funds £	Endowments £	**2017 £**	2016 £
Current year call	4,917,484	-	-	**4,917,484**	4,844,809
Shortfall in contributions	(1,066,538)	-	-	**(1,066,538)**	(847,604)
	3,850,946	-	-	**3,850,946**	3,997,205
Receipts for previous year	53,136	-	-	**53,136**	49,004
Group and company	3,904,082	-	-	**3,904,082**	4,046,209

Current year MMF receipts represent 78.31% of the total call (2016: 82.50%) or, when receipts for previous years are included, 79.39% of the total call (2016: 83.52%).

Archbishops' Council

	Unrestricted funds £	Restricted funds £	Endowments £	**2017 £**	2016 £
Selective allocations	862,196	-	-	**862,196**	867,176
Mission Development Fund (see below)	-	-	-	**-**	60,420
Contribution to registrar's retainer	31,018	-	-	**31,018**	29,713
Group and company	893,214	-	-	**893,214**	957,309

The Mission Development Fund may be used for specific parish mission and development projects or for clergy stipends.

Other donations

	Unrestricted funds £	Restricted funds £	Endowments £	**2017 £**	2016 £
Allchurches Trust	97,032	-	-	**97,032**	97,032
Marshall's Charity	10,950	-	-	**10,950**	10,830
St Lukes Foundation	6,333	-	-	**6,333**	-
Strategic Capacity Funding	-	13,996	-	**13,996**	14,999
CEMES grant	-	4,667	-	**4,667**	2,000
Strategic Development Funding	-	60,865	-	**60,865**	-
RME	-	23,017	-	**23,017**	-
Schools Direct	4,500	-	-	**4,500**	-
Contribution towards church schools: Department for Education	-	44,700	-	**44,700**	44,097
Donations from individuals	26,064	7,822	-	**33,886**	21,921
Other contributions	30,205	-	-	**30,205**	25,572
Group and company	175,084	155,067	-	**330,151**	216,451

Notes
(forming part of the financial statements)

4. Other activities

	Unrestricted funds £	Restricted funds £	Endowments £	**2017 £**	2016 £
Rents from Parsonage houses	-	165,102	-	**165,102**	213,611
Other stipends income	51	-	-	**51**	51
Recoverable costs	-	15,108	-	**15,108**	15,848
Community café income	2,618	-	-	**2,618**	-
Company	2,669	180,210	-	**182,879**	229,510
Commercial trading operations	-	-	-	**-**	37,833
Group	2,669	180,210	-	**182,879**	267,343

5. Investment income

	Unrestricted funds £	Restricted funds £	Endowments £	**2017 £**	2016 £
Dividends and interest	821,224	127,337	-	**948,561**	901,081
Rents:					
Board properties	61,924	-	-	**61,924**	63,340
Glebe estate	353,782	-	-	**353,782**	321,379
Redundant schools	-	36,446	-	**36,446**	36,446
Company	1,236,930	163,783	-	**1,400,713**	1,322,246
Interest on loan to trading subsidiary	-	-	-	**-**	(4,271)
Group	1,236,930	163,783	-	**1,400,713**	1,317,975

6. Other incoming resources

	Unrestricted funds £	Restricted funds £	Endowments £	**2017 £**	2016 £
Realised gains on disposal of assets for the charity's own use	(100)	-	7,829	**7,729**	581,545
Group and company	(100)	-	7,829	**7,729**	581,545

Notes
(forming part of the financial statements)

7. Fund raising costs

	Unrestricted funds £	Restricted funds £	Endowments £	**2017 £**	2016 £
Glebe: Outgoings	207,464	-	-	**207,464**	122,159
Management charges	47,768	-	-	**47,768**	45,614
Pension scheme deficit	-	-	31,000	**31,000**	60,000
Let vacant parsonages (management charges)	2,525	19,932	-	**22,457**	30,463
Central support costs	119,416	-	-	**119,416**	109,105
Subsidiary loan provision	(1,879)	-	-	**(1,879)**	19,815
Community café, including set-up costs	-	25,253	-	**25,253**	-
Company	375,294	45,185	31,000	**451,479**	387,156
Commercial trading operations	1,879	-	-	**1,879**	72,088
Group	377,173	45,185	31,000	**453,358**	459,244

8. Charitable activities

	Unrestricted funds £	Restricted funds £	Endowments £	**2017 £**	2016 £
Contributions to Archbishops' Council					
Training for Ministry	148,244	-	-	**148,244**	143,125
National Church responsibilities	117,918	-	-	**117,918**	108,026
Grants and provisions	12,963	-	-	**12,963**	13,588
Mission Agency pension contributions	1,355	-	-	**1,355**	8,417
Retired clergy housing costs (CHARM)	48,727	-	-	**48,727**	46,678
	329,207		-	**329,207**	319,834
Resourcing Ministry					
Parish ministry:					
Stipends and national insurance	2,372,618	-	-	**2,372,618**	2,276,875
Pension contributions	519,329	-	(71,000)	**448,329**	384,973
Home/parish mileage	10,976	-	-	**10,976**	21,155
Sundry clergy related costs	7,003	-	-	**7,003**	4,011
Housing costs	1,625,825	-	-	**1,625,825**	1,029,455
Resettlement and associated costs	74,194	-	-	**74,194**	103,730
Other payments (including CMED)	272,344	-	-	**272,344**	181,186
Central support costs	171,970	-	-	**171,970**	152,933
	5,054,259	-	(71,000)	**4,983,259**	4,154,318

8. **Charitable activities (continued)**

	Unrestricted funds £	Restricted funds £	Endowments £	**2017 £**	2016 £
Support for ministry and mission					
Mission Fund grants	(7,000)	54,733	-	**47,733**	175,084
Diocesan support for ordinands in training	202,055	23,017	-	**225,072**	107,525
Training and development	205,710	13,996	-	**219,706**	193,575
MAPping and other functions of DMPC	141,900	-	-	**141,900**	125,536
Specialist ministries	122,565	11,977	-	**134,542**	108,636
Social Responsibility	25,569	-	-	**25,569**	20,403
Diocesan Advisory Committee	30,323	-	-	**30,323**	29,647
Chancellor's and Registrar's retainers	84,696	-	-	**84,696**	69,702
Faculty fees	20,139	-	-	**20,139**	21,632
Communications	95,184	-	-	**95,184**	84,569
Closed church expenditure	-	19,839	-	**19,839**	11,290
General Synod members' expenses	7,156	-	-	**7,156**	7,412
Central support costs	396,496	-	-	**396,496**	349,695
Transforming Mission	77,090	35,383		**112,473**	-
Lay scheme pension deficit	-	-	-	**-**	1,000
	1,401,883	158,945	-	**1,560,828**	1,305,706
Expenditure on Education					
Support for church schools and parishes	106,954	177,018	-	**283,972**	233,407
Company	6,892,303	335,963	(71,000)	**7,157,266**	6,013,265
Expenditure paid to subsidiary	344	-	-	**344**	(3,486)
Group	6,892,647	335,963	(71,000)	**7,157,610**	6,009,779

9. **Other resources expended**

	Unrestricted funds £	Restricted funds £	Endowments £	**2017 £**	2016 £
Realised loss on disposal of assets for the charity's own use	-	-	-	**-**	131
Group only	-	-	-	**-**	131

Notes
(forming part of the financial statements)

10. **Analysis of expenditure including allocation of support costs**

	Activities undertaken directly £	Grant funding of activities £	Support costs £	**Total costs 2017 £**
Raising funds	332,063	-	119,416	**451,479**
Charitable activities:				
Contributions to Archbishops' Council	-	329,207	-	**329,207**
Resourcing parish ministry	4,769,763	41,526	171,970	**4,983,259**
Support for ministry and mission	1,010,839	153,493	396,496	**1,560,828**
Education	283,972	-	-	**283,972**
Company and Group	6,396,637	524,226	687,882	**7,608,745**

11. **Analysis of support costs**

	Unrestricted Funds General £	Unrestricted Funds Designated £	Restricted Funds £	Endowment Funds £	**Total 2017 £**
Central administration	585,689	-	-	-	**585,689**
Governance:					
External audit	8,400	-	-	-	**8,400**
Registrar and Chancellor	84,696	-	-	-	**84,696**
Synodical costs	9,097	-	-	-	**9,097**
Group and company	687,882	-	-	-	**687,882**

12. **Analysis of grants made**

	Number	Individuals £	Institutions £	**2017 £**	2016 £
From unrestricted funds for National Church responsibilities:					
Contributions to Archbishops' Council	5	-	329,207	**329,207**	319,834
From unrestricted funds:					
Resettlement and first incumbency grants	16	37,294	-	**37,294**	70,301
Doing Church Differently grants	1	-	(7,000)	**(7,000)**	118,283
Ordinands in training	9	93,783	-	**93,783**	69,373
Clergy for training	20	4,232	-	**4,232**	4,432
	46	135,309	(7,000)	**128,309**	262,389
From restricted funds for various purposes:					
Mission initiatives in parishes	38	-	53,733	**53,733**	55,801
Churches Together organisations	1	-	1,000	**1,000**	1,000
Overseas mission work	2	11,977	-	**11,977**	21,402
	41	11,977	54,733	**66,710**	78,203
Group and company	92	147,286	376,940	**524,226**	660,426

Notes
(forming part of the financial statements)

13. **Transfer between funds**

	Unrestricted funds £	Restricted funds £	Endowments £	**2017 £**	2016 £
General Fund/Pastoral Account transfer	1,374,019	(1,374,019)	-	**-**	-
Payments to acquire property	-	(479,615)	479,615	**-**	-
Receipts from sale of property	-	2,511,829	(2,511,829)	**-**	-
Transfer property ownership	(356,000)	-	356,000	**-**	-
Group and company	1,018,019	658,195	(1,676,214)	**-**	-

14. **Other gains and losses on revaluation**

	Unrestricted funds £	Restricted funds £	Endowments £	**2017 £**	2016 £
Revaluation of land and buildings	348,000	-	2,193,000	**2,541,000**	626,754
Revaluation of Equity Sharing loans	-	-	-	**-**	(6,000)
Group and company	348,000	-	2,193,000	**2,541,000**	620,754

15. **Net movement in funds**

	Group		**Company**	
	2017 £	2016 £	**2017 £**	2016 £
This is stated after charging:				
Staff costs (note 16)	**1,130,061**	1,090,740	**1,130,061**	1,008,098
Auditors' remuneration - audit fee	**8,426**	9,384	**8,400**	8,160
- other services	**3,638**	5,704	**3,288**	5,004
Realised losses on disposals of tangible fixed assets	**-**	131	**-**	-
Ex-gratia payments	**-**	8,622	**-**	-
Operating leases – land and buildings	**46,612**	46,282	**46,612**	46,282
Depreciation of tangible fixed assets	**17,681**	22,048	**17,681**	21,879
Interest payable (note 17)	**8,793**	8,578	**8,793**	8,578

	Group		**Company**	
	2017 £	2016 £	**2017 £**	2016 £
This is stated after crediting:				
Realised gains on disposals of tangible fixed assets	**7,829**	581,545	**7,829**	581,545
Realised gains on disposals of investment fixed assets	**9,025**	217,408	**9,025**	217,408

Notes
(forming part of the financial statements)

16. **Staff costs**

Employee costs during the year were as follows:

	Group		Company	
	2017	2016	**2017**	2016
	£	£	**£**	£
Wages and salaries	**920,268**	875,075	**920,268**	808,299
Social security costs	**88,553**	81,879	**88,553**	76,138
Pension contributions	**121,240**	133,786	**121,240**	123,661
	1,130,061	1,090,740	**1,130,061**	1,008,098

The average number of persons employed during the year:

	2017	2016
Administration and financial management	**12**	11
Property	**1**	2
Communications	**2**	1
Discipleship & Ministry, Stewardship	**12**	12
Safeguarding & inclusion	**2**	2
Education	**4**	3
Transforming Mission	**2**	-
Company	**35**	31
Subsidiary	**-**	2
Group	**35**	33

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

	2017	2016
Administration and financial management	**10.8**	9.0
Property	**1.1**	2.0
Communications	**1.5**	1.1
Discipleship & Ministry, Stewardship	**9.0**	9.1
Safeguarding & inclusion	**1.8**	1.3
Education	**3.2**	2.9
Transforming Mission	**1.6**	-
Company	**29.0**	25.4
Subsidiary	**-**	1.7
Group	**29.0**	27.1

Remuneration of higher paid employees were as follows:

	2017	2016
	£	£
£60,001 - £70,000	**2**	1

Notes
(forming part of the financial statements

16. **Staff costs (continued)**

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 2017 they were:

Diocesan Secretary and Company Secretary	Esther Pollard
Director of Ministry	Jonathan Rowe
Director of Education and Discipleship	Simon Cade
Director of Finance and Assets	Sophie Eddy

Remuneration, pensions and expenses for these 4 employees amounted to £287,694 (2016: £272,885).

Trustees' emoluments

No Trustee received any remuneration for services as Trustee. The Trustees received travelling and out of pocket expenses, totalling £8,430 (2016 - £9,537) 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 Company during the year:

	Stipend	**Housing**
The Rt Revd C D Goldsmith	No	Yes
The Ven W R Stuart-White	Yes	Yes
The Ven A Elkington	Yes	Yes
The Revd. Canon K P Arthur	Yes	Yes
The Revd. D K Barnes	Yes	Yes
The Revd. Canon A E Brown	Yes	Yes
The Revd. M E Goodland	Yes	Yes

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

The Company paid an average of 86 (2016: 84) stipendiary clergy (including 2 Archdeacons) as office holders holding parochial or diocesan appointments in the diocese, and the costs were as follows:

	2017	2016
	£	£
Stipends	**2,180,666**	2,105,536
National insurance contributions	**186,208**	171,339
Pension costs	**463,417**	384,973
Apprenticeship Levy	**7,545**	-
Group and company	**2,837,836**	2,661,848

The stipends of the Diocesan Bishop and Suffragan Bishops were paid and funded by the Church Commissioners and are in the range £36,058 - £46,360 (2016 range £35,525 - £45,675). The annual rate of stipend, funded by the Company, paid to Archdeacons in 2016 was in the range £33,841 - £39,891 (2016 range £33,341 - £39,301) and other clergy who were Trustees were paid in the range £25,248 - £28,438 (2016 range £24,973 - £28,018).

17. **Interest payable and similar charges**

	2017	2016
	£	£
On loans repayable within five years:		
Church Commissioners	**8,793**	8,578
Group and company	**8,793**	8,578

Notes
(forming part of the financial statements)

18. **Taxation**

The Company is a registered charity and is not liable to UK corporation tax. The Company's old trading subsidiary had a policy of donating its taxable profits to the Company under the gift aid scheme so that it has no liability to UK corporation tax.

19. **Tangible fixed assets**

19.1 **Freehold land and buildings**

Group and company

	Board property £	Parsonage houses £	Equity sharing £	Total £
At valuation				
At 1 January 2017	6,143,001	38,667,198	419,000	**45,229,199**
Additions	2,695,393	479,615	-	**3,175,008**
Disposals	-	(2,504,000)	-	**(2,504,000)**
Revaluation adjustment	348,000	2,193,000	-	**2,541,000**
Transfer	63,000	356,000	(419,000)	**-**
At 31 December 2017	9,249,394	39,191,813	-	**48,441,207**

All of the properties in the balance sheet are freehold and are vested in the TDBF, except for benefice houses which are vested in the incumbent. Of the total land and buildings at 31 December 2017, £ nil are valued at cost (2016: £nil), but all at valuation. Properties are subject to a five-year cycle of survey and consequent repairs are charged as expenditure.

The corresponding historical cost figures are:

	Board property £	Parsonage houses £	Equity sharing £	Total £
At cost				
At 1 January 2017	5,350,109	14,676,783	129,447	**20,156,339**
Additions	2,695,393	479,615	-	**3,175,008**
Disposals	-	(1,381,426)	-	**(1,381,426)**
Transfer	(222,082)	351,529	(129,447)	**-**
At 31 December 2017	7,823,420	14,126,501	-	**21,949,921**

19. **Tangible fixed assets (continued)**

19.2 **Leasehold premises**

	Group and company £
At cost	
At 1 January 2017	21,538
Additions	-
At 31 December 2017	**21,538**
Depreciation	
At 1 January 2017	10,275
Charge for year	5,632
At 31 December 2017	**15,907**
Net book value	
At 31 December 2017	**5,631**
At 31 December 2016	11,263

19.3 **Office equipment**

	Company £
At cost	
At 1 January 2017	98,897
Additions	-
Disposals	-
At 31 December 2017	**98,897**
Depreciation	
At 1 January 2017	72,587
Disposals	-
Charge for year	12,049
At 31 December 2017	**84,636**
Net book value	
At 31 December 2017	**14,261**
At 31 December 2016	26,310

19.4 **Total tangible fixed assets**

	Group and company	
	2017	2016
	£	£
Net book value		
Freehold land and buildings	**48,441,207**	45,229,199
Leasehold premises	**5,631**	11,263
Office equipment	**14,261**	26,310
	48,461,099	45,266,772

Notes
(forming part of the financial statements)

20. **Fixed asset investments**

Group

	Freehold investment property (Glebe and other) £	Unlisted investments £	Total £
At valuation			
At 1 January 2017	17,400,000	22,897,182	**40,297,182**
Additions	395,519	1,250,000	**1,645,519**
Disposals	(1,015,000)	(1,240,099)	**(2,255,099)**
Revaluation adjustment	379,630	1,666,062	**2,045,692**
At 31 December 2017	17,160,149	24,573,145	**41,733,294**

Company

	Shares in subsidiary undertaking £	Freehold investment property (Glebe and other) £	Unlisted investments £	Total £
At valuation				
At 1 January 2017	100	17,400,000	22,897,182	**40,297,282**
Additions	-	395,519	1,250,000	**1,645,519**
Disposals	(100)	(1,015,000)	(1,240,099)	**(2,255,199)**
Revaluation adjustment	-	379,630	1,666,062	**2,045,692**
At 31 December 2017	-	17,160,149	24,573,145	**41,733,294**

The Company owned the whole of the ordinary share capital, consisting of 100 ordinary shares of £1 each, of Diocese of Truro Enterprises Limited (DOTE). Further information about DOTE is given at note 21.

Glebe property was professionally valued as at 31 December 2015 by Savills (UK) Limited, on a Fair Value – International Valuation Standards basis. Glebe property was vested in the Company in 1978 under the Endowments and Glebe Measure 1978. Further advice is considered in the intervening period and the valuation adjusted by the directors accordingly.

Unlisted investments substantially comprise shares in The CBF Church of England Funds and M & G 'Charifund'. The following investments each represent more than 5% by value of the portfolio:

	£
The CBF Church of England Investment Fund	7,466,810
The CBF Church of England UK Property Fund	1,836,932
The CBF Church of England UK Equity Fund	3,169,838
The CBF Church of England Global Equity Income Fund	5,733,563
M & G 'Charifund'	5,866,528

20. **Fixed asset investments (continued)**

The corresponding historical cost figures are:

	Shares in subsidiary undertaking £	Freehold investment property (Glebe) £	Unlisted investments £	Total £
At cost				
At 1 January 2017	100	649,138	17,780,357	**18,429,595**
Additions	-	395,519	1,250,000	**1,645,519**
Disposals	(100)	(291,000)	(958,607)	**(1,249,707)**
At 31 December 2017	-	753,657	18,071,750	**18,825,407**

21. **Diocese of Truro Enterprises Limited**

The Company's previously wholly owned trading subsidiary's principal activity was the provision of building project management services primarily, but not exclusively, to Church of England schools in the Diocese of Truro.

A summary of the trading results is shown below:

	2017 £	2016 £
Turnover	**-**	44,838
Operating costs	**(344)**	(95,559)
Operating loss	**(344)**	(50,721)
Interest payable	**-**	(4,265)
Release of intercompany loan	**(1,879)**	82,629
(Loss)/profit for the year	**(2,223)**	27,643

The assets and liabilities of the subsidiary were:

	2017 £	2016 £
Tangible fixed assets	**-**	-
Current assets	**-**	4,902
Amounts owed to holding company	**-**	(2,368)
Other creditors	**-**	(2,579)
	-	(45)
Equity shareholders' funds	**-**	(45)

During 2016 the Bishop's Diocesan Council took the decision to cease the trading activities of Diocese of Truro Enterprises Limited (DOTE) which resulted in two posts being made redundant towards the end of the year. The company was struck off at the Registrar of Companies in August 2017.

22. **Debtors**

	Group		Company	
	2017	2016	**2017**	2016
	£	£	**£**	£
Amounts falling due within one year				
Trade debtors	**28,061**	20,439	**28,061**	20,439
Concessionary loans to parishes and others	**123,000**	8,500	**123,000**	8,500
Other debtors including property sales, Glebe rents and clergy assigned fees	**886,533**	1,253,534	**886,533**	1,253,534
	1,037,594	1,282,473	**1,037,594**	1,282,473
Amounts falling due after more than one year				
Concessionary loans to parishes and others	**20,473**	9,875	**20,473**	9,875
	1,058,067	1,292,348	**1,058,067**	1,292,348

Concessionary interest free loans are made to parishes with no security. At year end there were no amounts committed to (2016: £0). The repayment terms of the loans range from 3 months to 5 years.

The company provided a loan facility to Diocese of Truro Enterprises Limited (DOTE), which was written off in 2017.

23. **Cash at bank and in hand**

	Group		Company	
	2017	2016	**2017**	2016
	£	£	**£**	£
The CBF Church of England Deposit Fund	**2,627,674**	2,779,796	**2,627,674**	2,779,796
COIF Charities Deposit Fund	**230,508**	205,440	**230,508**	205,440
The Church Commissioners for England	**-**	1,240	**-**	1,240
Barclays Bank PLC	**12,373**	3,100	**12,373**	3,100
National Westminster Bank PLC	**1,154,153**	1,846,351	**1,154,153**	1,841,449
Scottish Widows Bank PLC	**-**	26,732	**-**	26,732
Savills Client Account	**32,679**	145,239	**32,679**	145,239
Cash in hand	**260**	160	**260**	160
	4,057,647	5,008,058	**4,057,647**	5,003,156
Less: attributable to local trust funds	**(508,144)**	(488,268)	**(508,144)**	(488,268)
	3,549,503	4,519,790	**3,549,503**	4,514,888

Notes
(forming part of the financial statements)

24. **Loans**

Group and company

	2017	2016
	£	£
Church Commissioners:		
Equity Sharing Loans	**-**	418,460
Amounts falling due within one year	**-**	(418,460)
Amounts falling due after more than one year	**-**	-

An Equity Sharing Loan is repayable in the event that the specific property to which it relates is either sold or ceases to be used for the purpose for which it was acquired. These loans were revalued annually in line with the revaluation of the underlying properties (as disclosed in note 20) since full repayment will eventually equate to the current market value of the underlying properties. Interest is payable by quarterly instalments over 20 years at 5% of capital balance. The loans were repaid in full in 2017.

25. **Other creditors**

	Group		**Company**	
	2017	2016	**2017**	2016
	£	£	**£**	£
Trade creditors	**189,112**	236,442	**189,112**	236,442
Other creditors (including taxation and social security)	**105,693**	77,048	**105,693**	75,693
Accruals and deferred income	**398,356**	278,505	**398,356**	277,281
Pension scheme liabilities (note 30)				
Clergy Pension Scheme	**275,000**	275,000	**275,000**	275,000
Lay Defined Benefit Scheme	**15,000**	15,000	**15,000**	15,000
	983,161	881,995	**983,161**	879,416

Notes
(forming part of the financial statements)

26. Funds employed

26.1 Summary of fund movements

At 31 December 2017:

Company	Balance brought forward £	Incoming resources £	Resources expended £	Gains and losses £	Transfers £	Balance carried forward £
Unrestricted funds						
General Fund	2,462,374	6,536,707	(7,023,381)	443,081	(1,740,374)	**678,407**
Designated funds:						
Board Houses Fund	6,143,001	-	-	348,000	2,758,393	**9,249,394**
Church House Fund	694,831	-	(43,200)	-	-	**651,631**
Confidence in the Gospel	1,150,000	-	(172,377)	-	-	**977,623**
Intern Programme	300,000	-	(28,639)	-	-	**271,361**
Kingdom Value Fund	50,000	-	-	-	-	**50,000**
Densham Loan Fund	1,500	-	-	-	-	**1,500**
	10,801,706	6,536,707	(7,267,597)	791,081	1,018,019	**11,879,916**
Restricted funds						
Pastoral Account	9,041,325	289,359	(39,771)	187,892	658,195	**10,137,000**
Diocesan Council for Mission & Unity	64,122	8,002	(11,977)	-	-	**60,147**
Education Trusts	993,489	99,154	(177,018)	74,359	-	**989,984**
Mission Fund	138,699	-	(54,733)	-	-	**83,966**
RME	-	23,017	(23,017)	-	-	**-**
Strategic Capacity Fund	-	13,996	(13,996)	-	-	**-**
CEMES Grant	2,000	4,667	-	-	-	**6,667**
Strategic Development Fund	-	60,865	(60,636)	-	-	**229**
Bishop Phillpotts Prize Fund	6,325	-	-	57	-	**6,382**
	10,245,960	499,060	(381,148)	262,308	658,195	**11,284,375**
Expendable endowment						
Parsonage Houses Fund	38,667,198	7,829	-	2,193,000	(1,676,214)	**39,191,813**
Permanent endowment						
Stipends Fund Capital Account	28,397,550	-	40,000	1,411,228	-	**29,848,778**
Total endowments	67,064,748	7,829	40,000	3,604,228	(1,676,214)	**69,040,591**
Company and Group total	88,112,414	7,043,596	(7,608,745)	4,657,617	-	**92,204,882**

Notes
(forming part of the financial statements)

26. **Funds employed (continued)**

26.2 **Purposes of funds**

Unrestricted funds

The General Fund supports the day to day activities of the Company.

The Board House Fund is represented by the book value of board properties. Additions to and disposals from the Fund are financed by or credited to the General Fund respectively.

The following other funds have been set aside by the directors for purposes which the directors themselves have designated:

The Densham Loan Fund originated from a bequest given to the Company in 1955 in memory of the late Mr ES Densham for the provision of loans to the clergy for the purchase of cars. The responsibility for car loans was assumed by the Church Commissioners in 1988 but the fund is still reserved for this purpose and has been recently used to assist a non-stipendiary minister.

The Church House Fund was created to fund the aggregate charges payable under the terms of the non-cancellable lease agreement for the new office premises at Church House.

The Confidence in the Gospel Fund has been created to fund the activity in relation to the Diocesan Development Plan for a three year period. This includes the Transforming Mission project.

The Intern Programme Fund has been created to fund the work of the Diocesan Intern Programme for a four year period.

The Kingdom Value Fund has been created to fund Socially Proactive investment and expenditure projects which includes short term loan facilities to PCCs.

Restricted funds

The Pastoral Account mainly represents the proceeds of sale of redundant parsonage houses which, may be applied for the extensive purposes permitted by section 94 of the Mission and Pastoral Measure 2011.

The Truro Diocesan Council for Mission and Unity funds are managed by the World Church Committee (a sub committee of the company) for the purposes of enabling the diocese to be a vibrant part of the world-wide church. Specifically, it actively promotes formal links with other dioceses, currently with the Diocese of Strangnas in Sweden. (The link with the Diocese of Umzimvubu in South Africa ceased in 2013 but, the diocese continues to support the feeding of orphans' and vulnerable children's programme in Umzimvubu).

The Diocese of Truro Education Trusts are governed by Schedule 36 of the Education Act 1996. The fund mainly represents the unspent sale proceeds of redundant Church of England school properties. The objects of the trusts are widely drawn to allow trust assets to be used for a variety of educational purposes.

The Mission Fund is for the specific purposes of investment in new mission initiatives.

Resourcing Ministerial Education (RME) is an age related block grant, received from the Church Commissioners to fund the training of ordinands in the diocese.

The Strategic Capacity Fund is grant funding received from the Church Commissioners to develop oversight ministry in strategic locations throughout the diocese.

The Church of England Ministry Experience Scheme (CEMES) Grant is funding received as a means of testing God's calling for young adults (under 30).

The Strategic Development Fund is grant funding received from the Church Commissioners to assist with financing the Transforming Mission project.

Bishop Phillpotts' Prize Fund may be used to award school prizes in religious education.

Endowment funds

The Parsonage Houses Fund is represented by the book value of parsonage houses and team vicarages. Additions to and disposals from the Fund are financed by or credited to the Pastoral Account respectively.

26. **Funds employed (continued)**

26.2 **Purposes of funds (continued)**

The Stipends Fund Capital Account is mainly represented by the book value of Glebe property and other investment assets. The fund generates income for the payment of stipends and can only be invested or applied to the capital purposes permitted by the Endowments and Glebe Measure 1976 and the Miscellaneous Provisions Measure 1992.

26.3 **Analysis of net assets between funds**

At 31 December 2017:

	Tangible fixed assets £	Investments £	Net current assets/ (liabilities) £	Provisions / long term liabilities £	Total £
Company					
Unrestricted funds					
General Fund	19,892	6,660,548	(5,984,048)	(17,985)	**678,407**
Designated funds:					
Board Houses Fund	9,249,394	-	-	-	**9,249,394**
Church House Fund	-	-	651,631	-	**651,631**
Confidence in the Gospel	-	-	977,623	-	**977,623**
Intern Programme	-	-	271,361	-	**271,361**
Kingdom Value Fund	-	-	50,000	-	**50,000**
Densham Loan Fund	-	-	1,500	-	**1,500**
	9,269,286	6,660,548	(4,031,933)	(17,985)	**11,879,916**
Restricted funds					
Pastoral Account	-	3,008,072	7,128,928	-	**10,137,000**
Diocesan Council for Mission & Unity	-	-	60,147	-	**60,147**
Education Trusts	-	881,055	108,929	-	**989,984**
Mission Fund	-	-	83,966	-	**83,966**
RME	-	-	-	-	**-**
Strategic Capacity Fund	-	-	-	-	**-**
CEMES Grant	-	-	6,667	-	**6,667**
Strategic Development Fund	-	-	229	-	**229**
Bishop Phillpotts' Prize Fund	-	689	5,693	-	**6,382**
	-	3,889,816	7,394,559	-	**11,284,375**
Expendable endowment					
Parsonage Houses Fund	39,191,813	-	-	-	**39,191,813**
Permanent endowment					
Stipends Fund Capital Account	-	31,182,930	261,783	(1,595,935)	**29,848,778**
Total endowments	39,191,813	31,182,930	261,783	(1,595,935)	**69,040,591**
Company and Group total	48,461,099	41,733,294	3,624,409	(1,613,920)	**92,204,882**

27. **Revaluation reserve**

Group and company

The revaluation reserve is required by the Companies Act 2006 and represents the amount by which tangible fixed assets and investments exceed their historical cost.

	Balance brought forward £	Realised on transfers £	Unrealised surplus in year £	Realised on disposals £	Balance carried forward £
General Fund	882,504	-	443,081	(281,492)	**1,044,093**
Board Houses Fund	792,892	285,082	348,000	-	**1,425,974**
Pastoral Account	905,992	-	187,892	-	**1,093,884**
Education Trusts	55,411	-	74,359	-	**129,770**
Bishop Phillpotts' Prize Fund	337	-	57	-	**394**
Parsonage Houses Fund	23,990,415	4,471	2,193,000	(1,122,574)	**25,065,312**
Stipends Fund Capital Account	20,023,443	-	1,402,204	(724,000)	**20,701,647**
	46,650,994	289,553	4,648,593	(2,128,066)	**49,461,074**

Analysis of net assets between funds at 31 December 2017:

	Tangible fixed assets £	Investments £	Total £
General Fund	-	1,044,093	1,044,093
Board Houses Fund	1,425,974	-	1,425,974
Pastoral Account	-	1,093,884	1,093,884
Education Trusts	-	129,770	129,770
Bishop Phillpotts' Prize Fund	-	394	394
Parsonage Houses Fund	25,065,312	-	25,065,312
Stipends Fund Capital Account	-	20,701,647	20,701,647
	26,491,286	22,969,788	49,461,074

28. **Capital commitments**

	2017 £	2016 £
Capital expenditure		
Expenditure contracted for but not provided for:		
Church Schools (through Private Finance Initiative funding):		
Contract due to expire in 2031	**77,378**	82,331
Repairs to properties	**33,139**	-
	110,517	82,331

Private Finance Initiative (PFI) payments are due in half-yearly instalments. The payments cover the Company (through the Diocese of Truro Education Trusts) share of the building costs, the costs of financing the scheme and a small share of ongoing maintenance costs. The amounts shown are the total costs over the period of the scheme.

Notes
(forming part of the financial statements)

29. **Operating leases**

Total commitments under non-cancellable operating leases are as follows:

	2017	2016
	£	£
Land and buildings		
Within one year of the balance sheet date	**53,200**	44,400
In the second to fifth years inclusive of the balance sheet date	**68,067**	78,000
	121,267	122,400
Other operating leases		
Within one year of the balance sheet date	**3,863**	1,883
In the second to fifth years inclusive of the balance sheet date	**5,820**	4,236
	9,683	6,119

30. **Pensions**

Group and company

Clergy

The Company participates in the Church of England Funded Pensions Scheme for stipendiary clergy. The 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 a specific Responsible Body and this means 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 (2017: £534,417; 2016: £776,973), plus the figures highlighted in the table below as being recognised in the SoFA, giving a total charge of £494,417 for 2017 (2016: £444,973).

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

- an investment strategy of:
  - for investments backing liabilities for pensions in payment, an allocation to gilts of 33% from the valuation date until 31 December 2019 and thereafter increasing linearly to 70% by 31 December 2030; and
  - a 100% allocation to return-seeking assets for investments backing liabilities prior to retirement;
- investment returns equivalent to 2.6% per annum on gilts and 4.6% per annum on return-seeking assets;
- Retail Price Index inflation of 3.2% per annum (and pension increases consistent with this);
- increase in pensionable stipends of 3.2% per annum; and
- 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%.

30. **Pensions (continued)**

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

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

As at December 2015, the deficit recovery contributions under the recovery plan in force at that time were 14.1% of pensionable stipends until December 2025. As at 31 December 2016 and December 2017 the deficit recovery contributions under the recovery plan in force 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 provision is set out in the table below:

	2017 **£**	2016 £
Balance sheet liability at 1 January	**2,203,000**	2,535,000
Deficit contribution paid	**(292,065)**	(275,000)
Interest cost (recognised in SoFA)	**31,000**	60,000
Remaining change to the Balance Sheet liability* (recognised in SoFA)	**(71,000)**	(117,000)
Balance Sheet liability at 31 December	**1,870,935**	2,203,000

* 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 2017	December 2016	December 2015
Discount rate	1.4% p.a.	1.5% p.a.	2.5% p.a.
Price inflation	3.0% p.a.	3.1% p.a.	2.4% p.a.
Increase to total pensionable payroll	1.5% p.a.	1.6% p.a.	0.9% p.a.

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

Lay

The Company participates in the Church Workers Pension Fund (CWPF) which has a section known as the Defined Benefits Scheme, a deferred annuity section known as Pension Builder Classic and a cash balance section known as Pension Builder 2014.

Defined Benefit Scheme (DBS)
The Company participates in the DBS 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. The DBS section of the CWPF provides benefits for lay staff based on final pensionable salaries.

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

The division of the DBS into sub-pools is notional and is for the purpose of calculating ongoing contributions. They do not alter the fact that the assets of the DBS are held as a single trust fund out of which all the benefits are to be provided. From time to

30. **Pensions (continued)**

time, a notional premium is transferred from employers' sub-pools to the Life Risk Pool and all pensions and death benefits are paid from the Life Risk Pool.

It is not possible to attribute the scheme's assets and liabilities to specific employers, since each employer, through the Life Risk Pool, is exposed to actuarial risks associated with the current and former employees of other entities participating in the DBS. The scheme is considered to be a multi-employer scheme as described in Section 28 of FRS 102 and as such contributions are accounted for as if the Scheme were a defined contribution scheme. The pensions costs charged to the SoFA in the year are contributions payable towards benefits and expenses accrued in that year (2017: £41,172; 2016: £50,660), plus any impact of deficit contributions (see below), giving a total charge of £41,172 for 2017 (2016: £65,675).

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

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

Following the valuation, the Employer has entered into an agreement with the CWPF to pay a contribution rate of 29.1% of pensionable salary and expenses of £4,500 per year. In addition deficit payments of £15,015 per year have been agreed for 5 years from 1 April 2015 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:

	2017	2016
	£	£
Balance sheet liability at 1 January	**48,000**	61,000
Deficit contribution paid	**(15,015)**	(15,000)
Interest cost (recognised in SoFA)	**-**	1,000
Remaining change to the Balance Sheet liability* (recognised in SoFA)	**-**	1,000
Balance Sheet liability at 31 December	**32,985**	48,000

* comprises change in agreed deficit recovery plan and change in discount rate 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 2017	December 2016	December 2015
Discount rate	1.00%	0.90%	2.00%

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

The next valuation of the scheme is being carried out as at December 2016.

Since 1 February 2010, the Company ceased to use the DBS as a vehicle for providing future pension benefits for its employees and all active members became deferred pensioners with effect from that date.

Pension Builder Scheme (PBS)
For employees who commenced employment after 1 February 2010, the Company participates in the PBS 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.

Notes
(forming part of the financial statements)

30. **Pensions (continued)**

The PBS of the CWPF is made up of two sections, Pension Builder Classic and Pension Builder 2014, both of which are classed as defined benefits schemes.

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

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

There is no sub-division of assets between employers in each section of the PBS.

The scheme is considered to be a multi-employer scheme as described in Section 28 of FRS 102. This is because it is not possible to attribute the PBS's assets and liabilities to specific employers and that contributions are accounted for as if the Scheme were a defined contribution scheme. The pensions costs charged to the SoFA in the year are contributions payable (2017: £65,053; 2016: £68,111).

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

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

31. **Transactions with directors**

The directors derive no financial benefit for their services as directors other than the re-imbursement of their out-of-pocket expenses. In 2017, 8 directors were paid £8,430 (2016: 11 directors £9,537). However, of the directors listed on page 1, the Company also remunerated the Archdeacons, the Chairman of the House of Clergy and the clergy Archdeaconry Representatives in respect of their duties as clergy.

The Company enters into transactions, on a regular basis, with other autonomous organisations within the Church of England e.g. parishes (including the Cathedral), the Archbishops' Council and the Church Commissioners. From time to time, certain directors may serve on committees of other bodies, or on the General Synod. It is not considered appropriate to report the detail of such transactions since no individual or group of individuals so serving has any significant influence over any material transactions.

Notes
(forming part of the financial statements)

32. Funds held on behalf of others

The Company is custodian trustee for the following investment assets held on behalf of Parochial Church Councils in accordance with the Parochial Church Councils (Powers) Measure 1956.

	2017	2016
	£	£
At valuation:		
Freehold land and buildings	**205,200**	205,200
Other investments	**3,867,805**	3,571,730
	4,073,005	3,776,930
At cost:		
Freehold land and buildings	**6,200**	6,200
Other investments	**2,113,687**	2,109,428
	2,119,887	2,115,628

The Company also administers Devolved Formula Capital (DFC) grants (DFC grants provide the Diocese's church schools with direct funding to invest in their buildings, grounds and ICT equipment). Consequently, for those individual schools which have appointed the Company as their agent, the Company receives their DFC grants direct from the Department for Education and defrays qualifying expenditure according to their instructions. At 31 December 2017, the Company held £280,745 (2016: £383,796) in designated bank accounts separate from those of the Company.

33. Contingent liability

Parsonages
During 2014, the Board consulted with the Church Commissioner's Pastoral Division regarding our accounting treatment of Parsonages. In some cases in the past, formal agreement to a sale had been obtained by the relevant consultees but a Pastoral Scheme remains pending. Until matters are finally resolved, we wish to declare a contingent liability which is difficult to determine given fluctuations in property prices within the county.

Notes
(forming part of the financial statements)

34. **Prior year comparative SOFA**

	Unrestricted funds £	Restricted funds £	Endowments £	2016 £
Income and endowments from:				
Donations:				
Parish contributions	4,046,209	-	-	**4,046,209**
Archbishops' Council	896,889	60,420	-	**957,309**
Other	135,856	80,595	-	**216,451**
Charitable activities – statutory fees etc	293,302	-	-	**293,302**
Other activities	53,732	213,611	-	**267,343**
Investments	1,157,951	160,024	-	**1,317,975**
Other	25,294	-	556,251	**581,545**
Total	6,609,233	514,650	556,251	**7,680,134**
Expenditure on:				
Raising funds	371,942	27,302	60,000	**459,244**
Charitable activities	5,887,960	238,819	(117,000)	**6,009,779**
Other resources expended	131	-	-	**131**
Total	6,260,033	266,121	(57,000)	**6,469,154**
Net incoming resources before realised gains	349,200	248,529	613,251	**1,210,980**
Net gains on investment assets	402,109	301,209	2,968,936	**3,672,254**
Net incoming resources before transfers	751,309	549,738	3,582,187	**4,883,234**
Transfer between funds	399,610	2,280,541	(2,680,151)	**-**
Net income for the year	1,150,919	2,830,279	902,036	**4,883,234**
Unrealised gains on revaluation	82,644	-	538,110	**620,754**
Net movement in funds	1,233,563	2,830,279	1,440,146	**5,503,988**
Fund balances at 1 January 2016	9,570,366	7,415,681	65,624,602	**82,610,649**
Fund balances at 31 December 2016	10,803,929	10,245,960	67,064,748	**88,114,637**