

Chester Diocesan Board of Finance

Annual Report and Financial Statements 2019

Company limited by guarantee registered in England (no 7826)

Registered charity (no 248968)

Bankers

National Westminster Bank plc, 33 Eastgate Street, Chester, CH1 1LG
Charity Bank, 182 High Street, Tonbridge, Kent, TN9 1BE.

Investment managers

CCLA Investment Management Limited, Senator House, 85 Queen Victoria Street, London, EC4V 4ET.

Solicitors

Aaron & Partners, Grosvenor Court, Foregate Street, Chester, CH1 1HG
Cullimore Dutton, 20 White Friars, Chester, CH1 1XS.

Auditors

BDO LLP, 3 Hardman Street, Spinningfields, Manchester, M3 3AT.

Registered Office: Church House, 5500 Daresbury Park, Daresbury, Warrington WA4 4GE.

Telephone: (01928) 718 834

Chester Diocesan Board of Finance is the financial executive of the Church of England in the Diocese of Chester. It is a company limited by guarantee registered in England (no 7826) and is a registered charity (no 248968).

Throughout this document, "DBF" refers to Chester Diocesan Board of Finance.

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Membership of the Board

The trustees of the registered charity and the directors of the charitable company are the same. Trustees/directors served for the full year, except where shown.

President: Rt Revd Dr Peter R Forster Bishop of Chester
until 30th September 2019
Rt Revd Mark S A Tanner Bishop of Chester
from 15th July 2020

Chairman: Mr Ian N Scott-Dunn

Trustees/Directors:

Rt Revd Keith Sinclair	Bishop of Birkenhead
Rt Revd Elizabeth J H Lane	Bishop of Stockport until 11 th February 2019
Ven Dr Michael R Gilbertson	Archdeacon of Chester
Ven Ian G Bishop	Archdeacon of Macclesfield
Very Revd Timothy R Stratford	Dean of Chester Cathedral
Canon Dr John P Mason	Chairman, House of Laity
Revd Dr Robert S Munro	Chairman, House of Clergy
Revd David Brewster	
Revd Christine J Broad from 4 th December 2019	
Revd Canon Elaine Chegwin Hall	
Revd Simon Drew	
Revd Canon David R Felix	
Revd Andrew Q Greenhough	
Revd Dr Mark Hart	
Revd Dr David J Page	
Revd Christopher J P Hobbs	
Revd Michael L Ridley	
Revd Michael I A Smith	
Revd Christina P Upton	
Canon Elizabeth Renshaw MBE	
Dr J Graham Campbell	
Dr Alan Downen	
Mr John J C Freeman	
Miss Fiona Goode	
Mrs Esme A Hammer	
Mr David G Lowcock	
Mr Ian Roberts until 28 th August 2019	
Mr John R Scrivener	
Ms Julie H Withers	

Key Management Personnel

Mr George Colville	Diocesan Secretary
Mrs Liz Geddes	Director of Human Resources and Deputy Diocesan Secretary
Revd Canon Dr Christopher Burkett	Director of Ministry
Mr James Butterworth	Director of Communications
Revd Debbie Dalby	Director of Social Responsibility
Mr Nigel Strange	Head of Finance
Revd Lyn Weston	Director of Mission until 13 th September 2019

Chairman's Statement

I am pleased to present the Chairman's Statement for Chester Diocesan Board of Finance. The DBF continued to pursue its core purpose, "to maintain and promote the spiritual teaching of the Church of England in the Diocese of Chester". The DBF continued to provide a financial and support function to allow the parishes of the diocese to continue to operate effectively, through collecting contributions from the parishes, paying and housing the clergy, and through providing a number of additional services.

2019 saw the start of a period of significant change. Bishop Libby Lane moved on from her role at Stockport to become the Bishop of Derby. Later, Bishop Peter Forster announced that he would retire from his role as Bishop of Chester at the end of September. The parishes of the diocese and the DBF are grateful to both bishops for their huge contribution. The year ended with Bishop Keith Sinclair as the acting Bishop of Chester, in addition to being Bishop of Birkenhead. Deliberations relating to the role of Bishop of Stockport will take place now that Mark Tanner has become the new Bishop of Chester.

Of course, after the end of the year, the entire world has become engulfed in the Coronavirus pandemic. Following the initial lockdown, the DBF office at Church House is partially open, and the majority of the churches in the diocese have reopened for public worship. Many DBF staff are working from home, and the clergy have adapted to new ways of interacting with their parishioners, and are dealing with the multifaceted consequences of the situation we now find ourselves in. While we are in a crisis, much good is coming from it.

I thank George Colville, Diocesan Secretary and the staff of the DBF, who provide quality support to our parishes. I also thank all those who have left the DBF's employment for the work they have done and welcome all the new members to the team at Daresbury and Foxhill. Finally, I thank Bishop's Council and all sub-committee members for their work throughout the year.

The DBF's day to day financial performance showed a smaller deficit than anticipated for the year, for reasons including continuing healthy parish share collection, and continuing higher than expected vacancies. The DBF is starting to increase numbers of curates to respond to the need for future clergy, so we had anticipated deficits in the coming years. While this remains the DBF's intention, the economic effect of the coronavirus pandemic on the DBF, parishes and the UK economy more widely, means that plans for the future will be kept under review.

Investments showed substantial gains, though these have since been partially erased by the worldwide decline in market values since the year end. However, most of these investments are endowment funds whose primary function is to generate income for stipends, so maintenance of dividends continues to be of higher importance than end of year valuations.

Our priority is to use our resources wisely in the pursuit of growing God's kingdom throughout the Chester Diocese and beyond. We pray that God's Holy Spirit may guide and inspire us all.

Ian N Scott-Dunn
Chairman

Who we are, what we do and why we do it

Who we are

The parish is the core unit of Church of England activity; Chester Diocesan Board of Finance provides a financial executive and support function to enable parishes to operate effectively.

What we do

God has given us a Christian framework for living which benefits the members of the churches in the Diocese and the wider public generally. We provide facilities for public worship, pastoral care, and spiritual, moral and intellectual development; we promote Christian values and service by members of the Church in and to their communities, to the benefit of individuals and society. In practice, this means collecting contributions from parishes, paying and housing the clergy, and delivering diocese-wide services and projects.

Why we do it

The DBF's core purpose is "to maintain and promote the spiritual teaching of the Church of England in the Diocese of Chester". The directors all believe that the Christian message is relevant and that the DBF's role is to support parishes in living it and telling people about it. Staff working for the DBF also believe this or are in sympathy with it.

"For God so loved the world that he gave his only Son, so that everyone who believes in him may not perish but may have eternal life." John 3:16 NRSV.

How our activities deliver public benefit

With further details provided below, our main activities aim to deliver public benefit in the following ways:

- **Clergy** - providing parish and other clergy to offer Christian services and spiritual oversight
- **Parochial** - Church Councils – assisting PCCs to provide churches, sacred spaces and worship services
- **Mission** - assisting parishes in developing their mission and linking with Anglican Dioceses in Melanesia and Congo
- **Education** - contributing to the spiritual and moral education of children and young people
- **Social Responsibility** - contributing to and assisting in social action in parishes and elsewhere
- **Training** - providing training and assistance in order that parishes have clergy and volunteers who are competent, in providing Christian services, such as visiting the sick, and comforting the bereaved
- **Grants** - making grants to enable the national church institutions to function and have a positive wider influence
- **Provision of retreats and Christian conferences** - education, spiritual and

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physical refreshment at Foxhill House and Woodlands

The majority of the DBF's activity takes place in the Diocese of Chester, which comprises Cheshire, the Wirral, and parts of Greater Manchester.

Who benefits from our services?

The DBF is a public benefit entity. The trustees confirm that they have complied with the duty of the Charities Act 2011 to have due regard to the public benefit guidance published by the Charity Commission in determining the activities undertaken by the charity. We also take account of the Charity Governance Code (see page 27) in ensuring that the charity is effective.

We aim to make our services open to as wide a section of the public as possible. For example:

- Everywhere in the Diocese is part of a Church of England parish that has a member of clergy who has concern for the spiritual welfare of the individuals who reside in it.
- Parishes in wealthier areas generally contribute somewhat more than the cost of their clergy in order that clergy can also be provided in less wealthy areas.
- Training courses and retreats are offered at reduced or no cost where appropriate in order that ability to pay is not a bar.

Strategic Report

Coronavirus (COVID-19)

Towards the end of 2019, and into the spring of 2020, the world has become embroiled in the coronavirus pandemic. Effects are numerous: - parish churches are closed, as is the DBF office Church House at Daresbury. In addition, year-end valuations have since changed, some drastically, and assumptions about the financial health of the DBF will have changed. This report is about the calendar year to 31 December 2019, before the pandemic arose. As a result, the report will concentrate on that year, apart from where subsequent events are relevant to it.

Clergy

Provision of clergy

Although the DBF does not employ the parish clergy, it is responsible for training them, paying them, and paying into their pension fund. With approximately 232 trained stipendiary clergy including Archdeacons and clergy who occupy a house and receive a reduced stipend, 37 of whom are curates, this responsibility is by far its largest financial commitment. It can only be met if the parishes pay their Parish Share. Stipend and pension levels are set nationally with some slight regional flexibility.

Some clergy are not paid stipends. These include self-supporting ministers, ministers in secular employment, and retired clergy. They give excellent service, but generally have less time to offer and in most cases are not asked to take charge of a parish.

Almost all clergy in the Diocese are paid under the terms of Common Tenure, with only a few retaining their freehold. All new posts are now appointed under Common Tenure.

The DBF is in the early stages of a program to expand the number of curates, to respond to the needs of maintaining clergy levels into the future.

Good clergy, well trained and with high morale, are at the heart of the DBF's purpose. We must ensure that we can continue to raise the money to keep as many as possible in post, for the sake of the Church, the Gospel, and the people and communities of the Diocese.

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Provision of clergy housing

The DBF is responsible for maintaining and insuring clergy houses. This includes carrying out repairs and maintenance works as they arise, and as highlighted in 5-yearly inspections. Major renovation works are usually carried out during vacancies. There is also a phased program of improving the overall standard of housing within the constraints of available funding.

Improvement projects included the replacement of a number of kitchens, bathrooms and boilers. A number of window replacements were also completed including a major scheme at Gawsforth. Some of the improvement work has been funded by a grant received from Allchurches trust, the owner of Ecclesiastical Insurance.

A new rectory has been purchased at Astbury, replacing the former rectory that was sold a number of years ago. A new replacement vicarage at Wallasey St Nicholas was nearing completion at the year end. Construction of a new vicarage at Holmes Chapel has started, with completion due late 2020. A new rectory in Woodchurch was completed in part of the existing rectory garden, and the old rectory was sold.

Following issues with the existing vicarage at Prestbury, planning permission has been obtained for demolition of the existing building, followed by redevelopment of the site, including the provision of a replacement vicarage.

Chaplains

The DBF also supports chaplains who provide a strong Christian influence in hospitals, hospices, schools, farming, prisons, local industry, Manchester Airport and Chester University.

Bishops

Bishops are the chief pastors of the Diocese. They provide overall focus and lead the mission of the Diocese.

In February, Bishop Libby Lane became the Bishop of Derby, following her time as Bishop of Stockport. Following this, Bishop Peter Forster retired at the end of September after 25 years as Bishop of Chester. In a letter to clergy in April, he said, "...it has been a huge privilege to serve in this diocese, and I am looking forward to my final months in post." He said farewell to clergy at a conference in June, and a farewell service was held at Chester Cathedral in July.

The process of finding the next Bishop of Chester is now complete. The Diocesan Vacancy in See Committee elected six representatives to the Crown Nominations Committee. Then in August and September, the parishes of the diocese were consulted about who the next Bishop of Chester should be, and what qualities he or she should have. Finally, in November, the Diocese published its Statement of Needs, comprising a brief description of the Diocese together with a statement setting out the desired profile of the new Bishop of Chester.

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In the meantime, Bishop Keith Sinclair took over as Acting Bishop of Chester, in addition to his role as Bishop of Birkenhead. Decisions relating to the appointment of the Bishop of Stockport will be taken now that the Rt Revd Mark Tanner has become the new Bishop of Chester.

Archdeacons

Archdeacons have the role of pastoral care of the clergy and oversight of church buildings and vicarages. There are two in Chester Diocese. The Ven Dr Michael Gilbertson, Archdeacon of Chester, and the Ven Ian Bishop, Archdeacon of Macclesfield, said, 'We are always deeply thankful for the vibrancy of Church life in the Diocese. In many ways, through 2019 and into 2020, we have been challenged to remain faithful disciples of Christ and at every stage the extraordinary love, courage and dedication shown by clergy and laity has been inspirational. The transformational hope that has been lived out in the Churches has made a remarkable contribution to community well-being and to building the Kingdom of God.'

Assisting Parochial Church Councils

The DBF has continued to provide support to parishes in care and development of their church buildings.

Parishes have been working hard developing schemes to improve accessibility, facilities and flexibility. Faculties issued in 2019 included major reordering schemes at Kelsall St Philip and Church Minshull St Bartholomew, accessible facilities and kitchenettes at Over Tabley St Paul and Sutton St James, and an external access ramp at Crewe St Andrew. There have also been ongoing development schemes for Chester St John.

During 2019 support has been provided to parishes through an increased number of site visits. With the aim of making site visits as helpful as possible some were carried out in conjunction with other staff including Church Buildings Missioner Emily Allen, and Engagement & Inclusion Officer Vanessa Layfield.

In July 2019 a training day was conducted jointly by Caroline Hilton, DAC Secretary and Emily Allen, Church Buildings Missioner at Waverton St Peter. It was aimed for anyone from parishes involved in the care/development of church buildings as a practical guide clearly setting out what we appreciate can be a daunting looking process. A parish eye view of the faculty process was kindly provided by a churchwarden from St Peter's along with a guided tour of their recently completed extension. Similar training was also delivered for new curates, with positive feedback.

Mission

The DBF aims to inspire and serve churches seeking spiritual and numerical growth. Its work involves parishes in the diocese, and links with the anglican church in Melanesia

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and the Democratic Republic of Congo.

Discipleship and evangelism support for parishes continued, together with partnerships with other Christian organisations, including LEAD Academy and Jesus Shaped People. Conferences were held in partnership with the New Housing Hub exploring mission in new housing areas, and EngageWorship.

Inspiring Young Generations

Under the banner “Growing Faith”, the Church of England has made a national commitment to mission and ministry that envisages children, young people and households coming to faith and growing in discipleship, and Chester Diocese is a part of this. The Leaders of Young Generations Network has continued to facilitate training for children and youth ministers. Training focussing on toddlers was provided by Mary Haws, National Children and Youth Adviser.

The Mission team again had a presence at the Geronimo and Creamfields festivals.

Using Buildings for Mission

The DBF continued to assist parishes with developing and improving their church buildings, halls and grounds, funded by grants from Historic England, and more recently, Allchurches Trust, the owners of Ecclesiastical Insurance. Areas of support included developing a Godly vision for the church building, project development and fundraising. A research and development paper “Buildings for God’s Kingdom” was presented to Diocesan Synod.

Developing a Culture of Whole Life Discipleship and Confident Evangelism

“Setting God’s People Free” has evolved nationally into the discipleship campaign “Everyday Faith”. Whole Life Worship training was delivered, together with consultancy with parishes, and training for readers and curates.

Anglican Church in Melanesia and the Democratic Republic of Congo

In January we welcomed two new Bishops, James Tama of Vanuatu and New Caledonia and Rickson Maonmaora, Assistant Bishop of Malaita to Chester. In a few days they visited schools and mission projects, the Foxhill Conference Centre, and took part in services at Chester Cathedral and St Mary’s Eastham.

In September, the Rt Revd Leonard Dawea, former Melanesian Brother and graduate of the University of Chester (2005) was installed as the Archbishop of Melanesia in the Cathedral of St Barnabas, Honiara.

In October, it was the 100th Anniversary of the Mothers Union in the Solomon Islands and over 2000 members gathered in Honiara from all the islands for a week of celebration, services and conference with singing and dancing.

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The Melanesian Brotherhood had its 14th Great Conference, taking place every four years to elect new leaders and Brothers. Companions (including two from Chester Diocese) and friends from the Solomon Islands, Vanuatu, Papua New Guinea and the Philippines gathered at Tabalia, the motherhouse of the Brotherhood. A Retreat was followed by workshops, the Brotherhood Conference and the Companions Conference.

Four companions from the diocese visited the Solomon Islands, and twice yearly shipments from the diocese continued.

Links with the dioceses of Aru and Boga in the Democratic Republic of Congo also continued.

Education

The DBF works closely with and provides financial and other support to Chester Diocesan Board of Education (DBE) in its work. Together with the DBE the Board seeks to ensure that schools have high standards, are distinctively Christian, and support the Church's mission to the Diocese, as well as reflecting the Church of England Education Office's Vision for Education. More details can be found in the DBE annual report. The DBF has also provided Chester Diocesan Academies Trust with office accommodation and IT services in its early years.

Social Responsibility

The DBF aims to resource and support parishes in mission directly, and through their social action.

A service of celebrating those with different abilities was held at Chester Cathedral, and the Disability Forum continued to deliver accessibility training for clergy and parishes. Ten accessibility audits for parishes have been completed.

Safeguarding advice and expertise continued to be vital element of support offered to parishes. The Diocesan Safeguarding Advisor has continued to assist the government's Independent Inquiry into Child Sexual Abuse (IICSA). Increased demand for services and wider training requirements has resulted in the expansion of the safeguarding team.

The DBF continued community-based work with the Church Urban Fund – through the Transforming Lives Together project. Over 5000 meals were provided by 30 Filling the Gap projects, and over 3000 people received hospitality from 26 Places of Welcome projects.

Nearly sixty people from parishes across the Diocese gathered at Chester Zoo on World Environment Day to give praise, celebrate creation and to think about the preservation of our world. Parishes were encouraged in thinking about their role in the care of creation.

Ministry Development

The DBF administers vocational discernment, selection, initial training, and in-service training for lay and licensed ministries, whether lay or ordained. In 2019, there were 14 new Pastoral Workers, 7 Readers, 22 Deacons and 18 Priests. The DBF also aims to encourage the every-day discipleship of every believer. The Setting God's People Free – now Everyday Faith – agenda is becoming prominent in all areas. In addition, Canon Sarah Fenby was appointed as the DBF's first Diocesan Director of Vocations.

The Foundations for Ministry Course now incorporates a new "Everyday Faith" emphasis and runs in three centres across the diocese. The Higher Education Certificate and Foundation Degree courses also have revised content more closely aligned with the everyday realities of the ministries for which people are training.

The fiftieth anniversary of the first admission of women as Readers was marked in July by a celebration at the Foxhill conference centre. Vivien Gisby, the Warden of Readers and of Pastoral Workers continues with her colleagues to develop support in harmony with the Transforming Ministry emphasis of the national Central Readers' Council. The DBF continues to provide access to in-service learning for experienced ministers.

As well as training opportunities offered internally, ministers were supported in programmes offered by outside providers. The take-up in this area continues at a high level with an increasing number of ministers engaged in formal practice-based learning. The DBF's in-house two-year leadership development programme Making Headway is running again – this time working with those of an even broader range of ministerial experience.

The DBF continues to work with the Dioceses of Liverpool, Manchester and Blackburn via the part-time ordination courses offered by the All Saints Centre for Mission and Ministry. The DBF also works St Mellitus North West to provide contextual ordination training. The popularity of these two local ways of training for ordination serves this diocese well.

Amongst popular courses provided directly by the DBF were "New Approaches to Reading the Bible"; "Who needs the Old Testament?"; "Leading from the Second Chair"; "Understanding Young Adult Faith"; and a poetry day. Conferences included "Women's Voices 5" and "Spiritual Abuse".

Grants

The DBF makes certain grants to support clergy and parishes in their work. A focus in recent years has been a concentration on projects which promote mission and development.

The Diocese of Chester is also a part of the wider Church of England. In this capacity the DBF contributes funds to the national church to enable it to provide functions that are

better carried out at a national level. Examples include funding for theological training colleges, promoting the Church of England's place and views in wider society, and the provision of specialist advice and support.

Retreats and Christian conferences

Foxhill is the House of prayer, study and mission for the Diocese of Chester.

2019 marked 50 years since the Pilkington family generously donated Foxhill to the Diocese and we give thanks that we are still able to welcome people through our doors to spend some quality time with God.

Overall, it has been a successful year, with our ministry focused on the Bible story of the woman at the well, as we aim to be a place of refreshment and renewal for all those who visit.

"Sir, give me this water so that I won't get thirsty
and have to keep coming here to draw water." John 4:15

Approximately 8,000 people visited Foxhill during the year.

As part of the anniversary celebrations, we launched a new bursary scheme called Twenty's Plenty, offering places on our program of residential retreats for £20 for those who would otherwise be unable to attend due to financial reasons.

Foxhill partnered with Frodsham Deanery as a part of the Diocesan 'Thy Kingdom Come' initiative for a 'Pentecost Praise' afternoon with a variety of activities for all ages. The day was well attended and concluded with a time of worship together.

A 50th Anniversary Celebration service of Holy Communion was held in July. It was wonderful to welcome people who had been involved in the past ministry of Foxhill including Helen Thornton, Sue Cameron and especially Bishop Peter as this was his last visit to Foxhill before retirement. The sermon focused on giving thanks to God for the past and trusting Him for the future ministry of Foxhill.

In December we hosted Journey to Bethlehem – an all age Christmas Nativity event through the grounds of Foxhill. Over 60 people attended, both young and old, many for the first time, to reflect on the true meaning of Christmas.

Double glazing was installed throughout the main house in January 2019. This has improved the aesthetics of the house, along with providing better insulation.

Following an inspection by Cheshire Fire and Rescue, several recommendations have been implemented, including improvements to the fire escape and evacuation procedures.

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Improvements were made to the sitting and dining rooms, with a new floor offering a more practical solution to carpet and newly covered dining room chairs having a positive impact on guests first impressions when entering the house.

Most of the bedrooms in the main house have been redecorated and have new furniture and soft furnishings providing a comfortable and modern space for guests to sleep.

In the Autumn, three permanent members of staff were on long term medical leave at the same time during one of our busiest periods. This highlighted the vulnerable nature of our staffing structure and added pressure to the rest of the team. The team did a tremendous job, and feedback from guests remained positive during this challenging time.

Following the departure of Bishop Libby Lane, the Foxhill Development group was revitalized with new members, including the new chairperson, Christopher Graham.

Financial Review

Net income after investment gains amounted to £3,585k (2018 net income after investment losses £736k). The unusually large net income is mainly due to a change in the valuation method for the deficit repayment plan for the Church of England Funded Pensions Scheme for stipendiary clergy.

Contributions received from parishes fell marginally to £11.2m (2018 £11.3m). The increase in parish share assessments was again marginally outweighed by the reductions due to (slowly) falling clergy numbers. The parish share collection rate fell back slightly to 95%.

There were a small number of sales and purchases of parsonage houses during the year. The rectory at Woodchurch was replaced with a new build, and a rectory was purchased at Astbury following the sale of the former rectory in 2016. The Board has a policy of recycling funds raised from the sale of parsonage houses to fund new parsonage houses and improvements to existing houses, though at the current time surpluses on the sale and replacement of parsonages are also being used to support day to day activities.

The most significant item of expenditure remained parochial clergy and archdeacons' stipends, national insurance, pension contributions, housing maintenance and ordination training, amounting to £10.7m (2018 £9.8m). A large part of this rise is as a result of a national restructuring of the funding of ordination training.

Since 2007, parochial contributions have been requested under a parish share system based on number of allocated clergy and a socio-economic factor; this approach is intended to foster mission and growth.

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The Statement of Financial Activities shows substantial gains in investment values. This was tempered by significant falls in value in February and March 2020.

Property values were reviewed, resulting in a slight general uplift, though the property market in general has now entered a period of uncertainty and flux.

The return on holdings in the CBF Church of England Investment Fund was a 21.8% gain in capital value together with 2.9% income return. The return on invested cash rose from 0.7% at the start of the year to 0.75% at the end, though rates fell back after the year end.

The majority of the DBF's investment assets are held by endowment funds and are therefore not available for current expenditure. In the short term at least, this makes the income from those investments more important than their current capital value. This has limited the effect of the fluctuations in capital value on day-to-day operations. However, the DBF is conscious that continuing adverse economic conditions may have an impact on parochial contributions, parochial fees, rates of return on cash, and the ability to buy and sell parsonages and other property.

A plan is in place to fund the deficit on the Church of England Funded Pensions Scheme for stipendiary clergy. Following agreement with the Pensions Regulator, the Church of England Pensions Board has changed the way the outstanding deficit on the scheme is valued, leading to a significant fall in creditors at the year end.

Going concern

The trustees make an assessment of the Charity's ability to continue as a going concern for a period of at least twelve months from the date on which the financial statements were approved for release. In making the assessment, the trustees consider the financial impact of Covid-19 and on the cash flow forecast and perform stress testing of the plans.

Having performed the assessment, the Trustees conclude that Charity is able to continue to operate as a going concern and that it is appropriate to prepare the financial statements on a going concern basis.

In making the assessment, the Trustees did not consider there to be any material uncertainty relating to events or conditions that individually or collectively may cast significant doubt on the Charity's ability to continue as a going concern.

The financial statements have been prepared on the going concern basis, as the trustees consider that the Board has sufficient reserves to continue operations.

2020 and beyond

The purpose of Chester DBF is “to maintain and promote the spiritual teaching of the Church of England”, not least by continuing to facilitate the healthy functioning of the parishes of the diocese.

Challenges for the next few years include: -

- changes in senior staff – the search for a new Bishop of Chester is well underway following the retirement of Bishop Peter Forster. In addition, the post of Bishop of Stockport is vacant, with decisions to be made following the appointment of the new Bishop of Chester.
- continuing to cooperate with the Church of England National Safeguarding Team and the Independent Inquiry into Child Sexual Abuse, and implementing the Church of England’s Past Cases Review 2.
- absorbing the cost of additional curates to maintain the supply of future clergy.
- operating in the context of Brexit and now also the economic, social and spiritual consequences of the coronavirus pandemic.

While the DBF faces challenges, it is helped by many positives, not least including historically high parish share contribution rates, together with good relationships with parishes in the Diocese.

Risk Management

The Board reviews a register of risks on an ongoing basis, reviewing the combination of likelihood and likely impact of perceived risks.

The Board considers that its principal risks at present are: -

- Safeguarding: - issues regarding current and historical cases that could result in reputational problems, legal action, financial impact, together with impact on staff and parishes. Mitigated by policies in place, safeguarding staff employed, clergy and lay appointees in parishes being trained, Diocese of Chester Safeguarding Commission overseeing work.
- The impact of the ongoing global COVID-19 outbreak. The trustees continue to monitor the outbreak, including UK Government advice, and acknowledge that the DBF faces a prolonged period of uncertainty. While the evolving nature of the situation means it is not possible to accurately quantify the financial impact, the Charity is in a good financial position to help manage this risk. Steps are being taken, on an ongoing basis, to minimise the impact on activities and the effect this may have on the stakeholders. Infrastructure

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is in place to allow staff to work remotely and the key priority is to ensure, as far as possible, that the DBF's services to parishes continue as effectively as possible.

- Significant vacancies in key senior posts. The Rt Revd Mark Tanner has now been appointed as the new Bishop of Chester. The post of Bishop of Stockport is currently vacant, but work will now commence on appointing a new Bishop. In addition, the Rt Revd Keith Sinclair has announced that he will retire in 2021.
- Loss of relevance and failure to adapt to changes in society: - Falling electoral rolls, ageing congregations in parishes. In addition, changes in society as a result of Brexit, and more recently, the coronavirus pandemic. Mitigated by national church task groups and Renewal and Reform agenda, and in Chester Diocese, the DBF Mission team is working with parishes locally.

Additionally, there remains some risk relating to the DBF's ability to continue to fund increasing stipends, housing, salary and pensions costs if voluntary contributions from parishes fail to come in. The DBF's largest source of funding is contributions of Parish Share made by parishes. Arrears of parish share are reviewed monthly, and in some senses these reviews fulfil a similar role to monthly management accounts in more commercial enterprises. The Finance and Scrutiny Committee meets five times a year and oversees and discusses these reviews at each meeting. In addition, it keeps a watch on stipend costs, the cost of clergy housing repair, and staffing costs, these being the chief items of expenditure. At the current time, parish share collection rates continue to be healthy, so this is not an immediate concern.

Other risks are in the areas of key staff, reputation, and exposure to the consequences of decisions undertaken by separate but related church entities.

Structure, governance and management

The sections that follow describe the local and national structure of the Church of England and explain the role of Chester Diocesan Board of Finance in it.

Pastoral structure of the Church of England

The smallest pastoral area in the Church of England is the parish. Each parish usually has one parish church (although it may have more) and may also have one or more chapels of ease (often called daughter churches). A benefice is a parish or group of parishes served by an incumbent, and by carrying out the spiritual duties in the parishes of a benefice the incumbent is entitled to a stipend (like a salary) and parsonage house. 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. A diocese is the main administrative and pastoral area of the Church of England and contains two or more archdeaconries under the leadership of the Diocesan Bishop. A province covers the area of several dioceses under the oversight of its Archbishop.

Parochial Church Councils

The parochial church council (PCC) is the elected governing body of a parish. It is made up of the incumbent (who is the chairman) plus any other clergy licensed to the Benefice, the churchwardens, and several elected members plus members of Deanery, Diocesan and General Synods. All parishes have Deanery Synod representatives, and a smaller number have Diocesan or General Synod representatives. PCC's are independent charities, though all but the largest are currently exempted from registration with the Charity Commission. Their accounts can be obtained by contacting the relevant PCC treasurer and do not form part of these accounts. The Charities Act 2011 requires that PCCs with income of over £100,000 register with the Charity Commission.

Deanery Synods

Deanery Synods have two houses: laity, mainly people elected by their parishes, and clergy, mainly the beneficed and licensed clergy of the deanery. The role of a Deanery Synod is to consider matters concerning the Church of England; to bring together the views of the parishes of the deanery; to effect decisions made by the Diocesan Synod; to act as a channel of communication to express the views of the parish to Diocesan Synod; to respond to requests from General Synod; to raise with Diocesan Synod such matters as it considers appropriate; and to elect representatives of the deanery to the Diocesan Synod. Deanery Synods generally do not have significant financial transactions.

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Diocesan Synod

The Diocesan Synod is the statutory governing body of a diocese. It is elected with representation from all parts of the Diocese and roughly equal numbers of clergy and lay people, who meet in Synod with the Bishops and Archdeacons. The role of Diocesan Synod is to consider matters concerning the Church of England and make provision for such matters in relation to its diocese; to act as a forum for discussion of Christian opinion on any matter of religious or public interest; to advise the Bishop on any matter on which he may consult it; to deal with matters referred by General Synod, and to refer matters to General Synod; and to make provision for the financing of the diocese, in its capacity as the Diocesan Board of Finance.

Chester Diocesan Synod met twice during 2019, at Chester Cathedral in March and at St Peter's Church Hall, Elworth in November. The usual business was completed at both meetings, including the receipt of the Annual Report and Financial Statements for the year ended 31 December 2018 and the approval of the 2020 budget. In March, Diocesan Synod received a report on the "Setting God's People Free" pilot and discussed Bishop Peter Forster's paper on Supporting and Developing Missional Communities.

In November, Synod received a report on work of the Vacancy in See Committee in searching for a new Bishop of Chester and received a report on the proceedings of General Synod, covering business including fresh expressions churches, safeguarding, and clergy well-being. Emily Allen, Church Buildings Missioner, presented her report "Buildings for God's Kingdom."

General Synod

The General Synod is the legislative and decision-making body of the Church of England at national level. It makes decisions on doctrinal formulae, services and relations with other Churches. It passes Measures which, if accepted by Parliament, have the force of Acts of Parliament. The Synod contains three groups, or houses, of members: - the Houses of Bishops, Clergy and Laity. The Houses of Bishops and Clergy together form the two Convocations of the Province of Canterbury and the Province of York. The Convocations are older than Parliament and before their powers were vested in the General Synod they were responsible for making decisions on doctrine, services and relations with other churches.

Archbishops' Council is the Church of England's policy discussion forum. It reports to General Synod.

Cooperating closely with Archbishops' Council, the Church Commissioners manage the historic assets of the Church of England, spending a significant part of their income on pensions for the parochial clergy, and providing selective financial support to Dioceses (this currently does not include Chester Diocese).

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The financial transactions of General Synod, the Church Commissioners, and the Archbishops' Council do not form part of these accounts.

Chester Cathedral

Chester Cathedral is a separate charity. Copies of its accounts can be obtained from The Cathedral Office, 9 Abbey Square, Chester CH1 2HU.

Bishops

The costs of Episcopal administration (Diocesan and Suffragan Bishops) are met by the Church Commissioners.

The Diocese of Chester

The Diocese of Chester was created in 1541, following the dissolution of the Abbeys under Henry VIII, and assumed roughly its present dimensions in 1880. It covers an area of 1025 square miles, approximately the old Victorian County of Chester, including parts which subsequently became absorbed into Merseyside and Greater Manchester. The rivers Mersey and Tame approximately delineate the boundary with Liverpool and Manchester. There are areas of dense urban population, mainly in the north, stretching from Birkenhead to East Manchester. There are prosperous suburban regions of West and South Wirral, Chester and south of Manchester, with a mainly rural heartland, bounded by the Derbyshire Pennines and the Welsh Border. The overall population is around 1.6 million.

The Diocese is divided into two archdeaconries: Chester covering the western half and Macclesfield the eastern, each with nine deaneries. There are 265 parishes, about 100 of which can be described as rural. Compared with many dioceses, there are few teams, and few multi-parish benefices. There are approximately 236 stipendiary clergy. The ministry of Readers and Pastoral Workers is important, with over 400 licensed. The role of self-supporting ministers is increasing, with over 80 in post at present.

Roughly speaking, the Archdeaconry of Macclesfield covers that part of the diocese to the east of the M6, plus the area around Crewe and Nantwich. The Archdeaconry of Chester covers the rest of the diocese to the west of the M6. Each archdeaconry has a broad mix of urban and rural parishes. The Archdeacon of Chester lives in Chester, and the Archdeacon of Macclesfield lives in Congleton. Both work from Church House, Daresbury.

The financial affairs of the Diocese are conducted through two registered charities:- Chester Diocesan Board of Finance (Registered charity number 248968), and Chester Diocesan Board of Education (Registered charity number 525790)

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Chester Diocesan Board of Finance

Chester Diocesan Board of Finance (DBF), founded in 1873, is constituted in accordance with the provisions of the Diocesan Boards of Finance Measure 1925.

It is a charitable company limited by guarantee, registered in England and Wales, and governed by memorandum and articles of association.

Its principal activity is to maintain and promote the spiritual teaching of the Church of England in the Diocese of Chester. It acts as the financial executive of the Diocesan Synod and as custodian trustee for parochial trusts, and other related organisations. There have been no significant changes in activity during the year.

As a registered charity, the DBF is not liable to Corporation Tax on its charitable activities.

The DBF 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 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.

Charitable donations have been made as part of the normal expenditure of the DBF in the exercise of its objectives. No political donations have been made.

The DBF continues to undertake significant financial transactions with the Archbishops' Council of the Church of England, the Church Commissioners, the Church of England Pensions Board and Parochial Church Councils (PCCs) within the Diocese of Chester. None of these is a connected charity in the sense defined by charity law.

Bishop's Council

Bishop's Council has the following functions:

- to plan the business of Diocesan Synod, to prepare the agenda for its

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- sessions, and to circulate to members information about matters for discussion;
- to initiate proposals for action by Diocesan Synod;
 - to advise Diocesan Synod on matters of policy;
 - to advise the President on any matters which he may refer to Bishop's Council;
 - subject to the directions of Diocesan Synod, to transact the business of the Synod when it is not in session;
 - to appoint members of committees or nominate members for election to committees, subject to the directions of the Synod;
 - to carry out such other functions as Diocesan Synod may delegate to it.

In practice, Bishop's Council undertakes actions in all the above areas, details of which are reported to Diocesan Synod on a regular basis.

The members of Bishop's Council are also the trustees and the members of the Board of Directors of Chester Diocesan Board of Finance and are therefore responsible for ensuring that the activities of the DBF are conducted in accordance with Charity and Company Law. The Finance and Scrutiny Committee deals with all financial transactions of the DBF except for the:

- approval of the annual report and accounts;
- approval of new policy and material changes in policy;
- approval of significant non-budgeted expenditure.
- Major capital expenditure
- Staff remuneration

The Human Resources Committee and the Staffing Review Committee oversee matters relating to clergy and lay conditions of service, staffing levels, and other matters.

Bishop's Council receives detailed and regular reports on the activities of the various committees on the discharge of its responsibilities.

As employer of the staff responsible for the administrative work of the Diocese, the Board of the DBF records its sincere appreciation of the commitment and hard work of all concerned.

Subject to financial limits certain day-to-day decisions have been delegated to senior employees.

Bishop's Council is appointed as follows: -

Ex-officio members: the Bishop of the Diocese; other members of the House of

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Bishops, the Dean; the chairs of the House of Clergy and Laity; the Archdeacons; and the Chair of the Diocesan Board of Finance who is elected by the members.

Appointed members: one member appointed by each of: the members of the DBF, the committee responsible for housing matters, and the Diocesan Advisory Committee for the Care of Churches.

Elected members: 5 clergy and 5 lay persons from each Archdeaconry elected by and from among the members of the appropriate House of that Archdeaconry.

Nominated members: not more than 2 persons nominated by the Bishop.

Co-opted members: not more than 2 persons co-opted by the Council.

A new Bishop's Council is constituted every 3 years, most recently in December 2018. The first meeting of the new council is a full day meeting and includes a training session on the duties and responsibilities of trustees and company directors, together with a description of the main activities of the charity. In addition, new members were made aware of the Charity Governance Code.

Diocesan Mission and Pastoral Committee

Each diocese has a statutory Diocesan Mission and Pastoral Committee (DMPC) appointed under section 2 of the Mission and Pastoral Measure 2011. The functions of the DMPC are as set out in section 3 of the Measure. The DMPC is also consulted about proposals for making a Bishop's Mission Order. DMPCs were originally appointed under the Dioceses, Pastoral and Mission Measure 2007 to replace former diocesan pastoral committees and diocesan redundant churches uses committees.

In the Diocese of Chester, the Bishop's Council is the DMPC. The day to day work of the DMPC is undertaken by two archidiaconal mission and pastoral committees to which the majority of the DMPC's powers have been delegated. The membership of the archidiaconal committees consists of the Suffragan Bishop, Archdeacon, Rural Deans and Lay Chairs (or other deanery synod nominees) of each archdeaconry plus three members appointed by Bishop's Council (of which one is an elected member of the Council).

The archidiaconal committees agreed proposals for the suspension (or resuspension) of the patron's right of presentation to the benefices of High Legh; St Philip, Kelsall; Latchford, St James; Lostock Gralam; Marbury with Tushingham and Whitewell; St James, Millbrook; Upton Priory; and Willaston. The archidiaconal committees agreed proposals that the suspension of the patron's right of

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presentation to the benefices of St Mary Magdalene, Alsager; Church Lawton; Halton, St Mary; Hollingworth with Tintwistle; and St John the Evangelist, Walton should be allowed to lapse.

The Chester Archidiaconal Mission and Pastoral Committee agreed to designate the appointment to the benefice of Tilston and Shocklach as an interim post. The Committee also agreed to designate the appointment to the benefice of St Philip Kelsall, as a post 'subject to funding'.

The Macclesfield Archidiaconal Mission and Pastoral Committee made recommendations to the Bishop for a Pastoral Scheme for the reorganisation of the benefices Sandbach Heath with Wheelock; and Haslington, St Matthew with Crewe Green St Michael. The Committee also considered and agreed a proposal from the Diocesan Closed Churches Committee that the Church Commissioners be requested to prepare and publish a draft Pastoral Church Buildings Disposal Scheme for the demolition of the closed church building of St John the Baptist, Godley.

Diocesan Closed Churches Uses Committee

The Diocesan Closed Churches Uses Committee (DCCUC) established in accordance with the Pastoral Measure 1983, has had as its sole duty the task of finding suitable alternative uses for redundant church buildings in the Diocese. The responsibilities of the DCCUC were subsumed within those of the Mission and Pastoral Committee, though the closed churches work has been undertaken by a sub-committee.

Christ Church, Crewe. The unlisted portion of the original church closed in 2014. Discussions are ongoing with Cheshire East with regards to possible uses and as part of a proposed wider redevelopment of the surrounding area. The building remains closed.

St Luke, Winnington. The church closed in 2014 and was demolished in that year. Planning permission was sought to develop flats on the site; this was granted after the year end.

St John Altrincham. The church closed early in 2017. Interest has already been shown in the building (which is Grade 2 Listed and in a Conservation Area) by several developers. The building was marketed in 2017 and several bids were received. These were considered by the Church Commissioners and the Diocese. The preferred option was redevelopment for commercial office use. The preferred purchaser is still in the process of seeking planning and listed building consent for the redevelopment.

St Luke Dukinfield. The Grade 2 Listed church closed in late 2016. It was marketed

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in 2017 and some interest was initially shown. However, the full extent of the repairs required were not known at that time. A full condition survey has subsequently been undertaken and as a result all potential offers have been withdrawn. There has been no interest since.

St Johns Godley. The Grade 2 Listed Church closed in March 2017. It has been advertised for sale for some time but there has been no interest.

St Pauls Boughton. The Grade 2* Listed closed in 2016 and needs significant repair. Possible uses are being considered.

The Dioceses of Manchester and Chester, Historic England and the Church Commissioners are working together on the "Find a use Manchester" project which aims to find future uses for redundant historic churches in the two dioceses. St Luke Dukinfield, St John Godley and St Paul Boughton are included in this project.

Custodian Trusteeship

The Board is Custodian Trustee for trust assets with a market value of approximately £5.9m at 31 December 2019 (£5.5m at 31 December 2018). Most of these trusts are held on behalf of Parishes whose charitable purposes in the advancement of religion are parallel to those of the DBF. The assets of the trusts are held separately from those of the Board. The DBF is responsible for their safe custody but has no right of access to such holdings for its own purposes. The funds are invested in accordance with the wishes of the managing trustees of the trusts and are mainly invested in charity deposits and investment funds.

The Board also acts as custodian trustee for land and property trusts for parishes; in the main these are PCC (Parochial Church Council) properties such as church halls and curates' houses. Deeds for these are held and recorded to ensure segregation of the assets from those directly belonging to the DBF.

When founded in the 1830's, the University of Chester had close ties with the Anglican Church and was situated on land donated by the Dean and Chapter of Chester Cathedral. Though the University's aims have widened, it still provides training in theology and religious studies. The DBF remains custodian trustee for the University of Chester, holding property on its behalf.

Finally, when a vicarage is sold, the proceeds form a parsonage building fund, held on behalf of the relevant benefice. These funds can be used for the purchase of a replacement vicarage, or where a surplus vicarage is sold, the proceeds can be transferred to the Pastoral Account of the DBF, subject to the relevant consents. Parsonage building funds are held by the DBF, but do not form part of the DBF

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accounts. At 31st December 2018, the DBF held a parsonage building fund on behalf of the benefice of Liscard the Resurrection.

Investment Policy

The Board's investment policy is to hold investments of relatively low risk and in accordance with the Church of England's ethical investment policy. Subject to this, funds are invested as follows:

- Income funds are invested to achieve the highest possible total return whilst maintaining short term liquidity.
- Endowment funds are invested to produce the highest possible reliable income, whilst maintaining capital growth of the endowment over the longer term.

In carrying out this policy the Board has decided primarily to invest in the funds of the Central Board of Finance of the Church of England.

The Board also has a deposit with Charity Bank in support of the work it does in making available loans to churches and other charities in the Diocese.

Unrestricted funds

For many years considerable attention has been given by Chester DBF to the preparation of long-term financial estimates though this has become harder in the current environment where levels of uncertainty are increased. The major factors considered are the foreseeable decline in the number of stipendiary clergy available to the Diocese, the increased cost of the stipend, national insurance and pension contributions associated with employing even that reducing number. In order to cushion the blow that would otherwise have fallen on parishes, the Board has on occasions used accumulated reserves.

Free unrestricted reserves (excluding fixed assets) have increased over the year and now represent approximately 2.5 months expenditure (£3.2m), due in part to the surplus on day to day activities. This excludes the long-term element of the Clergy Pension Scheme deficit recovery plan. Taking account of the voluntary nature of the bulk of the Board's income, the Board believes this level of reserves is adequate to maintain cash flow. The Board intends to keep under close review the level of reserves required for cash flow purposes, particularly if there is any change in the timing or amount of expected parochial contributions.

Restricted funds

The DBF's restricted funds totalling £8.8m (2019 £9.2m) are shown in note 20, together with an explanation of the purpose of those funds.

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Jane Hannah Graham and Canon White. Reserve levels are maintained to meet the need for loans for the church buildings specified in the Trusts. The Board believes the current level of funds is enough to meet the needs referred to in the trust documents. Pastoral Account. The Board uses the pastoral account mainly to reinvest funds it receives from the sale of parsonage houses for the improvement of parsonage houses. Where not required for this purpose, it can be used to meet the DBF's wider objects

Endowment funds

The DBF's endowment funds totalling £11.8m (2018 £10.5m) are shown in note 19 together with an explanation of the purpose of those funds. The gain is due to the rise in capital value of the investments in the funds, though this rise has retraced somewhat since the end of the year. The major endowment funds generate income for stipends, and to make grants to retired clergy, widows/widowers and dependants.

Grant making policy

The charity makes a variety of grants to clergy, their dependants, parishes and organisations as need arises and in furtherance of its charitable objects.

Applications are invited from those eligible under the terms of the various grant making funds. Applications are considered on their merits by the trustees. Further details of the funds can be found later in these accounts. Details of the amounts and number of grants are given in note 7.

Key Management Personnel

The trustees have delegated much of the day to day running of the DBF to several key management personnel. As with all staff employed by the DBF, their remuneration is set by reference to the Croner Job Evaluation Scheme for the Church of England, with results of job evaluation reviewed by the Staffing Review Committee, a subcommittee of Bishops Council. Where key management personnel are clergy, they are paid a stipend and housed within guidelines set nationally by the Church of England.

Charity Governance Code

The DBF takes account of the Charity Governance Code in its approach to governance and effectiveness as follows: -

Organisational purpose – Bishop's Council – the board of trustees - is clear about the DBF's purpose – "to maintain and promote the spiritual teaching of the Church of England in the Diocese of Chester" and that in practical terms this means assisting parishes to function effectively.

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Leadership – the Bishops and Archdeacons of the diocese – who are all trustees - provide direction that the wider board of trustees can unite around.

Integrity – The board of trustees is particularly aware of the need for the parishes and clergy of the diocese to have confidence in the charity and works to that end. It is also aware of the need for the wider public to have confidence in the charity and the sector.

Decision making, risk and control – the board of trustees understands that its role is to set medium term direction, and delegates much day to day decision making within that direction to senior employees. The board retains responsibility for, and oversight of those decisions.

Board effectiveness – because of the requirement of adequate representation of the various parts of the diocese, the board of trustees is somewhat larger than the size recommended by the code. Where specific issues arise, these are often considered by ad hoc subgroups of trustees, reporting back to full trustee meetings.

Diversity – as with other religious charities, the trustees are drawn from a specific group in society – in this case Anglican Christians with experience and time availability to take part in the management of the charity. Within this, the board aims to be as diverse as it can and is assisted by the requirement that the various parts of the Diocese are represented.

Openness and accountability – the trustees and senior staff seek to foster open relationships, particularly with the parishes and clergy of the diocese.

Auditors

In respect of each director at the date the directors' report is signed:

- So far as we are aware, there is no information needed by the Charity's auditors in connection with preparing their report (relevant audit information) of which they are unaware, and
- As the directors of the Charity we have taken all the steps that we ought to have taken in order to make ourselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

BDO LLP were proposed and reappointed at the Annual General Meeting.

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Trustees' Responsibilities

The Trustees are responsible for preparing the Trustees Report, incorporating the strategic report and the financial statements in accordance with applicable law and regulations.

Company law requires the Trustees to prepare financial statements for each financial year in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the Trustees must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the charity and of the incoming resources and application of resources, including the income and expenditure, of the charity for that period.

In preparing these financial statements the Trustees are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charity will continue in business.

The Trustees are responsible for keeping adequate accounting records that are sufficient to show and explain the charity's transactions and disclose with reasonable accuracy at any time the financial position of the charity and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the charity and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

This report was approved by the Board and signed by order of the Board.



The Rt Revd Mark Tanner Bishop of Chester

10 November 2020

Independent Auditors Report to Members of Chester Diocesan Board of Finance

Opinion

We have audited the financial statements of Chester Diocesan Board of Finance ("the Charitable Company") for the year ended 31 December 2019, which comprise the statement of financial activities including summary income and expenditure account, the balance sheet, statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the Charitable Company's affairs as at 31 December 2019 and of its incoming resources and application of resources 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 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 related 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

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- 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 other information comprises the information included in the Trustees report, incorporating the Strategic Report, other than the financial statements and our auditor's report thereon. The Trustees are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the Trustees' Report, which includes the Directors' Report and the Strategic report prepared for the purposes of Company Law, for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic report and the Directors' Report, which are included in the Trustees' report, have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Charitable Company and its environment obtained in the course of the audit, we have not identified material misstatement in the Strategic report or the Trustee's report.

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

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

Responsibilities of Trustees

As explained more fully in the Trustees' responsibilities statement, 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 determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

We have been appointed as auditor under the Companies Act 2006 and report in accordance with the Act and relevant regulations made or having effect thereunder.

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

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

Use of our report

This report is made solely to the Charitable Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Charitable Company's members those matters we are required to state to them in an auditor's report and for no

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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.

The image shows a handwritten signature in black ink that reads "BDO LLP". The letters are slightly slanted and connected, with a stylized flourish at the end of the "P".

Hamid Ghafoor (Senior Statutory Auditor)
For and on behalf of BDO LLP, statutory auditor
Liverpool, UK
Date 11 November 2020

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Chester Diocesan Board of Finance

Statement of Financial Activities including Summary Income and Expenditure Account for the year ended 31 December 2019

Income and Expenditure

	Note	Unrestricted Funds £'000	Restricted Funds £'000	Endowment Funds £'000	Total 2019 £'000	Total 2018 £'000
Income and endowments from						
Parochial contributions		11,163	-	-	11,163	11,295
Grants and other donations	3	220	933	-	1,153	966
Investment income	4	77	282	-	359	329
Rental income		242	115	-	357	321
Income from charitable activities						
Statutory clergy fees		-	691	-	691	826
Diocesan Retreat and Conference Centre		236	-	-	236	202
Other income from operating activities		16	139	-	155	197
Parsonage and redundant church sales/transfers		-	1,015	-	1,015	1,323
Total		11,954	3,175	-	15,129	15,459
Expenditure on raising funds						
Cost of generating voluntary income		19	-	-	19	18
Investment and Rental costs		10	68	50	128	70
Charitable Activities						
National church responsibility		436	-	-	436	433
Funding of parochial clergy and archdeacons		8,778	1,405	-	10,183	9,791
Parsonage purchases, improvements and transfers		-	1,907	-	1,907	1,444
Support to clergy and parishes		1,884	547	-	2,431	2,280
Diocesan Retreat and Conference Centre		477	-	-	477	351
Change in Staff DBS deficit recovery plan		-	-	-	-	13
Change in CEFPS deficit recovery plan	25	(2,228)	-	-	(2,228)	-
Total	6	9,376	3,927	50	13,353	14,400
Net income/(expenditure) before investment gains/(losses)		2,578	(752)	(50)	1,776	1,059
Net gains/(losses) on investments	14	10	727	1,072	1,809	(323)
Net income		2,588	(25)	1,022	3,585	736
Transfers between funds	22	167	(167)	-	-	-
Other recognised gains/(losses)						
Gains/(losses) on revaluation of fixed assets	13	98	(239)	218	77	148
Net movement in funds		2,853	(431)	1,240	3,662	884
Reconciliation of funds:						
Total funds brought forward	26	7,102	9,224	10,528	26,854	25,970
Total funds carried forward		9,955	8,793	11,768	30,516	26,854

The notes on pages 37 to 52 form part of these financial statements. All activities are continuing.

Chester Diocesan Board of Finance
Balance sheet as at 31 December 2019

	Note	2019 £'000	2018 £'000
Fixed assets			
Tangible assets	13	14,687	14,949
Investments	14	11,493	8,344
		<u>26,180</u>	<u>23,293</u>
Current assets			
Debtors	15	680	746
Cash at bank on deposit and in hand	16	5,628	7,587
		<u>6,308</u>	<u>8,333</u>
Creditors: amounts falling due within one year	17	1,153	1,261
Net current assets		<u>5,155</u>	<u>7,072</u>
Total assets less current liabilities		31,335	30,365
Creditors: amounts falling due after more than one year	18	819	3,511
Total net assets		<u>30,516</u>	<u>26,854</u>
Endowment funds	19	11,768	10,528
Restricted income funds	20	8,793	9,224
Unrestricted funds	21	9,955	7,102
Total charity funds		<u>30,516</u>	<u>26,854</u>

The notes on pages 37 to 52 form part of these financial statements.

The financial statements were approved by the Board of Directors and signed on its behalf by



I N Scott-Dunn
Chairman
10th November 2020



Rt Revd Mark Tanner
Bishop of Chester
10th November 2020

Chester Diocesan Board of Finance is a company limited by guarantee registered in England and Wales (no. 7826)

Chester Diocesan Board of Finance
Statement of Cash Flows for the year ended 31 December 2019

Reconciliation of net income/(expenditure) to net cash flow from operating activities

	Note	2019 £'000	2018 £'000
Net income for the reporting period (as per the statement of financial activities)		3,585	736
Depreciation	13	243	65
Losses/(Gains) on investments	14	(1,809)	323
Dividends, interest and royalties from investments	4	(359)	(329)
Decrease/(Increase) in debtors		66	130
(Decrease) in creditors		(2,800)	(1,161)
Net cash (used in)/provided by operating activities		(1,074)	(236)

Statement of Cash Flows

		2019 £'000	2018 £'000
Net cash (used in) operating activities		(1,074)	(236)
Cashflows from investing activities			
Dividends, interest and royalties from investments		359	329
Payments to acquire fixed assets	13	(62)	(125)
Payments to acquire investments	14	(1,340)	(107)
Receipts from disposal of tangible fixed assets	15	158	1,078
		(885)	1,175
Increase in cash in the year		(1,959)	939

Reconciliation of net cash flow to movement in cash and cash equivalents

		2019 £'000	2018 £'000
Increase in cash in the year		(1,959)	939
Cash and cash equivalents at the beginning of the reporting period		7,587	6,648
Cash and cash equivalents at the end of the reporting period		5,628	7,587

1. Accounting policies and format of accounts

Basis of Preparation

The financial statements have been prepared on the basis of historical cost with the exception certain classes of tangible fixed assets which are included at fair value and investments at market value.

The financial statements have been prepared in accordance with Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (effective 1st January 2019), the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) and with the Charities Act 2011.

Income

All incoming resources are included in the Statement of Financial Activities (SOFA) when the charity is legally entitled to the income and the income can be quantified with reasonable accuracy. In respect of contributions from parishes there is no legal entitlement to income, but there is a high commitment by parishes to pay. They are therefore included on the same basis as above, where there is a reasonable prospect of receipt.

Parochial contributions - parishes contribute based on number of incumbent status clergy and a socioeconomic assessment of ability to pay using information derived from the 2011 census. Parish share is accounted for in the period to which it relates. Provisions are made against any amounts of parish share not considered to be collectable.

Grants and other donations - the DBF receives a number of unrestricted and restricted grants, together with recharges where staff are employed on joint contracts.

Investment income - dividends and interest, mainly arising from endowment funds. About half of the income is specifically restricted to funding the payment of stipends; the majority of the remainder is restricted for a range of other purposes.

Rental income - mainly on parsonages where the parish is in vacancy, together with glebe property.

Statutory clergy fees - almost all clergy now assign the legal right to fees for weddings, funerals and sessions of visiting to the DBF.

Diocesan Retreat and Conference Centre - fees from parishes and individuals attending events at the centre.

Other income from operating activities - including fees for training courses, together with income resulting from the winding up of trusts where the proceeds are payable to the DBF.

Parsonage and redundant church sales/transfers - proceeds following the sale of surplus parsonages and redundant churches, together with the transfer of unsold surplus parsonages and and redundant churches to the DBF, to the extent that the DBF is entitled to the assets.

Expenditure

Expenditure is included on the accrual basis and has been classified under headings that aggregate all of the costs related to the category. Where costs cannot be directly attributed to a particular heading they have been allocated to activities on a basis consistent with the use of the resources.

Going concern

The trustees make an assessment of the Charity's ability to continue as a going concern for a period of at least twelve months from the date on which the financial statements were approved for release. In making the assessment, the trustees consider the financial impact of Covid-19 and on the cash flow forecast and perform stress testing of the plans.

Having performed the assessment, the Trustees conclude that Charity is able to continue to operate as a going concern and that it is appropriate to prepare the financial statements on a going concern basis.

In making the assessment, the Trustees did not consider there to be any material uncertainty relating to events or conditions that individually or collectively may cast significant doubt on Charity's ability to continue as a going concern.

The financial statements have been prepared on the going concern basis, as the trustees consider that the Board has sufficient reserves to continue operations.

Allocation of support costs

Support costs are allocated by reference to the activities generating those costs. This inevitably involves estimates, for example a number staff at the diocesan office are involved in more than one area of activity, so an estimate has to be made of the proportion of time devoted to each. Some items, namely legal fees, are allocated directly to the appropriate sphere of activity. The allocation of support costs is shown in note 5.

Grant making policy

The DBF makes a variety of grants to clergy, their dependants, parishes and organisations as need arises and in furtherance of its charitable objects.

Applications are invited from those eligible under the terms of the various grant making funds. Applications are considered on their merits by the trustees. Further details of the funds can be found later in these accounts. Details of the amounts and number of grants are given in note 7.

Funds

The Statement of Financial Activities shows funds as follows:-

Unrestricted Funds

These are funds available for the general purposes of the Board. Part of the Board's unrestricted funds are designated, that is, set aside for specific purposes.

Chester Diocesan Board of Finance

Notes to the accounts for the year ended 31 December 2019

Restricted Funds

Where there is a specific restriction on the use of a fund, typically imposed by the donor, it is known as restricted. For example, a donation to the Committee for Social Responsibility would be added to the relevant restricted fund, and not to unrestricted, general funds. The Board's restricted funds are shown in note 20.

Endowment Funds

These funds are held to produce income, and are sometimes called capital funds. The income from endowment funds is added to the relevant unrestricted or restricted fund. The Board's endowment funds are shown in note 19.

Fixed Assets

The office at Daresbury Park, fixtures and office equipment are held at historic cost less depreciation. Depreciation is calculated so as to write off the cost over its expected economic life. The office is depreciated at 3.3% of cost per annum, and other fixtures and equipment are depreciated at 15% of cost per annum. Computers less than £5,000, and fixtures and office equipment less than £2,500, are not capitalised and written off in the year of purchase.

Freehold land and buildings held for the board's charitable purposes, are included at fair value as at the balance sheet date using valuations obtained from a qualified valuer. Buildings are depreciated using the National matrix of property components published by the National Housing Federation, unless the unique nature of a building renders a different approach more appropriate. With the exception of Foxhill Conference Centre, depreciation is applied using the "non-traditional house" column of the matrix to allocate proportions of total property value to each component as follows:-

	Useful life (years)	Depreciation
Main fabric	100	73%
Roof structure and covering	70	8%
Windows and external doors	30	4%
Gas boilers/fires	15	2%
Kitchen	20	5%
Bathroom/WCs	30	2%
Mechanical systems (heating, ventilation, plumbing)	30	3%
Electrics	40	3%

Similarly, in the case of Foxhill Conference Centre, depreciation is applied using the "flat - medium rise (average 25 dwellings)" column of the matrix as follows:-

	Useful life (years)	Depreciation
Main fabric	100	69%
Roof structure and covering	70	6%
Windows and external doors	30	3%
Gas boilers/fires	15	3%
Kitchen	20	6%
Bathroom/WCs	30	3%
Mechanical systems (heating, ventilation, plumbing)	30	3%
Electrics	40	3%
Lift	20	4%

Land is not depreciated. The amount of depreciation charged in the year is shown in note 13. Revaluation gains or losses (which are not considered to be impairment losses) are included in the SOFA under the section for other recognised gains and losses.

Parsonages

It is the policy of the board not to capitalise parsonage houses. However, parsonage houses are capitalised when the DBF can expect entitlement to the value of the property, for example once a replacement has been purchased, or if pastoral reorganisation is about to result in the transfer to the DBF. Parsonages are benefice properties. Benefice property is vested in the incumbent as an ecclesiastical corporation sole. The corporate property of an ecclesiastical corporation does not constitute a charity for the purposes of the Charities Act 2011, section 10(2)(a). Chester Diocesan Board of Finance has the financial liabilities of insurance, repair and maintenance of benefice houses under the Repair of Benefice Buildings Measure 1972, but does not have discretion as to the use of the properties, which are the living accommodation of the incumbent.

A parsonage house can only be sold subject to agreement by a wide number of parties including the incumbent, and the patron of the benefice. The first call on proceeds is towards a replacement parsonage house, but with agreement of the various parties surpluses may be transferred to the Diocesan Pastoral Account.

There were 207 parsonage houses in the Diocese insured at a value of £120 million at 31 December 2019.

The SOFA and note 6 to these accounts show details of major parsonage sales, purchases and improvements.

Investments

Investments are stated at fair value as at the balance sheet date.

Unrealised gains or losses arising on the revaluation of investments are, together with the realised gains and losses arising on the sale of investments, shown in the SOFA as net gains/(losses) on investments.

Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

Chester Diocesan Board of Finance
Notes to the accounts for the year ended 31 December 2019

Taxation

No provision is made for taxation as the company is a charity entitled to the various exemptions afforded by the Corporation Taxes Act 2010.

Financial Instruments

Financial assets and financial liabilities are recognised when the company becomes a party to the contractual provisions of the instrument. All financial assets and liabilities are initially measured at transaction price (including transaction costs).

The company only has financial assets and financial liabilities of a kind that qualify as basic financial instruments. Basic financial instruments are initially recognised at transaction value and subsequently measured at their settlement value.

Trade and other debtors are recognised at the settlement amount due after any trade discount offered. Prepayments are valued at the amount prepaid net of any trade discounts due.

Creditors and provisions are recognised where the company has a present obligation resulting from a past event that will probably result in the transfer of funds to a third party and the amount due to settle the obligation can be measured or estimated reliably. Creditors and provisions are normally recognised at their settlement amount after allowing for any trade discounts due.

Pension schemes

The Board of Finance contributes to the Church Workers Pension Fund (for lay staff) and the Church of England Funded Pension Scheme (for clergy). Both of these schemes are defined benefit multi-employer pension schemes and it is not possible to identify the assets and liabilities of the schemes which are attributable to the Board.

In accordance with FRS 102, payments to the schemes are accounted for as for defined contribution schemes. Contributions payable in respect of the accounting period are included in Expenditure in the Statement of Financial Activities.

The Board has entered in to a deficit contribution plan concerning the Church of England Funded Pension Scheme. Future additional contributions have been discounted and have resulted in a liability being reflected in the balance sheet split between creditors due less than one year and creditors due in more than one year in line with FRS 102. The interest cost of the debt is reflected in the Statement of Financial Activities with the payments (less interest) being offset against the liability.

Further detail is provided in notes 24 and 25.

Judgements in applying accounting policies and key sources of estimation uncertainty

In preparing these financial statements, the trustees have made the following judgements:

- Valuation of freehold property – certain classes of freehold property are held at fair value. In order to determine fair value, advice is taken from independent qualified valuers. In this context, judgement is exercised in a number of areas, including local market conditions and investor demand.
- Actuarial assumptions in respect of defined benefit pension schemes - The application of actuarial assumptions, relating to the defined benefit pension schemes that staff are members of, is incorporated in the financial statements in accordance with FRS 102. In applying FRS 102, advice is taken from independent qualified actuaries. In this context, significant judgement is exercised in a number of areas, including future changes in salaries and inflation, mortality rates and the selection of appropriate discount rates.
- Pension scheme deficit reduction payments - As explained at note 25, there is a deficit reduction plan in place in respect of Church of England Funded Pension Scheme for stipendiary clergy. FRS 102 requires a liability to be recognised in respect of the present value of future contributions payable under the terms of the deficit recovery plan. The incorporation of this liability in the financial statements involves the exercise of judgement in a number of areas, including the selection of an appropriate discount rate.

Other key sources of estimation uncertainty include:

- Provision for bad debts (parish share arrears) – provision required against parish share arrears is arrived at in consultation with those who have awareness of the financial position of the parishes being; finance staff, Archdeacons and parish treasurers.
- Other – there is estimation uncertainty in other areas, such as; outstanding clergy fees and accruals of building works complete. The uncertainty in these areas is considered to be significantly lower.

2. Auditors remuneration

The auditors remuneration (inclusive of VAT at 20%) for the year was as follows:-

	2019	2018
	£'000	£'000
Statutory audit	25	15
	<u>25</u>	<u>15</u>

Chester Diocesan Board of Finance

Notes to the accounts for the year ended 31 December 2019

3. Grants and other donations	2019 £'000	2018 £'000
Donations to Foxhill House and Woodlands Conference Centre	4	12
Grant from Allchurches Trust	162	159
Grant to Clergy Sustentation Fund	5	-
Birkenhead legacy	54	-
Donations to Social Responsibility	9	10
Church Commissioners recharge (Suffragan Bishops personal assistants)	53	66
Transforming Lives Together recharge	26	50
English Heritage grant re Church Buildings Officer	12	21
Grant to Retired Clergy Widows Fund	-	4
Church Commissioners Resourcing Ministerial Education block grant	407	254
Additional ordination training support grants	2	-
Diocesan Stipends Fund recharges (housing allowances and St Mellitus training institution)	99	127
Chester Diocesan Board of Education recharge	320	238
E J Massey trust receipt of endowment	-	25
	1,153	966

4. Investment Income	2019 £'000	2018 £'000
Investment and fixed interest funds	302	288
CBF deposits and bank interest	51	32
Other income including interest on loans to parishes	6	9
	359	329

5. Allocation of Central services and support costs

The Diocesan Board of Finance allocates its support costs according to the percentages below, apart from some legal fees allocated to the area to which they relate.

	Generating voluntary income 2% £'000	Parochial clergy and Archdeacons 20% £'000	Support to clergy and parishes 75% £'000	Retreat and Conference Centre 3.0% £'000	Total 2019 £'000
Church house costs	4	35	132	5	176
Central services	2	17	62	2	83
Central staff costs	11	116	436	18	581
Legal, audit, depreciation	2	19	83	3	107
	19	187	713	28	947

Prior year comparatives

	Generating voluntary income 2% £'000	Parochial clergy and Archdeacons 20% £'000	Support to clergy and parishes 75% £'000	Retreat and Conference Centre 3.0% £'000	Total 2018 £'000
Church house costs	3	26	97	4	130
Central services	2	24	89	4	119
Central staff costs	11	113	423	17	564
Legal, audit, depreciation	2	16	73	2	93
	18	179	682	27	906

Chester Diocesan Board of Finance
Notes to the accounts for the year ended 31 December 2019

6. Expenditure	Note	Total 2019 £'000	Total 2018 £'000
Cost of generating voluntary income			
Central Services & support costs		19	18
Investment and rental costs			
Rental costs		122	61
Value linked loan interest paid		6	9
		<u>128</u>	<u>70</u>
Charitable Activities			
National church responsibility		436	433
Funding of parochial clergy and archdeacons			
Parochial Clergy and Archdeacons stipends		7,548	7,589
Maintenance of clergy housing		1,350	1,109
National ministry training and ordinands grants		1,098	914
Central Services & support costs		187	179
		<u>10,183</u>	<u>9,791</u>
Parsonage purchases, improvements and transfers		1,907	1,444
Support to clergy and parishes			
Ministry		530	476
Bishops' and Archdeacons' support, DAC, Chaplains & Ecumenical		259	258
Education		313	231
Social Responsibility		244	234
Mission		185	219
Discretionary and one off items (EIG)		21	19
Clergy/Lay conferences		64	6
Grants to parishes, clergy and others	7	76	118
Transforming Lives Together		26	50
Staff defined benefit pension scheme deficit contribution		-	(13)
Central Services & support costs		713	682
		<u>2,431</u>	<u>2,280</u>
Diocesan Retreat and Conference Centre			
Diocesan Retreat and Conference Centre		449	324
Central Services & support costs		28	27
		<u>477</u>	<u>351</u>
Change in Staff Defined Benefit Pension Scheme deficit recovery plan		-	13
Change in Church of England Funded Pension Scheme (CEFPS) agreed deficit recovery plan	25	(2,228)	-
		<u>13,353</u>	<u>14,400</u>
7. Grants to parishes, clergy and others		2019 £'000	2018 £'000
Pastoral account grants to parishes			
Huntington		-	20
Winnington		-	13
Northwich Holy Trinity		-	7
Open Door project Runcorn		-	3
Goostrey		-	13
Swettenham		-	7
		<u>-</u>	<u>63</u>
Other grants to parishes			
Liscard		17	-
Marton - E J Massey trust		4	4
Birkenhead Priory - clerical or lay assistance		5	5
Thornton Hough - Fryer Legacy income		3	3
		<u>29</u>	<u>12</u>
Grants to Individuals	No. of grants		
Foxhill grants	30	7	2
Clergy Sustentation grants	16	12	14
Retired Clergy, widows and dependents fund grants	81	28	27
		<u>47</u>	<u>43</u>
Total grants		76	118

8. Staff and Office holder costs and numbers

Staff costs:	2019	2018
	£'000	£'000
Wages & salaries	1,680	1,636
Social security costs	157	152
Pension costs	262	258
	<u>2,099</u>	<u>2,046</u>

Average staff numbers based on full time equivalents	2019	2018
	Number	Number
Cost of generating voluntary income	0.5	0.5
Funding of parochial clergy and archdeacons	5.1	4.1
Support to clergy and parishes	25.3	25.1
Diocesan Retreat and Conference Centre	6.3	6.3
Diocesan administration and central support	9.3	9.0
	<u>46.5</u>	<u>45.0</u>

The number of staff whose salary excluding pension contributions amounted to more than £60,000 were as follows:-	2019	2018
£70,001 - £80,000	1	1

This employee accrued benefits in the Church of England Defined Benefits Pension Scheme (note 11).

In addition to the above, the charity had the equivalent of 7.3 (2018 5.1) full time employees under joint contracts with Chester Diocesan Board of Education. Their employment costs are borne by the charity and recharged to Chester Diocesan Board of Education (note 12).

9. Office holders costs and numbers

In addition to those paid as employees of the DBF there are a large number of office holders. In the main these are clergy in parishes, but also include Archdeacons and a small number of diocesan sector posts. There was an average of 201 (2018 202) full time equivalent office holders during the year.

	2019	2018
	£'000	£'000
Clergy Stipends	5,252	5,181
Clergy National Insurance	426	421
Clergy Pension Contributions	1,325	1,406
Other clergy payments	263	315
	<u>7,266</u>	<u>7,323</u>

10. Trustee remuneration and benefits

Bishops' Council, the charity trustee body, and the the board of directors of the charitable company, have the same membership. So every trustee is a director, and vice versa.

Trustee remuneration

No remuneration was paid to any of the directors (charity trustees) in their capacity as directors of the company.

The following trustees were in receipt of a stipend and provided with housing during the year, funded by the DBF:-

Ven Dr Michael R Gilbertson, Archdeacon of Chester
 Ven Ian G Bishop, Archdeacon of Macclesfield
 Revd Dr Robert S Munro, Chairman, House of Clergy
 Revd David Brewster
 Revd Christine J Broad from 4th December 2019
 Revd Canon Elaine Chegwin Hall
 Revd Simon Drew
 Revd Canon David R Felix
 Revd Andrew Q Greenhough
 Revd Dr Mark Hart
 Revd Christopher J P Hobbs
 Revd Dr David J Page
 Revd Michael L Ridley
 Revd Michael I A Smith
 Revd Christina P Upton

The following trustees were in receipt of a stipend and provided with housing during the year, the stipend funded by the Church Commissioners and the housing funded by the DBF:-

The Rt Revd Keith Sinclair, Bishop of Birkenhead
 The Rt Revd Elizabeth J H Lane, Bishop of Stockport until 11th Feb 2019

Chester Diocesan Board of Finance

Notes to the accounts for the year ended 31 December 2019

The following trustee was in receipt of a stipend and provided with housing during the year, both funded by the Church Commissioners:-

The Rt Revd Dr Peter R Forster, Bishop of Chester until 30th September 2019

The following trustee was in receipt of a stipend funded by the Church Commissioners, and with housing funded by Chester Cathedral.

Very Revd Timothy R Stratford, Dean of Chester

The stipends of the Diocesan Bishop and Suffragan Bishops are funded by the Church Commissioners and are in the range £37,305 - £46,062 (2018 £36,032 - £44,530). The stipend, funded by the DBF, paid to Archdeacons was £35,925 (2018 £35,225). The stipend paid to the Dean of Chester was £37,305 (2018 £36,032). Other clergy who were Trustees were paid stipends in the range £25,909 - £27,712 (2018 £25,401 - £27,168).

Trustee expenses

A total of £20,267 (2018 £17,126) was reimbursed to 17 (2018 13) directors during the year. Nearly all expenses reimbursed to directors are in respect of their charitable work for the Diocese. Amounts in respect of their duties as charity trustees are small.

11. Remuneration of key management personnel

The trustees have delegated much of the day to day running of the DBF to a number of key management personnel. The remuneration of these personnel, including employers national insurance, totalled £369,503 (2018 £356,172), together with pension contributions of £70,760 (2018 £65,512). Of these, the highest paid was George Colville, who received £76,194 (2018 £74,701) excluding employers national insurance, together with pension contributions of £19,125 (2018 £17,462). The key management personnel are listed on page 3 of the Annual Report.

12. Related party transactions

Chester Diocesan Board of Education acts as the education authority for the Church of England in the Diocese of Chester, and as such has objects that are closely aligned with those of the charity.

	2019	2018
	£'000	£'000
Contribution re joint employment contracts and other recharges to Chester Diocesan Board of Education	<u>320</u>	<u>238</u>

13. Tangible Fixed Assets

Cost or Valuation	Freehold Land and Buildings			Fixtures and Office Equipment	Total
	Office	Board	Glebe	Equipment	2019
	£'000	£'000	£'000	£'000	£'000
Balance at 1 January 2019	1,436	9,019	4,716	115	15,286
Additions	-	62	-	-	62
Revaluations	-	(141)	218	-	77
Disposals	-	(158)	-	-	(158)
Balance at 31 December 2019	<u>1,436</u>	<u>8,782</u>	<u>4,934</u>	<u>115</u>	<u>15,267</u>
Accumulated Depreciation					
Balance at 1 January 2019	245	-	-	92	337
Charge for year	51	125	50	17	243
Balance at 31 December 2019	<u>296</u>	<u>125</u>	<u>50</u>	<u>109</u>	<u>580</u>
Net Book Value at 1 January 2019	1,191	9,019	4,716	23	14,949
Net Book Value at 31 December 2019	<u>1,140</u>	<u>8,657</u>	<u>4,884</u>	<u>6</u>	<u>14,687</u>

The DBF's office at Daresbury Park is shown at cost and depreciated over 30 years. Other DBF properties and Glebe properties are held at valuation. Valuations are determined by an independent, professionally qualified valuer, for each property at regular intervals, and specifically in any year where the Trustees believe there has been a material change in value. A desk top valuation was performed by Fisher German LLP as at 31 December 2019. The valuations were undertaken in accordance with the Royal Institute of Chartered Surveyors Appraisal and Valuation Manual. The directors consider the values presented in the financial statements to accurately reflect their fair value as at the balance sheet date. The surplus on revaluation has been credited to the Statement of Financial Activities for the year.

In part due to the length of time that many of the buildings have been held, full historic cost information is not available.

Included in the above were properties being actively marketed worth £nil (2018 £1,355,000)

14. Investments	2019	2018
	£'000	£'000
Market Value at 1 January 2019	8,344	8,560
Acquisitions at cost	1,340	107
Net gains/(losses) on revaluation at 31 December 2019	1,809	(323)
Market Value at 31 December 2019	11,493	8,344

Investments at 31 December 2019 comprise

	No of	2019	No of	2018
	shares	Market	shares	Market
		Value		Value
		£'000		£'000
CBF Church of England Investment Fund	564,362	10,970	497,214	7,895
CBF Church of England Fixed Interest Fund	30,414	51	30,414	49
CBF Church of England Property Fund	340,241	462	279,267	390
Churches' Mutual Credit Union Deferred £1	10,000	10	10,000	10
		11,493		8,344

15. Debtors

	2019	2018
	£'000	£'000
Amounts falling due within one year		
Loan to Liverpool DBF	6	6
Other debtors	254	245
Prepayments and accrued income	234	300
Other loans	1	4
	495	555
Amounts falling due after more than one year		
Loans to parishes	21	21
Loan to Liverpool DBF	81	87
Other loans	-	-
Value linked loans to parishes (note 18)	83	83
	185	191
Total debtors	680	746

Debtors are valued at the undiscounted amount receivable.

The loan to Liverpool DBF was arranged as £100,000 repayable over 15 years interest free. The loan was made to assist Liverpool DBF with constructing premises for the use of St Mellitus, a training institution with similar objectives to the DBF, and that provides training for the DBF.

Value linked loans to parishes have no fixed repayment date and are repayable to the Church Commissioners only on the disposal of the property against which security is held. As a result, the majority of these balances are likely to be repayable after more than one year.

16. Cash at bank, on deposit and in hand	2019	2018
	£'000	£'000
Balances held by Church Commissioners	(2)	2
Cash in hand, at bank and on bank deposit	720	881
Charity Bank Deposit	333	330
CBF Church of England Deposit Fund	4,577	6,374
	5,628	7,587

17. Creditors: amounts falling due within one year

	2019	2018
	£'000	£'000
Ordinary creditors	77	295
Sundry creditors and accruals	506	369
Church of England Funded Pension Scheme agreed deficit recovery plan (note 25)	570	597
	1,153	1,261

Creditors are valued at the undiscounted amount payable.

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

	2019	2018
	£'000	£'000
Value linked loans for parishes (note 15)	83	83
Church of England Funded Pension Scheme agreed deficit recovery plan (note 25)	736	3,428
	<u>819</u>	<u>3,511</u>

Creditors are valued at the undiscounted amount payable.

Included in creditors falling due after more than one year are liabilities concerning pension deficit repayments due after more than five years, estimated as being £nil (2018: £1,207,000).

Value Linked Loans from the Church Commissioners are loaned on to parishes on the the same terms that they are borrowed. The outstanding loans are for the purpose of assisting the provision of housing for assistant clergy. The loans become repayable on disposal of the property or by agreement between the parish, the DBF, and the Church Commissioners. Value linked loan interest charged interest at 6.4-7.5% pa, the same rate at which the funds are borrowed from the Church Commissioners. Interest payable is included in note 6.

19. Endowment Funds

The endowment funds comprise capital funds, the income of which is credited to the relevant unrestricted or restricted fund:-

	1 January	Incoming	(Expenditure)	31 December
	2019	Resources	gains/(losses)	2019
	£'000		and transfers	£'000
			£'000	
Diocesan Conference Centre	105	-	25	130
Steel & William Fletcher Rogers Fund	64	-	14	78
Retired Clergy, Widows and Dependants Fund	2,154	-	481	2,635
Clergy Sustentation Fund	136	-	31	167
Birkenhead Curacy Fund	130	-	29	159
E J Massey	105	-	24	129
Glebe Land & Buildings	4,716	-	168	4,884
Diocesan Stipends Fund Capital Account	3,118	-	468	3,586
	<u>10,528</u>	<u>-</u>	<u>1,240</u>	<u>11,768</u>

Prior year comparatives:-

	1 January	Incoming	(Expenditure)	31 December
	2018	Resources	gains/(losses)	2018
	£'000		and transfers	£'000
			£'000	
Diocesan Conference Centre	109	-	(4)	105
Steel & William Fletcher Rogers Fund	67	-	(3)	64
Retired Clergy, Widows and Dependants Fund	2,243	-	(89)	2,154
Clergy Sustentation Fund	142	-	(6)	136
Birkenhead Curacy Fund	135	-	(5)	130
E J Massey	84	25	(4)	105
Glebe Land & Buildings	4,403	-	313	4,716
Diocesan Stipends Fund Capital Account	3,320	-	(202)	3,118
	<u>10,503</u>	<u>25</u>	<u>-</u>	<u>10,528</u>

Permanent Endowment

Diocesan Conference Centre	Held to produce income for the Foxhill Conference Centre
Steel & William Fletcher Rogers Fund	Making of grants for women and girls in need on the Wirral
Retired Clergy, Widows and Dependants Fund	Making of grants for relief in need of retired clergy, widows, spouses of the clergy, and in certain circumstances meeting the cost of clergy pension contributions
Clergy Sustentation Fund	Making of grants to members of the clergy in need of assistance.
Birkenhead Curacy Fund	Fund for clerical or lay assistance at Birkenhead Priory Parish
E J Massey	For the maintenance and upkeep of church and churchyard at Marton

Expendable endowment

Glebe Land & Buildings	Representing the value of glebe property. Glebe rental income is used for funding stipends
Diocesan Stipends Fund Capital Account	The accounts are governed by the Diocesan Stipends Measure 1953 as amended by the Glebe Measure 1976, the National Institutions Measure 1998, and the Miscellaneous Provisions Measure. The main function of the fund is to provide income for stipends; it can also be used for other purposes permitted by the Measures.

20. Restricted Funds

The income funds of the Board of Finance include restricted funds comprising the following unexpended balances of donations and grants held on trust to be applied for specific purposes:-

	1 January 2019	Incoming Resources	(Expenditure), Gains, (Losses) & Transfers	31 December 2019
	£'000	£'000	£'000	£'000
Capital Reserve Stipends	3,151	-	707	3,858
Clergy Sustentation	26	10	(12)	24
UPA Projects	14	-	-	14
Canon White Trust	2	-	-	2
Jane Hannah Graham Trust	333	2	-	335
Retired Clergy Widows and Dependants	755	85	(19)	821
Steel & William Fletcher Rogers Fund	29	2	-	31
Parish Mission and Ministry	27	-	-	27
Diocesan Pastoral Account	4,648	1,069	(2,302)	3,415
Birkenhead Curacy Fund	66	5	8	79
E J Massey				
Foxhill Retreat Fund	173	2	-	175
RME block grant	0	407	(395)	12
Restricted Committee income*	-	1,593	(1,593)	-
	9,224	3,175	(3,606)	8,793

Prior year comparatives:-

	1 January 2018	Incoming Resources	(Expenditure), Gains, (Losses) & Transfers	31 December 2018
	£'000	£'000	£'000	£'000
Capital Reserve Stipends	3,282	-	(131)	3,151
Clergy Sustentation	35	5	(14)	26
UPA Projects	14	-	-	14
Canon White Trust	2	-	-	2
Jane Hannah Graham Trust	332	1	-	333
Retired Clergy Widows and Dependants	694	85	(24)	755
Steel & William Fletcher Rogers Fund	27	2	-	29
Parish Mission and Ministry	27	-	-	27
Diocesan Pastoral Account	5,470	1,365	(2,187)	4,648
Birkenhead Curacy Fund	68	5	(7)	66
Foxhill Retreat Fund	177	1	(5)	173
Restricted Committee income*	-	2,008	(2,008)	-
	10,128	3,472	(4,376)	9,224

*In all cases Committee expenditure exceeds restricted income, the balance being funded from unrestricted funds.

Details of the Restricted funds outstanding are as follows:

Capital Reserve Stipends	Fund for payment of stipends
Clergy Sustentation	The charity is endowed (see note 19) The income is for the making of grants to members of the clergy in need of assistance.
UPA Projects	Raised for projects in Urban Priority Areas.
Canon White Trust	Repair and restoration of churches in the Diocese.
Jane Hannah Graham Trust	The making of grants and loans for the provision, restoration and repair of churches and parsonage houses.
Retired Clergy Widow and Dependants	The charity is endowed (see note 19) Making of grants for relief in need of retired clergy, widows, spouses of the clergy. In certain circumstances meeting clergy pension contributions
The Steel and William Fletcher Rogers Fund	The charity is endowed (see note 19) Making of grants for women and girls in need on the Wirral From Archbishops Council. Can be spent on parish mission and ministry activities, or stipends.
Parish Mission and Ministry	Applied towards the payment of stipends
Diocesan Stipends Income Fund	Applied towards the payment of stipends
Birkenhead Curacy Fund	Fund for clerical or lay assistance at Birkenhead Priory Parish
Foxhill Retreat Fund	The fund arose from a donation from Chester Retreat House and is to be used to fund Retreats.
Diocesan Pastoral Account	The account is governed by the section 78 of the Pastoral Measure 1983. It must initially be used in meeting the costs incurred for the purposes of the measure, or in meeting the costs of disposing of or maintaining houses or churches vested in the DBF or Commissioners. If the DBF is satisfied the fund is not required or likely to be required for the above, it may be applied to other purposes of the diocese or any benefice or parish in the diocese.

Chester Diocesan Board of Finance is also trustee to the Twemlow Trust. The trust is endowed and has a total capital value of £78,647. The trust arose to pay grants to Honorary Canons of Chester Cathedral with a wish that they preach at Balterley Memorial Chapel.

21. Analysis of net assets between funds

	Tangible Fixed Assets £'000	Investments £'000	Net Current Assets £'000	Long term Liabilities £'000	2019 Total Net Assets £'000	2018 Total Net Assets £'000
Unrestricted Funds						
General Funds	4,286	10	2,712	(83)	6,925	6,933
Designated						
CEFPS deficit recovery plan	-	-	(570)	(736)	(1,306)	(4,025)
Office refurbishment	-	462	-	-	462	389
EIG Reserve	-	-	166	-	166	187
Lay Training	-	-	18	-	18	18
Fryer Trust	-	123	-	-	123	100
Bishop of Birkenhead Fund	-	-	37	-	37	-
Diocesan Conference Centre	3,530	-	-	-	3,530	3,500
Total Unrestricted Funds	7,816	595	2,363	(819)	9,955	7,102
Restricted Funds						
Capital Reserve Stipends	-	3,858	-	-	3,858	3,152
Clergy Sustentation	-	-	24	-	24	26
RME block grant	-	-	12	-	12	-
UPA Projects	-	-	14	-	14	14
Canon White Trust	-	-	2	-	2	2
Jane Hannah Graham Trust	-	-	335	-	335	333
Retired Clergy Widows and Depe	200	-	621	-	821	755
Pastoral Account	1,787	-	1,628	-	3,415	4,648
Parish Mission and Ministry	-	-	27	-	27	27
Birkenhead Curacy Fund	-	72	7	-	79	66
Foxhill Retreat Fund	-	84	91	-	175	172
Steel & William Fletcher Rogers	-	-	31	-	31	29
Total Restricted Funds	1,987	4,014	2,792	-	8,793	9,224
Endowment Funds						
Diocesan Conference Centre	-	129	-	-	129	105
Steel & William Fletcher Rogers	-	79	-	-	79	64
E J Massey	-	128	-	-	128	105
Retired Clergy Widows and Depe	-	2,636	-	-	2,636	2,154
Clergy Sustentation Fund	-	167	-	-	167	136
Glebe Land & Buildings	4,884	-	-	-	4,884	4,716
Birkenhead Curacy Fund	-	159	-	-	159	130
Diocesan Stipends Fund Capital	-	3,586	-	-	3,586	3,118
Total Endowment Funds	4,884	6,884	-	-	11,768	10,528
Total Funds	14,687	11,493	5,155	(819)	30,516	26,854

Chester Diocesan Board of Finance
Notes to the accounts for the year ended 31 December 2019

Prior year comparatives:-

	Tangible Fixed Assets £'000	Investments £'000	Net Current Assets £'000	Long term Liabilities £'000	2018 Total Net Assets £'000
Unrestricted Funds					
General Funds	4,321	10	2,685	(83)	6,933
Designated					
CEFPS deficit recovery plan	-	-	(597)	(3,428)	(4,025)
Office refurbishment	-	389	-	-	389
EIG Reserve	-	-	187	-	187
Lay Training	-	-	18	-	18
Fryer Trust	-	100	-	-	100
Diocesan Conference Centre	3,500	-	-	-	3,500
Total Unrestricted Funds	7,821	499	2,293	(3,511)	7,102
Restricted Funds					
Capital Reserve Stipends	-	3,152	-	-	3,152
Clergy Sustentation	-	-	26	-	26
UPA Projects	-	-	14	-	14
Canon White Trust	-	-	2	-	2
Jane Hannah Graham Trust	-	-	333	-	333
Retired Clergy Widows and Depe	185	-	570	-	755
Pastoral Account	2,227	-	2,421	-	4,648
Parish Mission and Ministry	-	-	27	-	27
Birkenhead Curacy Fund	-	59	7	-	66
Foxhill Retreat Fund	-	76	96	-	172
Steel & William Fletcher Rogers	-	-	29	-	29
Total Restricted Funds	2,412	3,287	3,525	-	9,224
Endowment Funds					
Diocesan Conference Centre	-	105	-	-	105
Steel & William Fletcher Rogers	-	64	-	-	64
E J Massey	-	105	-	-	105
Retired Clergy Widows and Depe	-	2,154	-	-	2,154
Clergy Sustentation Fund	-	136	-	-	136
Glebe Land & Buildings	4,716	-	-	-	4,716
Birkenhead Curacy Fund	-	130	-	-	130
Diocesan Stipends Fund Capital	-	1,864	1,254	-	3,118
Total Endowment Funds	4,716	4,558	1,254	-	10,528
Total Funds	14,949	8,344	7,072	(3,511)	26,854

22. Transfers between funds

Transfers were made from restricted to unrestricted funds as follows:-

	2019 £'000	2018 £'000
From the Pastoral Account		
In respect of housing allowances	70	70
In respect of improvement work at Conference Centre	62	-
In respect of Loan repayments	-	500
Other transfers	35	28
Total transfers	167	598

23. Financial Instruments

The DBF's Financial Instruments may be analysed as follows:-

	2019	2018
	£'000	£'000
Financial assets		
Financial assets measured at fair value through Statement of Financial Activities	11,493	8,344
Financial assets measured at amortised cost	6,308	8,333
Financial liabilities		
Financial liabilities measured at amortised cost	1,972	4,772

Financial assets measured at fair value through the Statement of Financial Activities comprise fixed asset investments in unlisted common investment funds.

Financial assets measured at amortised cost comprise cash, trade debtors and other debtors.

Financial liabilities measured at amortised cost comprise loans, trade creditors, other creditors and accruals, and the Church of England Funded Pension Scheme deficit recovery plan.

24. Staff Pensions Schemes

Defined Benefit Scheme (DBS)

Chester DBF (DBS) participates in the Defined Benefits Scheme section of the Church Workers Pension Fund for lay staff. The Scheme is administered by the Church of England Pensions Board, which holds the assets of the schemes separately from those of the Employer and the other participating employers.

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

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

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

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

The scheme is a multi-employer scheme as described in Section 28 of FRS 102. It is not possible to attribute DBS assets and liabilities to specific employers, since each employer, through the Life Risk Section, is exposed to actuarial risks associated with the current and former employees of other entities participating in DBS. This means that contributions are accounted for as if DBS were a defined contribution scheme. The pensions costs charged to the SoFA during the year are payable towards benefits and expenses accrued in that year (2019 £114,290, 2018 £104,504).

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

Following the valuation, the Employer has entered into an agreement with the Church Workers Pension Fund to pay a contribution rate of 30.1% of pensionable salary and expenses of £7,700 per year.

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:

	2019	2018
	£'000	£'000
Balance sheet liability at 1 January	-	-
Deficit contribution paid	-	(13)
Interest cost (recognised in SoFA)	-	-
Remaining change to the balance sheet liability*(recognised in SoFA)	-	13
Balance sheet liability at 31 December	-	-

* 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 2019	December 2018	December 2017
Discount rate	0.0%	0.0%	0.0%

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

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

Pension Builder Scheme

Chester DBF (PB Classic) participates in the Pension Builder Scheme section of the Church Workers Pension Fund for lay staff. The Scheme is administered by the Church of England Pensions Board, which holds the assets of the schemes separately from those of the Employer and the other participating employers.

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

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

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

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

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

The scheme is considered to be a multi-employer scheme as described in Section 28 of FRS 102. This is because it is not possible to attribute the Pension Builder Scheme's assets and liabilities to specific employers and that contributions are accounted for as if the Scheme were a defined contribution scheme. The pensions costs charged to the SoFA in the year are contributions payable (2019: £137,243, 2018: £128,981).

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

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

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

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

25. Church of England Funded Pensions Scheme

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

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

The scheme is considered to be a multi-employer scheme as described in Section 28 of FRS 102. This means it is not possible to attribute the Scheme's assets and liabilities to each 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 (2019: £1,345,787, 2018: £1,425,893), plus the figures highlighted in the table below as being recognised in the SOFA, giving a total negative charge of £803,213 for 2019, (2018: £1,485,893 positive).

Chester Diocesan Board of Finance

Notes to the accounts for the year ended 31 December 2019

A valuation of the Scheme is carried out once every three years. The most recent Scheme valuation completed was carried out at 31 December 2018. The 2018 valuation revealed a deficit of £50m, based on assets of £1,818m and a funding target of £1,868m, assessed using the following assumption: and a funding target of £1,868m, assessed using the following assumptions:

* An average discount rate of 3.2% p.a.;

* RPI inflation of 3.4% p.a. (and pension increases consistent with this);

* Increase in pensionable stipends of 3.4% p.a.;

* Mortality in accordance with 95% of the S3NA_VL tables, with allowance for improvements in mortality rates in line with the CMI 2018 extended model with a long term annual rate of improvement of 1.5%, a smoothing parameter of 7 and an initial addition to mortality improvements of 0.5% p.a.

Following the 31 December 2018 valuation, a recovery plan was put in place until 31 December 2022 and the deficit recovery contributions (as a percentage of pensionable stipends) are as set out in the table below.

% of pensionable stipends	January 2018 to December 2020	January 2021 to December 2022
Deficit repair contributions	11.9%	7.1%

As at 31 December 2017 and 31 December 2018 the deficit recovery contributions under the recovery plan in force at that time were 11.9% of pensionable stipends until December 2025.

As at 31 December 2019 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 balance sheet liability over 2018 and 2019 is set out in the table below:-

	2019 £'000	2018 £'000
Balance sheet liability at 1 January	4,025	4,562
Deficit contribution paid	(570)	(597)
Interest cost (recognised in SoFA)	79	60
Remaining change to the balance sheet liability* (recognised in SoFA)	(2,228)	-
Balance sheet liability at 31 December	<u>1,306</u>	<u>4,025</u>

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

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

	December 2019	December 2018	December 2017
Discount rate	1.1% pa	2.1% pa	1.4% pa
Price inflation	2.8% pa	3.1% pa	3.0% pa
Increase to total pensionable payroll	1.3% pa	1.6% pa	1.5% pa

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

26. Prior year comparative Statement of Financial Activities

	Unrestricted Funds	Restricted Funds	Endowment Funds	Total 2018
	£'000	£'000	£'000	£'000
Income and endowments from				
Parochial contributions	11,295	-	-	11,295
Grants and other donations	172	769	25	966
Investment income	58	271	-	329
Rental income	223	98	-	321
Income from charitable activities				
Statutory fees, chaplaincy and other income	-	826	-	826
Diocesan Retreat and Conference Centre	202	-	-	202
Other income from operating activities	12	185	-	197
Parsonage and redundant church sales/transfers		1,323	-	1,323
Total	11,962	3,472	25	15,459
Expenditure on raising funds				
Cost of generating voluntary income	18	-	-	18
Investment and Rental costs	14	56	-	70
Charitable Activities				
National church responsibility	433	-	-	433
Funding of parochial clergy and archdeacons	8,298	1,493	-	9,791
Parsonage purchases and major improvements	-	1,444	-	1,444
Support to clergy and parishes	1,725	555	-	2,280
Diocesan Retreat and Conference Centre	351	-	-	351
Change in Staff DBS deficit recovery plan	13	-	-	13
Total	10,852	3,548	-	14,400
Net income/(expenditure) before investment gains/(losses)	1,110	(76)	25	1,059
Net gains/(losses) on investments	2	(137)	(188)	(323)
Net income	1,112	(213)	(163)	736
Transfers between funds	598	(598)	-	-
Other recognised gains/(losses)				
Gains/(losses) on revaluation of fixed assets	53	(93)	188	148
Net movement in funds	1,763	(904)	25	884
Reconciliation of funds:				
Total funds brought forward	5,339	10,128	10,503	25,970
Total funds carried forward	7,102	9,224	10,528	26,854